



Analog Devices Announces Financial Results For The Second Quarter Of Fiscal Year 2010 And Increases Dividend 10%

- 2Q10 revenue increased 11% sequentially to \$668 million
- 2Q10 diluted EPS from continuing operations was \$0.55
- 2Q10 gross margin increased to 65.0% of revenue
- 2Q10 operating margin increased to 32.0% of revenue
- Board of Directors increased quarterly dividend by 10% to \$0.22 per share
- Financial results and 3Q10 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (05/18/2010) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for the second quarter of its 2010 fiscal year, which ended May 1, 2010.

"The second quarter was one of the best quarters in ADI's history. Revenue increased by 41% year-over-year and 11% sequentially, gross margin rose to 65% of revenue and operating margin increased to 32% of revenue," said Jerald G. Fishman, President and CEO. "We have substantially grown our revenue in line with a sharpened strategic focus, while fundamentally and significantly improving our operating margin structure."

Results of Operations for the Second Quarter of Fiscal 2010

- **Revenue** was \$668 million, an increase of 11% from the immediately prior quarter and an increase of 41% from the same period one year ago. For more information regarding revenue by end market and product type for the second quarter of fiscal 2010, please see Schedules D and E of this document. In addition, a more complete table covering prior periods is available on the Analog Devices Investor Relations website at: investor.analog.com.
- **Gross margin** was 65.0% of revenue, compared to 61.1% of revenue in the immediately prior quarter, and 55.1% of revenue in the year-ago period. Gross margin improvements were primarily due to lower manufacturing costs, increased factory utilization, and strong sales of products sold to industrial customers.
- **Operating expenses** were \$220 million, compared to \$219 million in the immediately prior quarter, and \$204 million in the same period a year ago. Excluding restructuring charges in prior periods, operating expenses were \$203 million in the immediately prior quarter and \$192 million in the same period a year ago. The table reconciling non-GAAP data to the Company's GAAP results is provided in this release on Schedule F. A more complete table covering reconciliations for prior periods is available on the Analog Devices Investor Relations website at investor.analog.com.
- **Operating income from continuing operations** was \$214 million, or 32.0% of revenue, compared to \$149 million, or 24.7% of revenue, in the immediately prior quarter, and \$58 million, or 12.2% of revenue, in the same period one year ago. Excluding restructuring charges in prior periods, operating income from continuing operations was \$166 million, or 27.5% in the immediately prior quarter, and \$70 million, or 14.7% of revenue, in the same period a year ago.
- **Diluted earnings per share (EPS) from continuing operations** was \$0.55, compared to \$0.39 in the immediately prior quarter, and \$0.18 in the same period a year ago. Excluding restructuring charges in prior periods, diluted EPS from continuing operations was \$0.43 in the immediately prior quarter and \$0.21 in the same period a year ago.
- **The Board of Directors increased its quarterly dividend** by 10% to \$0.22 per outstanding share of common stock, which will be paid on June 16, 2010 to all shareholders of record at the close of business on May 28, 2010.
- **Net cash provided by operating activities** was \$278 million, or 42% of revenue. Capital expenditures were \$17 million, and cash dividends of \$60 million were paid during the second quarter of fiscal 2010.
- **Cash and short-term investments** at the end of the second quarter of fiscal 2010 totaled approximately \$2.4 billion, compared to \$2.2 billion at the end of the first quarter of fiscal 2010.
- **Accounts receivable** in the second quarter of fiscal 2010, as measured by **days sales outstanding**, was 45 days, compared to 47 days at the end of the immediately prior quarter.

- **Inventory** at the end of the second quarter of fiscal 2010 increased by approximately \$4 million, or 2%, compared to the immediately prior quarter.

Outlook for the Third Quarter of Fiscal 2010

The following statements are based on current expectations. These statements are forward-looking and actual results may differ materially, including as a result of the important factors discussed at the end of this release. These statements supersede all prior statements regarding business outlook set forth in prior ADI news releases.

Regarding the outlook for the third quarter of fiscal 2010, Mr. Fishman stated, "Looking ahead to the third quarter, given our higher opening backlog, we are expecting fairly broad-based revenue growth. We are currently planning for revenue to be in the range of \$695 million to \$715 million for the third quarter. We are planning for gross margins to be in the range of 65% to 66%. We expect that operating expenses will grow, but well below revenue growth. As a result, we anticipate that operating margins will expand to 33% to 34% and earnings per share should be in the range of \$0.59 to \$0.61."

