UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 28, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________ to __________

Commission File No. 1-7819

Analog Devices, Inc .
(Exact name of registrant as specified in its charter)

Massachusetts *(State or other jurisdiction of incorporation or organization)*	**04-2348234** *(I.R.S. Employer Identification No.)*
One Technology Way, Norwood, MA *(Address of principal executive offices)*	**02062-9106** *(Zip Code)*

(781) 329-4700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES o NO ☑

As of January 28, 2006 there were 366,140,653 shares of Common Stock, $0.16 2/3 par value per share, outstanding.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(thousands, except per share amounts)

	Three Months Ended	
	January 28, 2006	January 29, 2005
Net sales	$ 621,302	$ 580,536
Cost of sales (1)	260,515	245,008
Gross margin	360,787	335,528
Operating expenses:		
Research and development (1)	131,288	127,534
Selling, marketing, general and administrative (1)	96,281	83,341
Special charges	1,013	—
	228,582	210,875
Operating income	132,205	124,653
Nonoperating (income) expenses:		
Interest expense	10	12
Interest income	(23,257)	(14,563)
Other, net	2,655	568
	(20,592)	(13,983)
Income before income taxes	152,797	138,636
Provision for income taxes	32,240	31,193
Net income	$ 120,557	$ 107,443
Shares used to compute earnings per share – basic	366,135	375,561
Shares used to compute earnings per share – diluted	380,337	388,107
Earnings per share – basic	$ 0.33	$ 0.29
Earnings per share – diluted	$ 0.32	$ 0.28
Dividends declared and paid per share	$ 0.12	$ 0.06
(1) Includes stock-based compensation expense as follows:		
Cost of sales	$ 954	$ —
Research and development	10,263	1,798
Selling, marketing, general and administrative	10,090	—
Total stock-based compensation expense	$ 21,307	$ 1,798

See accompanying notes.

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ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(thousands)

	January 28, 2006	October 29, 2005
Assets		
Cash and cash equivalents	$ 427,855	$ 627,591
Short-term investments	2,307,259	2,078,351
Accounts receivable, net	317,730	320,523
Inventories (2):		
Raw materials	12,572	12,414
Work in process	255,417	240,064
Finished goods	69,846	73,127
	337,835	325,605
Deferred tax assets	82,610	86,430
Deferred compensation plan investments	4,158	234,376
Prepaid expenses and other current assets	64,534	59,580
Total current assets	3,541,981	3,732,456
Property, plant and equipment, at cost:		
Land and buildings	345,716	345,103
Machinery and equipment	1,334,196	1,323,397
Office equipment	78,993	83,969
Leasehold improvements	108,243	108,345
	1,867,148	1,860,814
Less accumulated depreciation and amortization	1,290,350	1,260,908
Net property, plant and equipment	576,798	599,906
Deferred compensation plan investments	27,103	42,941
Other investments	2,146	2,424
Goodwill	163,373	163,373
Intangible assets, net	3,813	4,203
Deferred tax assets	36,540	13,328
Other assets	22,424	24,580
Total other assets	255,399	250,849
	$ 4,374,178	$ 4,583,211

(2) Includes $1,937 related to stock-based compensation expense

See accompanying notes.

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ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(thousands, except share amounts)

	January 28, 2006	October 29, 2005
Liabilities and Shareholders' Equity		
Accounts payable	$ 128,991	$ 128,317
Deferred income on shipments to distributors	132,332	121,802
Income taxes payable	182,820	172,277
Deferred compensation plan liability	4,158	234,376
Accrued liabilities	155,882	162,151
Total current liabilities	604,183	818,923
Deferred income taxes	5,793	1,735
Deferred compensation plan liability	27,837	44,657
Other non-current liabilities	26,736	26,395
Total non-current liabilities	60,366	72,787
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, $1.00 par value, 471,934 shares authorized, none outstanding	—	—
Common stock, $0.16 2/3 par value, 1,200,000,000 shares authorized, 366,140,653 shares issued and outstanding (366,831,612 on October 29, 2005)	61,025	61,139
Capital in excess of par value	317,558	380,206
Retained earnings	3,345,883	3,269,420
Accumulated other comprehensive loss	(14,837)	(19,264)
Total shareholders' equity	3,709,629	3,691,501
	$ 4,374,178	$ 4,583,211

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(thousands)

	Three Months Ended	
	January 28, 2006	January 29, 2005
Cash flows from operating activities:		
Net income	$ 120,557	$ 107,443
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	43,079	38,313
Amortization of intangibles	404	684
Stock-based compensation expense	21,307	1,798
Deferred income taxes	(15,625)	778
Non-cash portion of special charge	459	—
Other non-cash expense	557	718
Changes in operating assets and liabilities	4,517	(32,860)
Total adjustments	54,698	9,431
Net cash provided by operating activities	175,255	116,874
Cash flows from investing activities:		
Purchases of short-term available-for-sale investments	(954,871)	(797,655)
Maturities of short-term available-for-sale investments	726,807	763,960
Additions to property, plant and equipment, net	(20,360)	(23,884)
Decrease in other assets	3,526	1,559
Net cash used for investing activities	(244,898)	(56,020)
Cash flows from financing activities:		
Repurchase of common stock	(125,098)	(161,204)
Net proceeds from employee stock plans	38,685	13,611
Dividend payments to shareholders	(44,094)	(22,579)
Net cash used for financing activities	(130,507)	(170,172)
Effect of exchange rate changes on cash	414	(286)
Net decrease in cash and cash equivalents	(199,736)	(109,604)
Cash and cash equivalents at beginning of period	627,591	518,940
Cash and cash equivalents at end of period	$ 427,855	$ 409,336

See accompanying notes.

ANALOG DEVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 28, 2006
(all tabular amounts in thousands except per share amounts and percentages)

Note 1 – Basis of Presentation

In the opinion of management, the information furnished in the accompanying condensed consolidated financial statements reflects all normal recurring adjustments that are necessary to fairly state the results for these interim periods and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended October 29, 2005 and related notes. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending October 28, 2006 or any future period.

The Company has a 52-53 week fiscal year that ends on the Saturday closest to the last day in October. Fiscal 2006 and fiscal 2005 are 52-week fiscal years.

Certain amounts reported in previous years have been reclassified to conform to the fiscal 2006 presentation. Such reclassifications were immaterial.

Note 2 – Stock-Based Compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123 (revised 2004), *Share-Based Payment* (SFAS 123R). SFAS 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant. Pro forma disclosure is no longer an alternative.

On October 30, 2005 (the first day of its 2006 fiscal year), the Company adopted SFAS 123R using the modified prospective method as permitted under SFAS 123R. Under this transition method, compensation cost recognized in the first quarter of fiscal 2006 includes: (a) compensation cost for all share-based payments granted prior to but not yet vested as of October 29, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to October 29, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective method of adoption, the Company's results of operations and financial position for prior periods have not been restated.

Equity Compensation Plans

The Company currently grants stock options under the following equity compensation plans:

2001 Broad-Based Stock Option Plan (2001 Plan) - The 2001 Plan was adopted by the Company's Board of Directors in December 2001 and subsequently amended in December 2002. Under the 2001 Plan, the Company's Board of Directors may grant options to purchase up to 50 million shares of common stock to employees, consultants or advisors of the company and its subsidiaries, other than executive officers and directors.

The 1998 Stock Option Plan (1998 Plan) - The 1998 Plan was approved by shareholders in fiscal 1998 and subsequently amended in December 2001 and December 2002. The 1998 Plan provides for the issuance of nonstatutory and incentive stock options to purchase up to 30 million shares of common stock. In March 2000, the shareholders approved an amendment to the 1998 Plan to increase the shares reserved for issuance by an additional 34 million shares.

While the Company may grant to employees options that become exercisable at different times or within different periods, the Company has generally granted to employees options that vest and become exercisable in annual installments of 33 1/3% on each of the third, fourth, and fifth anniversaries of the date of grant, in annual installments of 25% on each of the second, third, fourth and fifth anniversaries of the date of grant, or 20% on each of the first, second, third, fourth and fifth anniversaries of the date of grant. The maximum contractual term of all options is ten years.

Employee Stock Purchase Plans - The Company also has employee stock purchase plans (ESPPs) that allow eligible employees to purchase, through payroll deductions, shares of the Company's common stock at 85% of the fair market value at specified dates. Employees may withdraw from an offering before the purchase date and obtain a refund of the amounts withheld through payroll deductions plus accrued interest. The current offering period began June 1, 2005 and is scheduled to end on June 1, 2006; therefore, June 1, 2005 is considered the grant date for the purposes of recognizing the stock-based compensation expense for this offering period. During fiscal 2006, the Company's Board of Directors decided that the current offering period, which ends June 1, 2006, will be the last offering period under the ESPPs. Under APB Opinion No. 25, the Company was not required to recognize stock-based compensation expense for the cost of stock options or shares issued under the Company's ESPPs. Upon adoption of SFAS 123R, the Company began recording stock-based compensation expense related to the ESPPs.

Grant-Date Fair Value

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The fair value of options granted during the first quarter of fiscal 2006 and the first quarter of fiscal 2005 were calculated using the following estimated weighted average assumptions:

	Three Months Ended	
Stock Options	**January 28, 2006**	**January 29, 2005**
Options granted	8,029	11,366
Weighted-average exercise price	$39.43	$ 37.72
Weighted-average grant date fair-value	$11.63	$ 10.82
Assumptions:		
Expected volatility	28.6%	27.0%
Expected term (in years)	5.0	5.0
Risk-free interest rate	4.4%	3.6%
Expected dividend yield	1.22%	0.64%

Expected volatility – the Company is responsible for estimating volatility and has considered a number of factors, including third-party estimates, when estimating volatility. For options granted prior to fiscal 2005, the Company used historical volatility to estimate the grant-date fair value of stock options. The Company changed its method of estimating expected volatility for all stock options granted after fiscal 2004 from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review the Company undertook which included consultations with several third party advisors. The Company currently believes that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's expectations of future volatility. Historical volatility during the period commensurate with the expected term of the Company's stock options over the past several years included a period of time that the Company's stock price experienced unprecedented increases and subsequent declines. The Company believes that this past stock price volatility is unlikely to be indicative of future stock price behavior. Options in the Company's stock are actively traded on several exchanges. Implied volatility is calculated for the period that is commensurate with the option's expected term assumption. Because this term often exceeds the period for which there are exchange traded options in the Company's stock, statistical techniques are used to derive the implied volatility for traded options with terms commensurate with the option's expected term of five years. This calculation of implied volatility is based on the most recent five-day period of trades of the Company's exchange-traded options as of the date of grant.

Expected term – the Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of a new option, and that generally all groups of our employees exhibit similar exercise behavior.

Risk-free interest rate – the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected dividend yield – expected dividend yield is calculated by annualizing the cash dividend declared by the Company's Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant. Until such time as the Company's Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Dividends are not paid on options.

Expense

The Company used the graded attribution method to recognize expense for all options granted prior to the adoption of SFAS 123R. Upon adoption of SFAS 123R on October 30, 2005, the Company switched to the straight-line attribution method to recognize expense for options granted after October 29, 2005. The expense associated with the unvested portion of the pre-adoption grants will continue to be expensed using the graded attribution method.

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. The Company currently expects, based on an analysis of its historical forfeitures that approximately 86% of its options will actually vest, and therefore has applied an annual forfeiture rate of 3.1% to all unvested options as of January 28, 2006. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

The Company's stock plans provide for retirement-related continued vesting for a portion, or all, of certain stock options based on the optionee's age and years of service (retirement provision) in that regardless of whether the employee continues to provide services, the optionee receives the benefit of the stock option. SFAS 123R clarifies the timing for recognizing stock-based compensation expense for awards subject to continued vesting upon meeting this retirement provision. This compensation expense must be recognized over the period from the date of grant to the date retirement eligibility is met if it is shorter than the vesting term. Upon adoption of SFAS 123R in the first quarter of fiscal 2006, the Company's policy regarding the timing of option expense recognition for optionees meeting the criteria of the retirement provision was changed to recognize compensation cost over the period through the date that the optionee is no longer required to provide service to earn the award. Prior to the adoption of SFAS 123R, the Company's policy was to recognize these compensation costs over the vesting term. Had the Company applied these non-substantive vesting provisions required by SFAS 123R to awards granted prior to the adoption of SFAS 123R, the impact on the pro forma net earnings presented below would have been immaterial.

The adoption of SFAS 123R on October 29, 2005 had the following impact on the first quarter of fiscal 2006 results: operating profit before tax was lower by $20.6 million, net income was lower by $14.7 million, and basic and diluted EPS were lower by $0.04.

The following table details the effect on net income and earnings per share had stock-based compensation expense been recorded for the first three months of fiscal 2005 based on the fair-value method under SFAS 123, *Accounting for Stock-Based Compensation.* The reported and pro forma net income and earnings per share for the first quarter of fiscal 2006 are the same since stock-based compensation expense was calculated under the provisions of SFAS 123R.

	Three Months Ended January 29, 2005
Net income, as reported	$ 107,443
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,393
Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	(42,185)
Pro forma net income	$ 66,651
Earnings per share:	
Basic – as reported	$ 0.29
Basic – pro forma	$ 0.17
Diluted – as reported	$ 0.28
Diluted – pro forma	$ 0.16

Prior to the adoption of SFAS 123R, on October 18, 2005, the Company accelerated the vesting of all unvested stock options awarded to employees after December 31, 2000 that had exercise prices of $40.00 per share or greater. Options issued to its corporate officers and directors were not accelerated. Unvested options to purchase approximately 18 million shares became exercisable as a result of the vesting acceleration. Because the exercise price of all the modified options was greater than the market price of the Company's underlying common stock on the date of the modification, no stock-based compensation expense was recorded in the statement of income in accordance with APB Opinion No. 25. The primary purpose for modifying the terms of these options to accelerate their vesting was to eliminate the need to recognize the remaining unrecognized non-cash compensation expense in the statement of income associated with these options as measured under SFAS 123. The approximately $188 million ($134 million net of tax) of future expense associated with these options would have been disproportionately high compared to the economic value of the options at the date of modification.

As disclosed in Note 10, on November 15, 2005 the Company announced that a tentative settlement of the SEC's previously announced stock option investigation has been reached. The Company has determined that no restatement of its historical financial results would be necessary due to the proposed settlement because the effects of using revised measurement dates for options granted in 1998, 1999 and 2001 are not material to any of the fiscal years 1998 through 2005, based on the materiality guidelines contained in SAB 99. Accordingly, the table presented above has not been restated to reflect the effects of using the revised measurement dates.

Option Activity

A summary of the activity under the Company's stock option plans as of January 28, 2006 and changes during the three-month period then ended, is presented below:

	Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding at October 29, 2005	85,489	$32.75		
Options granted	8,029	39.43		
Options exercised	(2,558)	15.12		
Options forfeited	(464)	33.65		
Options expired	(327)	44.83		
Options outstanding at January 28, 2006	90,169	$33.80	6.1	$690,282
Options Exercisable at January 28, 2006	62,866	$33.52	5.1	$541,595
Options vested or expected to vest at January 28, 2006 (1)	87,815	$33.71	6.1	$683,694

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

During the three months ended January 28, 2006, the total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) was $59.2 million and the total amount of cash received from exercise of these options was $38.7 million. The total grant-date fair value of stock options that vested during the three months ended January 28, 2006 was approximately $103.8 million.

As of January 28, 2006, there was $214.6 million of total unrecognized compensation cost related to unvested share-based awards. That cost is expected to be recognized over a weighted-average period of 1.9 years.

Note 3 – Comprehensive Income

Components of comprehensive income include net income and certain transactions that have generally been reported in the consolidated statement of shareholders' equity and consist of the following:

	Three Months Ended	
	January 28, 2006	January 29, 2005
Net income	$ 120,557	$ 107,443
Foreign currency translation adjustments	(28)	859
Unrealized holding gains (losses) (net of taxes of $911 and $3,741, respectively) on securities classified as Short-term Investments	1,692	(6,948)
Unrealized holding gains (losses) (net of taxes of $15 and $160, respectively) on securities classified as Other Investments	27	(297)
Change in unrealized gains on derivative instruments designated as cash flow hedges	2,736	1,769
Other comprehensive income (loss)	4,427	(4,617)
Comprehensive income	$ 124,984	$ 102,826

The components of accumulated other comprehensive income at January 28, 2006 and October 29, 2005 consisted of the following:

	January 28, 2006	October 29, 2005
Foreign currency translation adjustment	$ 3,548	$ 3,576
Unrealized losses on available-for-sale securities	(10,708)	(12,427)
Unrealized losses on derivative instruments	(1,610)	(4,346)
Minimum pension liability adjustment	(6,067)	(6,067)
Total accumulated other comprehensive loss	$ (14,837)	$ (19,264)

Note 4 – Earnings Per Share

Basic earnings per share is computed using only the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. Potential shares related to certain of the Company's outstanding stock options were excluded because they were anti-dilutive. Those potential shares related to the Company's outstanding stock options could be dilutive in the future. The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended	
	January 28, 2006	January 29, 2005
Basic:		
Net income	$ 120,557	$ 107,443
Weighted shares outstanding	366,135	375,561
Earnings per share	$ 0.33	$ 0.29
Diluted:		
Net income	$ 120,557	$ 107,443
Weighted shares outstanding	366,135	375,561
Assumed exercise of common stock equivalents	14,202	12,546
Weighted-average common and common equivalent shares	380,337	388,107
Earnings per share	$ 0.32	$ 0.28
Anti-dilutive common stock equivalents related to outstanding stock options	52,338	46,101

Note 5 – Special Charges

A summary of the Company's special charges are as follows:

Income Statement		Closure of Wafer Fabrication Facility		Reorganization of Product Development and Support Programs		Total Special Charges
Fiscal 2005 Charges:						
Workforce reductions	$	20,315	$	11,165	$	31,480
Total Fiscal 2005 Charges	$	20,315	$	11,165	$	31,480
Fiscal 2006 Charges:						
Facility closure costs	$	—	$	554	$	554
Abandonment of equipment		—		459		459
Total Fiscal 2006 Charges		—		1,013		1,013
Total Special Charges	$	20,315	$	12,178	$	32,493