Conference Call Scheduled for 5:00 pm ET

Mr. Fishman will discuss the second quarter results and short-term outlook via webcast, accessible at investor.analog.com, today, beginning at 5:00 pm ET. Investors who prefer to join by telephone may call 706-634-7193 ten minutes before the call begins and provide the password "ADI."

A replay will be available almost immediately after the call. The replay may be accessed for up to one week by dialing 800-642-1687 (replay only) and providing the conference ID: 68215149, or by visiting investor.analog.com.

Non-GAAP Financial Information

This release includes non-GAAP financial measures for prior periods that are not in accordance with, nor an alternative to, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Schedule F of this press release provides the reconciliation of the Company's non-GAAP measures to its GAAP measures.

Manner in Which Management Uses the Non-GAAP Financial Measures

Management uses non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margins, and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the underlying baseline operating results and trends in the Company's business.

Economic Substance Behind Management's Decision to Use Non-GAAP Financial Measures

The item excluded from the non-GAAP measures was excluded because it is of a non-recurring or non-cash nature.

The following item is excluded from our non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margins, and non-GAAP diluted earnings per share:

Restructuring-Related Expenses. These expenses are incurred in connection with facility closures, consolidation of manufacturing facilities, and other cost reduction efforts. Apart from ongoing expense savings as a result of such items, these expenses and the related tax effects have no direct correlation to the operation of our business in the future.

Why Management Believes the Non-GAAP Financial Measures Provide Useful Information to Investors

Management believes that the presentation of non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margins, and non-GAAP diluted EPS is useful to investors because it provides investors with the operating results that management uses to manage the Company.

Material Limitations Associated with Use of the Non-GAAP Financial Measures

Analog Devices believes that non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margins, and non-GAAP diluted EPS have material limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. In addition, our non-GAAP measures may not be comparable to the non-GAAP measures reported by other companies. The Company's use of non-GAAP measures, and the underlying methodology in excluding certain items, is not necessarily an indication of the results of operations that may be expected in the future, or that the Company will not, in fact, record such items in future periods.

Management's Compensation for Limitations of Non-GAAP Financial Measures

Management compensates for these material limitations in non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margins, and non-GAAP diluted EPS by also evaluating our GAAP results and the reconciliations of our non-GAAP measures to the most directly comparable GAAP measures. Investors should consider our non-GAAP financial measures

in conjunction with the corresponding GAAP measures.

[2Q'10 Financials](#)

About Analog Devices

Innovation, performance, and excellence are the cultural pillars on which Analog Devices has built one of the longest standing, highest growth companies within the technology sector. Acknowledged industry-wide as the world leader in data conversion and signal conditioning technology, Analog Devices serves over 60,000 customers, representing virtually all types of electronic equipment. Analog Devices is headquartered in Norwood, Massachusetts, with design and manufacturing facilities throughout the world. Analog Devices is included in the S&P 500 Index.

This release may be deemed to contain forward-looking statements which include, among other things, our statements regarding expected revenue, earnings, earnings per share, operating expenses, inventory levels, gross margins, operating margins, and other financial results, expected customer demand for our products, and expected results of our ongoing expense management efforts, that are based on our current expectations, beliefs, assumptions, estimates, forecasts, and projections about the industry and markets in which Analog Devices operates. The statements contained in this release are not guarantees of future performance, are inherently uncertain, involve certain risks, uncertainties, and assumptions that are difficult to predict, and do not give effect to the potential impact of any mergers, acquisitions, divestitures, or business combinations that may be announced or closed after the date hereof. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements, and such statements should not be relied upon as representing Analog Devices' expectations or beliefs as of any date subsequent to the date of this press release. We do not undertake any obligation to update forward-looking statements made by us. Important factors that may affect future operating results include: any faltering in the apparent improvement of economic conditions and financial markets following the recent crisis in global credit and financial markets, erosion of consumer confidence and declines in customer spending, the effects of declines in customer demand for our products and for end products that incorporate our products, competitive pricing pressures, unavailability of raw materials or wafer fabrication, assembly and test capacity, any delay or cancellation of significant customer orders, changes in geographic, product or customer mix, inability to license third party intellectual property, adverse results in litigation matters, and other risk factors described in our most recent filings with the Securities and Exchange Commission. Our results of operations for the periods presented in this release are not necessarily indicative of our operating results for any future periods. Any projections in this release are based on limited information currently available to Analog Devices, which is subject to change. Although any such projections and the factors influencing them will likely change, we will not necessarily update the information, as we will only provide guidance at certain points during the year. Such information speaks only as of the original issuance date of this release.

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