Accrued Restructuring		Closure of Wafer Fabrication Facility		Reorganization of Product Development and Support Programs		Total Special Charges
Balance at October 29, 2005	$	20,315	$	10,708	$	31,023
Special charges		—		1,013		1,013
Severance payments		—		(4,527)		(4,527)
Non-cash impairment charge		—		(459)		(459)
Balance at January 28, 2006	$	20,315	$	6,735	$	27,050

Closure of Wafer Fabrication Facility

During the fourth quarter of fiscal 2005, the Company recorded a special charge of $20 million as a result of a decision to close its California wafer fabrication operations and transfer production to facilities located in Massachusetts and Ireland, as well as to third-party wafer fabricators. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, under the Company's ongoing benefit plan for 339 manufacturing employees and 28 general and administrative employees. The severance benefit is calculated based on length of past service, and employees must continue to be employed until they are involuntarily terminated in order to receive the severance benefit. As of January 28, 2006, all affected employees remain employed by the Company. The employment of these employees is expected to terminate upon the closure of the wafer fabrication facility which is planned for October of 2006. In addition to the charge recorded in the fourth quarter of fiscal 2005, the Company recorded additional expense in the first quarter of fiscal 2006, which consisted of $5.4 million of non-cash cost of sales expenses for additional depreciation due to shortened useful lives of certain manufacturing equipment and $0.5 million for stay-on bonuses. In accordance with GAAP, the Company expects to incur additional expenses related to this action during fiscal 2006 of approximately $23.6 million, of which approximately $16.2 million will be for non-cash cost of sales expense for additional depreciation, approximately $1.4 million will be for stay-on bonuses and approximately $6 million will be for estimated lease termination and clean-up costs. The closure of these facilities is expected to be completed by the end of fiscal 2006.

Reorganization of Product Development and Support Programs

During the fourth quarter of fiscal 2005, the Company recorded a special charge of $11 million as a result of its decision to reorganize its product development and support programs with the goal of providing greater focus on its analog and DSP product programs. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, under the Company's ongoing benefit plan or statutory requirements at foreign locations for 60 manufacturing employees and 154 engineering and selling, marketing and general and administrative employees. These employees must continue to be employed until they are involuntarily terminated in order to receive the severance benefit. As of January 28, 2006, the employment of 98 of these employees had been terminated. During the first quarter of fiscal 2006, the Company recorded an additional special charge of $1 million related to this reorganization action. This charge was for lease obligation costs for a facility the Company ceased using during the first quarter of fiscal 2006 and the write-off of property, plant and equipment. The Company does not plan to incur any additional charges relating to this reorganization action.

Note 6 – Segment Information

The Company operates and tracks its results in one reportable segment. The Company designs, develops, manufactures and markets a broad range of integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

Note 7 – Goodwill and Intangible Assets

The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances suggest that the carrying value of goodwill may not be recoverable from estimated discounted future cash flows. Because the Company has one reporting segment under SFAS 142, the Company utilizes the entity-wide approach for assessing goodwill for impairment and compares its market value to its net book value to determine if an impairment exists. No impairment of goodwill resulted from the Company's most recent evaluation of goodwill for impairment, which occurred in the fourth quarter of fiscal 2005. The Company's next annual impairment assessment will be made in the fourth quarter of fiscal 2006.

Intangible assets, which continue to be amortized, consisted of the following:

	January 28, 2006		October 29, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology-based	$ 17,423	$ 13,926	$ 17,423	$ 13,567
Tradename	1,167	851	1,167	820
Other	6,147	6,147	6,147	6,147
Total	$ 24,737	$ 20,924	$ 24,737	$ 20,534

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from five to ten years. Amortization expense related to intangibles was $0.4 million and $0.7 million for the three-month periods ended January 28, 2006 and January 29, 2005, respectively.

The Company expects amortization expense for these intangible assets to be:

Fiscal Years	Amortization Expense
Remainder of 2006	$1,212
2007	1,616
2008	985

Note 8 – Pension Plans

The Company has various defined benefit pension and other retirement plans for certain non-U.S. employees that are consistent with local statutory requirements and practices. The Company's funding policy for its foreign defined benefit pension plans is consistent with the local requirements of each country. The plans' assets consist primarily of U.S. and non-U.S. equity securities, bonds, property and cash.

Net periodic pension cost of non-U.S. plans is presented in the following table:

	Three Months Ended	
	January 28, 2006	January 29, 2005
Service cost	$ 3,735	$ 2,135
Interest cost	2,555	1,684
Expected return on plan assets	(2,674)	(1,888)
Amortization of prior service cost	28	48
Amortization of transitional (asset) or obligation	(15)	18
Recognized actuarial loss	505	166
Net periodic pension cost	$ 4,134	$ 2,163

Contributions of $1.7 million have been made by the Company during the three months ended January 28, 2006. The Company presently anticipates contributing an additional $5.3 million to fund its defined benefit pension plans in fiscal year 2006 for a total of $7.0 million.

Note 9 – Product Warranties

The Company generally offers a 12-month warranty for its products. The Company's warranty policy provides for replacement of the defective product. Specific accruals are recorded for known product warranty issues. Product warranty expenses were not material during the three-month periods ended January 28, 2006 and January 29, 2005.

Note 10 – Commitments and Contingencies

Tentative Settlement of the SEC's Previously Announced Stock Option Investigation

In the Company's Form 10-K filing dated November 30, 2004, the Company disclosed that the Securities and Exchange Commission (SEC) had initiated an inquiry into its stock option granting practices, focusing on options that were granted shortly before the issuance of favorable financial results. On November 15, 2005, the Company announced that a tentative settlement has been reached.

Since receiving notice of this inquiry, the Company has cooperated with the SEC and believes that the matter will be concluded in the near future. The Company and its President and CEO, Mr. Jerald G. Fishman, have made an offer of settlement to the Staff of the SEC, which is subject to agreement regarding the specific language of the SEC's administrative order and other settlement documents. The SEC Staff has decided to recommend the offer of settlement to the Commission. A final settlement is subject to review and approval by the Commission.

The Company's Board of Directors and Mr. Fishman believe that it is in the best interests of the Company's shareholders to settle this case on the proposed terms rather than face a protracted dispute with the SEC.

The contemplated settlement addresses two separate issues. The first issue concerns the Company's disclosure regarding grants of options to employees and directors prior to the release of favorable financial results. Specifically, the issue relates to options granted to employees (including officers) of the Company on November 30, 1999 and to employees (including officers) and directors of the Company on November 10, 2000. The SEC settlement would conclude that the Company should have made disclosures in its proxy filings to the effect that the Company priced these stock options prior to releasing favorable financial results.

The second issue addressed by the tentative settlement concerns the grant dates for options granted to employees (including officers) in 1998 and 1999, and the grant date for options granted to employees (including officers) and directors in 2001. Specifically, the settlement would conclude that the appropriate grant date for the September 4, 1998 options should have been September 8th (which is one trading day later than the date that was used to price the options); the appropriate grant date for the November 30, 1999 options should have been November 29th (which is one trading day earlier than the date that was used); and the appropriate grant date for the July 18, 2001 options should have been July 26th (which is five trading days after the original date).

In connection with the contemplated settlement, the Company would consent to a cease-and-desist order under Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, would pay a civil money penalty of $3 million, and would reprice options granted to Mr. Fishman and other directors in certain years. Options granted to all other employees would be excluded from the repricing. Mr. Fishman would consent to a cease-and-desist order under Sections 17(a)(2) and (3) of the Securities Act, would pay a civil money penalty of $1 million, and would make a disgorgement payment with respect to options granted in certain years. With the exception of options granted in 1998, Mr. Fishman has not exercised or sold any of the options identified in this matter. The Company and Mr. Fishman would settle this matter without admitting or denying the Commission’s findings.

The Company has determined that no restatement of its historical financial results would be necessary due to the proposed settlement, because the effects of using revised measurement dates for options granted in 1998, 1999 and 2001 are not material to any of the fiscal years 1998 through 2005, based on the materiality guidelines contained in SAB 99. If a stock-based compensation charge had been taken as a result of the revised measurement dates for these option grants to all employees (including officers) and directors, the net income of the Company for fiscal years 1998 through 2005 would have been reduced by $21.8 million in total. During this period, the Company earned cumulative net income of over $2.5 billion. There would be no impact on revenue, cash flow from operations, or shareholders’ equity as a result of using the revised measurement dates. The impact on net income in individual fiscal years would have been as follows: fiscal 1998 ($0.2 million), fiscal 1999 ($1.4 million), fiscal 2000 ($1.8 million), fiscal 2001 ($3.7 million), fiscal 2002 ($8.1 million), fiscal 2003 ($6.1 million), fiscal 2004 ($0.5 million).

Other Commitments and Contingencies

On June 14, 2005, Biax Corporation filed its first amended complaint for patent infringement in the United States District Court for the Eastern District of Texas against the Company and Intel Corporation, alleging that the Company infringed three patents owned by Biax relating to parallel processors. Prior to the filing of the first amended complaint, the Company was unaware of Biax or this action. The first amended complaint seeks injunctive relief, unspecified damages with interest, as well as Biax’s costs, expenses and fees. On August 3, 2005, the Company filed an answer and counterclaimed against Biax. In the counterclaim, the Company seeks rulings that the patents are not infringed, the patents are invalid and the patents are unenforceable. On November 7, 2005, Biax filed a second amended complaint alleging that the Company infringed two additional patents. The case has entered the discovery phase. The Company intends to vigorously defend against these allegations. The Company is unable at this time to predict the outcome of this litigation.

On November 6, 2003, Enron Corporation commenced a proceeding in the United States Bankruptcy Court for the Southern District of New York. On December 1, 2003, Enron filed an amended complaint to add the Company as a defendant in such proceeding. The amended complaint alleges that transfers made by Enron in satisfaction of obligations it had under commercial paper are recoverable as preferential transfers and fraudulent transfers and are subject to avoidance under the United States Bankruptcy Code. It is alleged that payments made in premature satisfaction of obligations under commercial paper totaling approximately $20 million are recoverable from J.P. Morgan Securities, Inc., Fleet Capital Markets, Fleet National Bank and/or the Company. The Company sold $20 million of Enron commercial paper to Fleet and did not enter into any direct transactions with Enron. The Company filed a motion to dismiss the adversary proceeding. The motion to dismiss was denied by order dated June 30, 2005. The Company intends to vigorously defend against these claims. Although the Company believes it has meritorious defenses to the asserted claims, it is unable at this time to predict the outcome of this proceeding.

The Company is currently under routine audit by the United States Internal Revenue Service (the “IRS”) for fiscal years 2001, 2002 and 2003. The audit has not been completed and the IRS has not issued a report on its audit. However, during February 2006, the IRS issued proposed adjustments to the Company and based on these proposed adjustments, the Company does not expect that the final outcome of this audit will have a material impact on its consolidated results of operations or financial condition.

From time to time as a normal incidence of the nature of the Company's business, various claims, charges and litigation are asserted or commenced against the Company arising from, or related to, contractual matters, patents, trademarks, personal injury, environmental matters, product liability, insurance coverage and personnel and employment disputes. As to such claims and litigation the Company can give no assurance that it will prevail.

The Company does not believe that any of the matters above will have a material adverse effect on the Company's consolidated results of operations or financial position, although an adverse outcome of any of these matters is possible and could have a material adverse effect on the Company's consolidated results of operations or cash flows in the quarter or annual period in which one or more of these matters are resolved.

Note 11 – Common Stock Repurchase

In August 2004, the Company's Board of Directors approved the repurchase of up to $500 million of the Company's common stock. On May 11, 2005, the Company's Board of Directors amended the stock repurchase program by increasing the total amount of the Company's common stock the Company can repurchase from $500 million to $1 billion of common stock. Under the repurchase program, the Company may repurchase outstanding shares of its common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of the Company's Board of Directors, the repurchase program will expire when the Company has repurchased all shares authorized under the program. The Company repurchased a total of 3.3 million shares for approximately $125 million during the first quarter of fiscal 2006. As of January 28, 2006, the Company had purchased approximately 21.8 million shares of its common stock for approximately $788 million under this program. The repurchased shares are held as authorized but unissued shares of common stock.

Note 12 – Common Stock Purchase Rights

In March 1998, the Board of Directors adopted a Stockholder Rights Plan (the Stockholder Rights Plan) that replaced a plan adopted by the Board in 1988. Pursuant to the Stockholder Rights Plan, after giving effect to the Company's two-for-one stock split effected on March 15, 2000, each share of the Company's common stock had an associated one-half of a right. Under certain circumstances, each whole right would have entitled the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock at a purchase price of $180 in cash, subject to adjustment.

On January 23, 2006, the Company, by vote of its Board of Directors, terminated its Stockholder Rights Plan. All rights outstanding under the Stockholder Rights Plan will be redeemed at a redemption price of $0.0005 per right (as adjusted to reflect the two-for-one split of the Company's common stock on March 15, 2000) (as adjusted, the "Redemption Price") payable on March 15, 2006 to the holders of record of the Company's common stock on February 24, 2006. All rights to exercise rights issued under the Stockholder Rights Plan terminated on January 23, 2006 and the only right thereafter of the holders of rights issued under the Stockholder Rights Plan is to receive the Redemption Price.

Note 13 – Related Party Transactions

Certain of the Company's directors are affiliated with companies that sell products to the Company. One of the Company's directors, who has served on the Company's Board since 1988, became a director of Taiwan Semiconductor Manufacturing Company, or TSMC, in fiscal 2002 and currently serves as a director of TSMC. The Company purchased approximately $63 million and $71 million of products from TSMC during the three-month periods ended January 28, 2006 and January 29, 2005, respectively. Approximately $28 million and $27 million was payable to TSMC as of January 28, 2006 and October 29, 2005, respectively. The Company anticipates that it will make significant purchases from TSMC in the remaining quarters of fiscal year 2006.

Note 14 – New Accounting Standards

Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (SFAS 154) which supersedes APB Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements.* SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retroactively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS 154 and is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS 154 to have a material impact on its consolidated results of operations or financial condition.

Asset Retirements

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143* (FIN 47). FIN 47 clarifies that the term conditional asset retirement obligation as used in SFAS 143, *Accounting for Asset Retirement Obligations*, and refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company is currently analyzing FIN 47 and believes the adoption of FIN 47 will not have a material impact on the Company's financial condition, results of operations or liquidity.

Inventory Costs

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4* (SFAS 151). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current-period charges. In addition, SFAS 151 requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 in the first quarter of fiscal 2006 did not affect the Company's financial condition, results of operations or liquidity.

Note 15 – Deferred Compensation Plan Investments and Liability

As a result of certain provisions of the American Jobs Creation Act, participants had the opportunity until December 31, 2005 to elect to withdraw amounts previously deferred under the Company's Deferred Compensation Plan. As a result of withdrawals pursuant to elections under these provisions or upon termination of their employment with the Company, participants withdrew approximately $253.4 million of deferred compensation during the first quarter of fiscal 2006. This amount represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of the Deferred Compensation Plan.

Note 16 – Subsequent Events

On February 8, 2006, the Company's Board of Directors declared a cash dividend of $0.12 per outstanding share of common stock. The dividend will be paid on March 15, 2006 to all shareholders of record at the close of business on February 24, 2006.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended October 29, 2005.

This Quarterly Report on Form 10-Q, including the section entitled "Outlook," contains or incorporates forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. In addition, other written or oral statements that constitute forward-looking statements may be made by or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. We have included important factors in the cautionary statements below under the heading "Factors That May Affect Future Results" that we believe could cause our actual results to differ materially from the forward-looking statements we make. We do not intend to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

Overview

	Three Months Ended	
	January 28, 2006	January 29, 2005
Net Sales	$621,302	$580,536
Gross Margin %	58.1%	57.8%
Diluted EPS	$ 0.32	$ 0.28
Net Income	$120,557	$107,443
Net Income as a % of Sales	19.4%	18.5%

Sales

Net sales in the first quarter of fiscal 2006 increased by $40.8 million or 7.0% from the amount recorded in the first quarter of fiscal 2005. The year-to-year increase in net sales was primarily the result of increases in orders for products used in industrial instrumentation and consumer applications, partially offset by decreases in revenue from products used in computer applications. Sales from products used in communications applications increased slightly in the first quarter of fiscal 2006 over the amounts recorded in the first quarter of fiscal 2005 due to growth in sales of products used in infrastructure equipment for wireless, broadband and optical networking, which was partially offset by the decline in sales of products used in wireless handsets.

Approximately 82% of our net sales were from analog products in the three months ended January 28, 2006 as compared to 80% for the comparable period of fiscal 2005. Approximately 18% of our net sales were from digital signal processing, or DSP, products in the three months ended January 28, 2006 as compared to 20% for the comparable period of fiscal 2005. Our analog product sales were higher by 11% and our DSP product sales were lower by 9% for the three-month period ended January 28, 2006 from the comparable period of fiscal 2005.

The percentage of sales by geographic region, based upon point of sale, for the three-month periods ended January 28, 2006 and January 29, 2005 is as follows:

Region	Three Months Ended January 28, 2006	Three Months Ended January 29, 2005
North America	25%	25%
Europe	22%	24%
Japan	18%	18%
China	13%	13%
Rest of Asia	22%	20%

The increase in total net sales in dollars for the three months ended January 28, 2006 as compared to the same period of fiscal 2005 related primarily to increases in net sales in the Rest of Asia, Japan and North America, partially offset by a slight decrease in net sales in Europe.

Gross Margin

Gross margin increased in the first quarter of fiscal 2006 to 58.1% of net sales, up 30 basis points from the first quarter of fiscal 2005, when gross margin was 57.8% of net sales. The increase in gross margin was primarily the result of the increased sales of higher margin products in the first quarter of fiscal 2006 as compared to the same period in the prior year. Gross margin in the first quarter of fiscal 2006 included $6.9 million of stock-based compensation expenses and restructuring related expenses.

Stock-based Compensation Expense

During the first quarter of fiscal 2006, on October 30, 2005, we adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standard 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, using the modified prospective application method. Compensation cost is calculated on the date of grant using the fair value of the options as determined by the Black-Scholes valuation model. The Black-Scholes valuation model requires us to make several assumptions. One of the key assumptions is expected volatility. For options granted prior to fiscal 2005, we used historical volatility to estimate the grant-date fair value of stock options. We changed our method of estimating expected volatility for all stock options granted after fiscal 2004 from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review we undertook which included consultations with several third party advisors. We currently believe that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's expectations of future volatility. Historical volatility during the period commensurate with the expected term of our stock options over the past several years included a period of time that our stock price experienced unprecedented increases and subsequent declines. We believe that this past stock price volatility is unlikely to be indicative of future stock price behavior.

In the first quarter of fiscal 2006, we recognized $20.6 million of total stock-based compensation expense or 3.3% of net sales as a result of the adoption of SFAS 123R. The adoption of SFAS 123R impacted diluted EPS for the first quarter of fiscal 2006 by $0.04. We expect the impact of the adoption of SFAS 123R on diluted EPS to be approximately $0.04 in each of the remaining quarters of fiscal 2006.

Prior to the adoption of SFAS 123R, we accounted for share-based payments to employees using APB Opinion No. 25's, *Accounting for Stock Issued to Employees*, intrinsic value method and, as such, generally recognized no compensation cost for employee stock options. The adoption of SFAS 123R under the modified prospective application method allowed us to recognize compensation cost beginning with the effective date (a) based on the requirement of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. Under the modified prospective application method, prior periods are not restated for the effect of SFAS 123R. We used the graded attribution method for all options granted prior to the adoption of SFAS 123R. Upon adoption of SFAS 123R on October 30, 2005, we switched to the straight-line attribution method to recognize expense for all grants made after October 29, 2005. The expense associated with the unvested portion of the pre-adoption grants will continue to be expensed using the graded attribution method.

Prior to the adoption of SFAS 123R, on October 18, 2005, we accelerated the vesting of all unvested stock options awarded to employees after December 31, 2000 that had exercise prices of $40.00 per share or greater. Options issued to our corporate officers and directors were not accelerated. Unvested options to purchase approximately 18 million shares became exercisable as a result of the vesting acceleration. Because the exercise price of all the modified options was greater than the market price of our underlying common stock on the date of the modification, no stock-based compensation expense was recorded in the statement of income in accordance with APB Opinion No. 25. The primary purpose for modifying the terms of these options to accelerate their vesting was to eliminate the need to recognize the remaining unrecognized non-cash compensation expense in our statement of income associated with these options as measured under SFAS 123, *Accounting for Stock-Based Compensation*. The approximately $188 million ($134 million net of tax) of future expense associated with these options would have been disproportionately high compared to the economic value of the options at the date of modification.

As of January 28, 2006, the total compensation cost related to unvested awards not yet recognized in the statement of income was approximately $214.6 million, which will be recognized over a weighted average period of 1.9 years.

See Note 2 to our Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for further information regarding our adoption of SFAS 123R.

Research and Development

	Three Months Ended	
	January 28, 2006	January 29, 2005
R&D Expenses	$ 131,288	$ 127,534
R&D Expenses as a % of Net Sales	21.1%	22.0%

Research and development, or R&D, expenses increased $3.8 million or 3.0% in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005. The increase in R&D expenses for the three months ended January 28, 2006 as compared to the same period in fiscal year 2005 was primarily the result of recognizing $9.6 million of stock-based compensation expense in the first quarter of fiscal 2006 as the result of the adoption of SFAS 123R, along with an increase in employee bonus expenses. These items were partially offset by a reduction in legal costs associated with intellectual property litigation and lower licensing fee expenses.

R&D expense as a percentage of net sales will fluctuate from quarter to quarter depending on the amount of net sales and the success of new product development efforts, which we view as critical to our future growth. At any point in time we have hundreds of R&D projects underway, and we believe that none of these projects is material on an individual basis. We expect to continue the development of innovative technologies and processes for new products, and we believe that a continued commitment to R&D is essential in order to maintain product leadership with our existing products and to provide innovative new product offerings. Therefore, we expect to continue to make significant R&D investments in the future.

Selling, Marketing, General and Administrative

	Three Months Ended	
	January 28, 2006	January 29, 2005
SMG&A Expenses	$ 96,281	$ 83,341
SMG&A Expenses as a % of Net Sales	15.5%	14.4%

Selling, marketing, general and administrative, or SMG&A, expenses increased $12.9 million or 15.5% in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005. This year-to-year increase in SMG&A expenses was primarily the result of recording $10.1 million of stock-based compensation expense along with higher employee bonus expenses in the first quarter of fiscal 2006.

Special Charges

Closure of Wafer Fabrication Facility — During the fourth quarter of fiscal 2005, we recorded a special charge of $20 million as a result of a decision to close our California wafer fabrication operations and transfer production to facilities located in Massachusetts and Ireland, as well as to third-party wafer fabricators. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, under our ongoing benefit plan for 339 manufacturing employees and 28 general and administrative employees. The severance benefit is calculated based on length of past service, and employees must continue to be employed until they are involuntarily terminated in order to receive the severance benefit . As of January 28, 2006, all affected employees remain employed by us. The employment of these employees is expected to terminate upon the closure of the wafer fabrication facility, which is planned for October of 2006. In addition to the charge recorded in the fourth quarter of fiscal 2005, we recorded additional expense in the first quarter of fiscal 2006, which consisted of $5.4 million of non-cash cost of sales expenses for additional depreciation due to shortened useful lives of certain manufacturing equipment and $0.5 million for stay-on bonuses. In accordance with GAAP, we expect to incur additional expenses related to this action during fiscal 2006 of approximately $23.6 million, of which approximately $16.2 million will be for non-cash cost of sales expense for additional depreciation, approximately $1.4 million will be for stay-on bonuses and approximately $6 million will be for estimated lease termination and clean-up costs. The closure of these facilities is expected to be completed by the end of fiscal 2006 and is estimated to result in cost savings of approximately $44 million per year beginning in fiscal 2007. These savings are expected to be realized as follows: approximately $43 million in cost of sales, of which approximately $7 million relates to non-cash depreciation savings, and approximately $1 million in selling, marketing, general and administrative expense.

Reorganization of Product Development and Support Programs — During the fourth quarter of fiscal 2005, we recorded a special charge of $11 million as a result of our decision to reorganize our product development and support programs with the goal of providing greater focus on our analog and DSP product programs. The charge was for severance and fringe benefit costs that were recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, under our ongoing benefit plan or statutory requirements at foreign locations for 60 manufacturing employees and 154 engineering and selling, marketing, general and administrative employees. These employees must continue to be employed until they are involuntarily terminated in order to receive the severance benefit. As of January 28, 2006, the employment of 98 of these employees had been terminated. During the first quarter of fiscal 2006, we recorded an additional special charge of $1 million related to this reorganization action. This charge was for lease obligation costs for a facility we ceased using during the first quarter of fiscal 2006 and the write-off of property, plant and equipment. We do not plan to incur any additional charges relating to this reorganization action. These organizational changes are expected to result in savings of approximately $19 million per year once fully completed by the end of fiscal 2006. These savings are expected to be realized as follows: approximately $9 million in research and development expense, approximately $6 million in selling, marketing, general and administrative expense and approximately $4 million in cost of sales.

Non operating Income

Non operating income increased to $20.6 million in the first quarter of fiscal 2006 from $14.0 million in the first quarter of fiscal 2005. The increase in non operating income was primarily the result of an increase in interest income that was primarily attributable to higher interest rates in the first quarter of fiscal 2006 as compared to the same period of fiscal 2005.

Provision for Income Taxes

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned. Our effective income tax rate was 21.1% for the three months ended January 28, 2006 and 22.5% for the three months ended January 29, 2005. The tax rate was higher in the first three months of fiscal 2005 as compared to the first three months of fiscal 2006 primarily due to higher amounts of non-deductible executive compensation in the first quarter of fiscal 2005.

Net Income

	Three Months Ended	
	January 28, 2006	January 29, 2005
Net Income	$ 120,557	$ 107,443
Net Income as a % of Net Sales	19.4%	18.5%
Diluted EPS	$ 0.32	$ 0.28

Net income in the first quarter of fiscal 2006 was higher than the first quarter of fiscal 2005 by approximately $13.1 million primarily as the result of the 7% increase in net sales, the slight improvement in gross margin percentage and the increase in interest income recorded in the first quarter of fiscal 2006 as compared to the same period of fiscal 2005. These items were offset by a year-to-year increase in R&D and SMG&A expenses of $16.7 million, caused primarily as a result of stock-based compensation expense amounting to $19.7 million recorded in the first quarter of fiscal 2006 due to the adoption of SFAS 123R.

Outlook

During the second quarter of fiscal 2006 we are planning for 5% to 6% sequential sales growth in our analog products, driven by anticipated seasonal strength from industrial, consumer, and communications customers. We believe this will be partially offset by a sequential decline in sales of DSP products as a result of the previously announced anticipated divestiture of our DSP-based DSL (digital subscriber line) ASIC and network processor products business, which represented approximately $12 million of revenue in the first quarter of fiscal 2006. While it is difficult to forecast revenue in the semiconductor industry, we are currently planning for revenue in the second quarter of fiscal 2006 to be in the range of $635 million to $650 million.

We are also planning for our gross margin and operating margin to continue to improve and for diluted EPS to be in the range of $0.34 to $0.36 in the second quarter of fiscal 2006. This estimate of diluted EPS includes an approximately $0.05 per share impact related to stock-based compensation expense and previously announced restructuring-related expense that will be recorded in the second quarter of fiscal 2006. The estimate does not reflect a small gain we anticipate we will record as a result of the previously announced sale of the DSP-based DSL ASIC and network processor products business.

Related Party Transactions

One of our directors, who has served on our Board since 1988, became a director of Taiwan Semiconductor Manufacturing Company, or TSMC, in fiscal 2002 and continues to serve as a director of TSMC. We purchased approximately $63 million and $71 million of products from TSMC during the three-month periods ended January 28, 2006 and January 29, 2005, respectively. Approximately $28 million and $27 million was payable to TSMC as of January 28, 2006 and October 29, 2005, respectively. We anticipate that we will make significant purchases from TSMC in the remaining quarters of fiscal year 2006.

Liquidity and Capital Resources

At January 28, 2006, cash, cash equivalents and short-term investments totaled $2,735.1 million, an increase of $29.2 million from the fourth quarter of fiscal 2005. The primary sources of funds for the first three months of fiscal 2006 were net cash generated from operating activities of $175.3 million and proceeds of $38.7 million from our various employee stock plans. The principal uses of funds for the first three months of fiscal 2006 were the repurchase of approximately 3.3 million shares of our common stock for $125.1 million, dividend payments of $44.1 million and capital expenditures of $20.4 million.

Accounts receivable of $317.7 million at the end of the first quarter of fiscal 2006 decreased $2.8 million, or 1%, from $320.5 million at the end of the fourth quarter of fiscal 2005. Days sales outstanding at January 28, 2006 and October 29, 2005 was 47 days.

Inventories increased by $12.2 million, or 3.8%, from $325.6 million at the end of fiscal 2005, to $337.8 million at the end of the first quarter of fiscal 2006. This increase includes $1.9 million of stock-based compensation expense as a result of the adoption of SFAS 123R in the first quarter of fiscal 2006 and additional purchases of externally fabricated wafers in anticipation of increased sales in our second fiscal quarter. Days cost of sales in inventory was 118 days at January 28, 2006 compared to 115 days at October 29, 2005.

Current liabilities decreased to $604.2 million at the end of the first quarter of fiscal 2006, a decrease of $214.7 million, or 26.2%, from the $818.9 million at the end of fiscal 2005. The decrease in current liabilities was primarily the result of a $230.2 million decrease in the deferred compensation plan liability primarily as a result of withdrawals by plan participants in response to certain provisions of the American Jobs Creation Act as more fully described below. These decreases were partially offset by a $10.5 million increase to income taxes payable and a $10.5 million increase to deferred income on shipments to distributors.

During the first three months of fiscal 2006, we distributed $253.4 million from our amended and restated deferred compensation plan (the “Deferred Compensation Plan”) as a result of participant terminations or at the direction of the participants. This amount represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of our Deferred Compensation Plan. As a result of certain provisions of the American Jobs Creation Act, participants had the opportunity until December 31, 2005 to elect to withdraw amounts previously deferred. As a result of withdrawals pursuant to elections under these provisions or upon termination, participants have withdrawn approximately $253.4 million of deferred compensation, of which $234.4 million was previously reflected in the “Less than 1 Year” column and $19.0 million in the “More than 5 Years” column of the contractual obligations table contained in the section entitled

"Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Analog Devices Annual Report on Form 10-K for the fiscal year ended October 29, 2005.

Net additions to property, plant and equipment were $20.4 million in the first three months of fiscal 2006 and were funded with a combination of cash on hand and cash generated from operations. Fiscal 2006 capital expenditures are expected to be approximately $110 million to $120 million.

On February 8, 2006, our Board of Directors declared a cash dividend of $0.12 per outstanding share of our common stock. The dividend is payable on March 15, 2006 to shareholders of record on February 24, 2006 and is expected to amount to approximately $44 million. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

At January 28, 2006, our principal source of liquidity was $2,735.1 million of cash and cash equivalents and short-term investments. We believe that our existing sources of liquidity and cash expected to be generated from future operations, together with anticipated available long-term financing, will be sufficient to fund operations, capital expenditures, research and development efforts, dividend payments (if any) and purchases of stock (if any) under our stock repurchase program for at least the next twelve months and thereafter for the foreseeable future.

New Accounting Pronouncements

Accounting Changes and Error Corrections

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, *Accounting Changes and Error Corrections* (SFAS 154) which supersedes APB Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements.* SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retroactively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material impact on our consolidated results of operations and financial condition.

Asset Retirements

In March 2005, the FASB issued FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143.* FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. We are currently analyzing FIN 47 and believe the adoption of FIN 47 will not have a material impact on our financial condition, results of operations or liquidity.

Inventory Costs

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4* (SFAS 151). SFAS 151 amends the guidance in ARB No 43, Chapter 4, "Inventory Pricing," to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current-period charges. In addition, SFAS 151 requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 in the first quarter of fiscal 2006 did not affect our financial condition, results of operations or liquidity.

Critical Accounting Policies and Estimates

Management's discussion and analysis of the financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future given available information. We consider the following accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. We also have other policies that we consider key accounting policies, such as our policy for revenue recognition, including the deferral of revenue on sales to distributors until the products are sold to the end user; however, the application of these policies does not require us to make significant estimates or judgments that are difficult or subjective.

Inventory Valuation

Inventories are valued at the lower of cost (first-in, first-out method) or market. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology, and product life cycles, we write down inventories to net realizable value. We employ a variety of methodologies to determine the amount of inventory reserves necessary. While a portion of the reserve is determined via reference to the age of inventory and lower of cost or market calculations, an element of the reserve is subject to significant judgments made by us about future demand for our inventory. If actual demand for our products is less than our estimates, additional reserves for existing inventories may need to be recorded in future periods.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts, when appropriate, for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, our actual losses may exceed our estimates, and additional allowances would be required.

Long-Lived Assets

We review property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying value to future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of the assets exceeds their fair market value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. Although we have recognized no material impairment adjustments related to our property, plant, and equipment during the past three fiscal years, except those made in conjunction with restructuring actions, deterioration in our business in the future could lead to such impairment adjustments in future periods. Evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations. In addition, in certain instances, assets may not be impaired but their estimated useful lives may have decreased. In these situations, we amortize the remaining net book values over the revised useful lives.

Goodwill

In accordance with Statement of Financial Accounting Standards No. 142, or SFAS 142, *Goodwill and Other Intangible Assets*, goodwill is subject to annual impairment tests, or earlier if indicators of potential impairment exist and suggest that the carrying value of goodwill may not be recoverable from estimated discounted future cash flows. Because we have one reporting segment under SFAS 142, we utilize the entity-wide approach to assess goodwill for impairment and compare our market value to our net book value to determine if an impairment exists. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

Accounting for Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, or SFAS 109, *Accounting for Income Taxes*, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. We evaluate the realizability of our deferred tax assets quarterly. At January 28, 2006, we had gross deferred tax assets of $165 million primarily resulting from temporary differences between the book and tax bases of assets and liabilities. We have conducted an assessment of the likelihood of realization of those deferred tax assets and concluded that a $46 million valuation allowance is needed to reserve the amount of the deferred tax assets that may not be realized due to the expiration of state credit carryovers. In reaching our conclusion, we evaluated certain relevant criteria including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years that can be used to absorb net operating losses and taxable income in future years. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to these deferred tax assets, resulting in a reduction in net income or an increase in net loss in the period when such determinations are made.

In the ordinary course of global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of cost reimbursement and royalty arrangements among related entities. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which such determination is made.

Stock-Based Compensation

The adoption of SFAS 123R in the first quarter of fiscal 2006 requires that stock-based compensation expense associated with stock options be recognized in the statement of income, rather than being disclosed in a pro forma footnote to the consolidated financial statements. Determining the amount of stock-based compensation to be recorded requires us to develop estimates to be used in calculating the grant-date fair value of stock options. We calculate the grant-date fair values using the Black-Scholes valuation model. The use of valuation models requires us to make estimates of the following assumptions:

Expected volatility – we are responsible for estimating volatility and have considered a number of factors, including third-party estimates, when estimating volatility. For options granted prior to fiscal 2005, we used historical volatility to estimate the grant-date fair value of stock options. We changed our method of estimating expected volatility for all stock options granted after fiscal 2004 from exclusively relying on historical volatility to exclusively relying on implied volatility. This change was the result of a thorough review we undertook which included consultations with several third party advisors. We currently believe that the exclusive use of implied volatility results in a more accurate estimate of the grant-date fair value of employee stock options because it more appropriately reflects the market's expectations of future volatility. Historical volatility during the period commensurate with the expected term of our stock options over the past several years included a period of time that our stock price experienced unprecedented increases and subsequent declines. We believe that this past stock price volatility is unlikely to be indicative of future stock price behavior. Options in our stock are actively traded on several exchanges. Implied volatility is calculated for the period that is commensurate with the option's expected term assumption. Because this term often exceeds the period for which there are exchange traded options in our stock, statistical techniques are used to derive the implied volatility for traded options with terms commensurate with the option's expected term of five years. This calculation of implied volatility is based on the most recent five-day period of trades of our exchange-traded options as of the date of grant. In general, the higher the expected volatility used in the Black-Scholes valuation model, the higher the grant-date fair value of the option.

Expected term – we use historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant date valuation. We believe that this historical data is currently the best estimate of the expected term of a new option, and that generally, all groups of our employees exhibit similar exercise behavior. In general, the longer the expected term used in the Black-Scholes valuation model, the higher the grant-date fair value of the option.

Risk-free interest rate – the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected dividend yield – expected dividend yield is calculated by annualizing the cash dividend declared by our Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant. Until such time as our Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Dividends are not paid on options.

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. We currently expect, based on an analysis of our historical forfeitures that approximately 86% of our options will actually vest, and therefore have applied an annual forfeiture rate of 3.1% to all unvested options as of January 28, 2006. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

Contingencies

From time to time, we receive notices that our products or manufacturing processes may be infringing the patent or intellectual property rights of others. We periodically assess each matter to determine if a contingent liability should be recorded in accordance with Statement of Financial Accounting Standards No. 5, or SFAS 5, *Accounting for Contingencies*. In making this determination, we may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. Based on the information we obtain, combined with our judgment regarding all the facts and circumstances of each matter, we determine whether it is probable that a contingent loss may be incurred and whether the amount of such loss can be reasonably estimated. Should a loss be probable and reasonably estimable, we record a contingent loss in accordance with SFAS 5. In determining the amount of a contingent loss, we consider advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations that may be ongoing, prior case history and other factors. Should the judgments and estimates made by us be incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations. See Note 10 to our Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q.

Factors That May Affect Future Results

Our future operating results are difficult to predict and may materially fluctuate.

Our future operating results are difficult to predict and may be materially affected by a number of factors, including the timing of new product announcements or introductions by us or our competitors, competitive pricing pressures, fluctuations in manufacturing yields, adequate availability of wafers and manufacturing capacity, the risk that our backlog could decline significantly, our ability to hire, retain and motivate adequate numbers of engineers and other qualified employees to meet the demands of our customers, changes in product mix, and the effect of adverse changes in economic conditions in the United States and international markets. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns. Our business is subject to rapid technological changes and there can be no assurance, depending on the mix of future business, that products stocked in inventory will not be rendered obsolete before we ship them. As a result of these and other factors, there can be no assurance that we will not experience material fluctuations in future operating results on a quarterly or annual basis.

Long-term contracts are not typical for us and reductions, cancelations or delays in orders for our products could adversely affect our operating results.

In certain markets where end-user demand may be particularly volatile and difficult to predict, some customers place orders that require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even any, of the product. At any given time, this situation could affect a portion of our backlog. As a result, we are subject to the risk of cancelation of orders leading to a sharp fall-off of sales and backlog. Further, those orders may be for products that meet the customer's unique requirements so that those canceled orders would, in addition, result in an inventory of unsaleable products, resulting in potential inventory write-offs. As a result of lengthy manufacturing cycles for certain of the products subject to these uncertainties, the amount of unsaleable product could be substantial. Reductions, cancelations or delays in orders for our products could adversely affect our operating results.

Our future success depends upon our ability to develop and market new products and enter new markets.

Our success significantly depends on our continued ability to develop and market new products. There can be no assurance that we will be able to develop and introduce new products in a timely manner or that new products, if developed, will achieve market acceptance. In addition, our growth is dependent on our continued ability to penetrate new markets where we have limited experience and competition is intense. There can be no assurance that the markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets, that our products will achieve customer acceptance in these markets, that competitors will not force prices to an unacceptably low level or take market share from us, or that we can achieve or maintain profits in these markets. Furthermore, a decline in demand in one or several of our end-user markets could have a material adverse effect on the demand for our products and our results of operations. Also, some of our customers in these markets are less established, which could subject us to increased credit risk.

We may not be able to compete successfully in the semiconductor industry in the future.

Many other companies offer products that compete with our products. Some have greater financial, manufacturing, technical and marketing resources than we have. Additionally, some formerly independent competitors have been purchased by larger companies. Our competitors also include emerging companies selling specialized products to markets we serve. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors, or that our operating results will not be adversely affected by increased price competition.

We rely on third-party subcontractors and manufacturers for some industry-standard wafers and assembly/test services, and therefore cannot control their availability or conditions of supply.

We rely, and plan to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of our wafers that can be manufactured using industry-standard submicron processes. This reliance involves several risks, including reduced control over delivery schedules, manufacturing yields and costs. Additionally, we utilize third-party wafer fabricators as sole-source suppliers, primarily Taiwan Semiconductor Manufacturing Company. These suppliers manufacture components in accordance with our proprietary designs and specifications. We have no written supply agreements with these sole-source suppliers and purchase our custom components through individual purchase orders. If these sole-source suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us, on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in additional expenses and delays in product development or shipment of product to our customers.

We may not be able to satisfy increasing demand for our products, and increased production may lead to overcapacity and lower prices.

The cyclical nature of the semiconductor industry has resulted in sustained and short-term periods when demand for our products has increased or decreased rapidly. During these periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the available demand. We, and the semiconductor industry generally, expand production facilities and access to third-party foundries in response to these periods of increased demand. These capacity expansions by us and other semiconductor manufacturers could lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results.

Our revenue may not increase enough to offset the expense of additional capacity.

We, and the semiconductor industry generally, expand production facilities and access to third-party foundries in response to periods of increased demand which can cause operating expenses to increase. Should customer demand fail to increase or should the semiconductor industry enter a period of reduced customer demand, our financial position and results of operations could be adversely impacted as a result of underutilization of capacity or asset impairment charges.

We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively.

We rely primarily upon know-how, rather than on patents, to develop and maintain our competitive position. There can be no assurance that others will not develop or patent similar technology or reverse engineer our products or that the confidentiality agreements upon which we rely will be adequate to protect our interests. Other companies have obtained patents covering a variety of semiconductor designs and processes, and we might be required to obtain licenses under some of these patents or be precluded from making and selling the infringing products, if such patents are found to be valid. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms, or at all. Moreover, the laws of foreign countries in which we design, manufacture and market our products may afford little or no effective protection of our proprietary technology.

We are involved in frequent litigation regarding intellectual property rights, which could be costly to defend and could require us to redesign products or pay significant royalties.

There can be no assurance that any patent will issue on pending applications or that any patent issued will provide substantive protection for the technology or product covered by it. We believe that patent and mask set protection is of less significance in our business than experience, innovation and management skill. There also can be no assurance that others will not develop or patent similar technology, or reverse engineer our products, or that our confidentiality agreements with employees, consultants, silicon foundries and other suppliers and vendors will be adequate to protect our interests.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual indemnification of our customers. We have received from time to time, and may receive in the future, claims from third parties asserting that our products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. See Note 10 in the Notes to our Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for information concerning pending litigation that involves us. An adverse outcome in this or other litigation could have a material adverse effect on our consolidated financial position or on our consolidated results of operations or cash flows in the period in which the litigation is resolved.

If we do not retain our key personnel, our ability to execute our business strategy will be limited.

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers, and on our ability to continue to attract, retain, and motivate qualified personnel. The competition for these employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on us should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policy on any of our officers or employees.

We rely on manufacturing capacity located in geologically unstable areas, which could affect the availability of supplies and services.

We, and many companies in the semiconductor industry, rely on internal manufacturing capacity located in California as well as wafer fabrication foundries in Taiwan and other sub-contractors in geologically unstable locations around the world. This reliance involves risks associated with the impact of earthquakes on us and the semiconductor industry, including temporary loss of capacity, availability and cost of key raw materials and equipment and availability of key services including transport. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third party wafer-fabrication foundries, as a result of fire, natural disaster, unavailability of electric power or otherwise, would have a material adverse effect on our results of operations and financial condition.

We are exposed to economic, political and other risks through our significant worldwide operations.

During the first quarter of fiscal 2006, approximately 75% of our revenues were derived from customers in international markets. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies. Potential interest rate increases, particularly in the United States and China, as well as high energy costs could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products. We have manufacturing facilities outside the United States in Ireland and the Philippines. In addition to being exposed to the ongoing economic cycles in the semiconductor industry, we are also subject to the economic and political risks inherent in international operations and their impact on the United States economy in general, including the risks associated with ongoing uncertainties and political and economic instability in many countries around the world as well as the economic disruption from acts of terrorism, and the response to them by the United States and its allies. These risks include air transportation disruptions, expropriation, currency controls, currency exchange rate movement, and additional costs related to tax, tariff and freight rate increases.

Our future operating results are dependent on the performance of independent distributors and sales representatives.

A significant portion of our sales are through independent distributors that are not under our control. These independent distributors generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their representation of us. We generally do not require letters of credit from our distributors and are not protected against accounts receivable default or bankruptcy by these distributors. Our inability to collect open accounts receivable could adversely affect our results of operations. Termination of a significant distributor, whether at our initiative or the distributor's initiative, could disrupt our current business. If we are unable to find suitable replacements in the event of terminations by significant distributors or sales representatives, our operating results could be adversely affected.

Our manufacturing processes are highly complex and may be interrupted.

We have manufacturing processes that utilize a substantial amount of technology as the fabrication of integrated circuits is a highly complex and precise process. Minute impurities, contaminants in the manufacturing environment, difficulties in the fabrication process, defects in the masks used in the wafer manufacturing process, manufacturing equipment failures, wafer breakage or other factors can cause a substantial percentage of wafers to be rejected or numerous dice on each wafer to be nonfunctional. While we have significant expertise in semiconductor manufacturing, it is possible that some processes could become unstable. This instability could result in manufacturing delays and product shortages, which could have a material adverse effect on our financial position or results of operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the information provided under ITEM 7A. "Qualitative and Quantitative Disclosures about Market Risk" set forth in our Annual Report on Form 10-K for the year ended October 29, 2005.

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Analog's disclosure controls and procedures as of January 28, 2006. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of January 28, 2006, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) *Changes in Internal Controls.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the first quarter ended January 28, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 30, 2005 through November 26, 2005	400,000	$ 37.46	400,000	$ 322,438,376
November 27, 2005 through December 24, 2005	2,862,488	$ 38.47	2,862,488	$ 212,326,121
December 25, 2005 through January 28, 2006	—	—	—	$ 212,326,121
Total	3,262,488	$ 38.34	3,262,488	$ 212,326,121

(a) The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to the brokers.

(b) Repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004, as amended on May 11, 2005, under which our Board of Directors authorized the repurchase of up to an aggregate of $1 billion of our common stock. Under the repurchase program, we may repurchase outstanding shares of our common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program.

ITEM 6. Exhibits

(a) Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Quarterly Report on Form 10-Q and such Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	ANALOG DEVICES, INC.
Date: February 15, 2006	By: /s/ Jerald G. Fishman Jerald G. Fishman President and Chief Executive Officer (Principal Executive Officer)
Date: February 15, 2006	By: /s/ Joseph E. McDonough Joseph E. McDonough Vice President-Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit Index

Exhibit No.	Description
10.1	Employment Agreement dated November 14, 2005 between Jerald G. Fishman and Analog Devices, Inc., filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-7819) filed November 15, 2005 and incorporated herein by reference.
10.2	Description of Executive Performance Bonus Plan for fiscal year 2006, incorporated herein by reference to Item 1.01 in the Company's Current Report on Form 8-K (File No. 1-7819) filed January 25, 2006.
10.3	Analog Devices, Inc. Amended and Restated Deferred Compensation Plan.
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
32.1	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer).
32.2	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer).

EXHIBIT 10.3

ANALOG DEVICES, INC.

AMENDED AND RESTATED DEFERRED COMPENSATION PLAN

EFFECTIVE AS OF DECEMBER 6, 2005

ANALOG DEVICES, INC.

DEFERRED COMPENSATION PLAN

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ARTICLE I

INTRODUCTION

1.1 HISTORY

The Analog Devices, Inc. Deferred Compensation Plan (the "Plan") was established by Analog Devices, Inc. (the "Company") effective December 1, 1995 and thereafter amended from time to time. In accordance with the provisions of Notice 2005-1 issued by the Internal Revenue Service this Plan was amended and restated on February 3, 2005, effective January 1, 2005, to permit certain withdrawals and changes in deferrals as set forth in Section 6.9 and to conform the plan in its entirety to new Section 409A of the Internal Revenue Code. This Plan is subsequently amended and restated on December 6, 2005 effective as of that same day to eliminate the "TIP Restoration Payment", formerly defined in Section 2.31 of the previous amended and restated Plan. The terms of this restatement are applicable to all account balances maintained under the Plan as of January 1, 2005 as well as all contributions made after that date.

1.2 STATEMENT OF PURPOSE AND COMPLIANCE WITH LAW

The purpose of the Plan is to provide deferred compensation benefits to a select group of management and highly compensated employees of the Company and the Directors and to assist in attracting and retaining qualified individuals to serve as officers and managers or Directors of the Company.

The Plan is intended to defer the recognition of taxable income by participants until the distribution of amounts they have deferred or the Company has contributed in accordance with the plan terms without the imposition of any penalties. Therefore, the Plan is intended to comply with all applicable law consistent with that intent, including new Section 409A of the Internal Revenue Code of 1986, as amended and shall be operated and interpreted in accordance with this intention and any action or failure to act which is determined to be inconsistent with Section 409A shall be corrected as soon as possible in order to comply with such Section 409A. To the extent of any inconsistency between this Plan and Section 409A, Section 409A shall govern and control.

This Plan may be further amended (the "Modifications") to comply with the terms of Section 409A (and any other applicable law). The Plan terms and its interpretation and administration, shall be modified from time to time (whether or not formal amendments have yet been adopted to the plan terms) to the extent necessary in order to comply with Section 409A. In addition, Modifications made to the plan terms may include any elective provisions permitted under applicable law to the extent set forth in such Modifications.

ARTICLE II

DEFINITIONS

When used in this Plan and initially capitalized, the following words and phrases shall have the meanings indicated:

2.1 ACCOUNT.

"Account" means the sum of a Participant's Deferral Account and Company Contribution Account.

2.2 ADMINISTRATIVE PROCEDURES

"Administrative Procedures" means the detailed terms governing the operation of the Plan which are to be adopted and may thereafter be modified from time to time by the Committee and which shall conform in their terms and operation with Section 409A.

2.3 BASE SALARY.

"Base Salary" means a Participant's base earnings earned by an Eligible Employee without regard to any increases or decreases in base earnings as a result of (i) an election to defer base earnings under this Plan or (ii) an election between benefits or cash provided under any Plan of an Employer maintained pursuant to Section 125 or 401(k) of the Code, and as limited in the Administrative Procedures.

2.4 BENEFICIARY.

"Beneficiary" means the person or persons designated or deemed to be designated by the Participant pursuant to Article VII to receive benefits payable under the Plan in the event of the Participant's death.

2.5 BOARD.

"Board" means the Board of Directors of the Company.

2.6 BONUS.

"Bonus" means a Participant's bonus or sales commission earned by an Eligible Employee under the plans identified in the Administrative Procedures and to the degree limited therein, without regard to any decreases as a result of (i) an election to defer all or any portion of a bonus under this Plan or (ii) an election between benefits or cash provided under any plan of the Employer maintained pursuant to Section 401(k) of the Code.

2.7 CHANGE IN CONTROL.

"Change in Control" means a Change in Control Event as defined in Internal Revenue Service Notice 2005-1, as modified from time to time.

2.8 CODE.

"Code" means the Internal Revenue Code of 1986, as amended.

2.9 COMMITTEE.

"Committee" has the meaning set forth in Section 8.1.

2.10 COMPENSATION.

"Compensation" means the Base Salary and Bonus earned by an Eligible Employee for each Plan Year or the fees earned by any non-employee Board member in each Plan Year.

2.11 COMPANY CONTRIBUTION ACCOUNT.

"Company Contribution Account" means the account maintained on the books of the Employer for the purpose of accounting for the Company Contribution Amount and the investment return credited to such Account pursuant to Article V.

2.12 COMPANY CONTRIBUTION AMOUNT.

"Company Contribution Amount" means the amount credited to a Participant's Company Contribution Account under Section 4.2.

2.13 COMPANY.

"Company" means Analog Devices, Inc. (Analog) and any successor thereto.

2.14 DEFERRAL ACCOUNT.

"Deferral Account" means the account maintained on the books of the Employer for the purpose of accounting for the amount of Compensation that each Participant elects to defer under the Plan and for the amount of investment return credited thereto for each Participant pursuant to Article V.

2.15 DEFERRAL BENEFIT.

"Deferral Benefit" means the benefit payable to a Participant or his or her Beneficiary pursuant to Article VI.

2.16 DEFERRAL ELECTION.

"Deferral Election" means the election made by a Participant to defer Compensation pursuant to Article IV which will be made in accordance with the Administrative Procedures.

2.17 DISABILITY.

"Disability" means Disability as defined in Section 409A.

2.18 ELIGIBLE EMPLOYEE.

"Eligible Employee" means (i) a highly compensated or management employee of the Company who is designated by the Committee in accordance with Section 3.1 as eligible to participate in the Plan, or (ii) any non-employee member of the Board serving from time to time.

2.19 EMPLOYER.

"Employer" means, with respect to a Participant, the Company or the Selected Affiliate which pays such Participant's Compensation.

2.20 INVESTMENT RETURN RATE.

"Investment Return Rate" means the rate credited on Accounts in accordance with the Administrative Procedures.

2.21 PARTICIPANT.

"Participant" means any Eligible Employee who elects to participate by filing a Participation Election.

2.22 PARTICIPATION ELECTION.

"Participation Election" means the Participant's election, in whatever manner is prescribed in the Administrative Procedures, to make Deferral Elections under the Plan.

2.23 PLAN.

"Plan" means the Analog Devices, Inc. Amended and Restated Deferred Compensation Plan, as amended from time to time.

2.24 PLAN YEAR.

"Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.

2.25 RECORDKEEPER

"Recordkeeper" means the organization which is responsible for maintaining the records of the Plan from time to time.

2.26 RETIREMENT

"Retirement" means the separation from service of a Participant who has reached age 62 and completed 10 years of vesting service under the Company's TIP as an employee, or, 10 years of service as a non-employee member of the Board.

2.27 SECTION 409A

"Section 409A" means Section 409A of the Code and all other applicable statutes and the regulations, notices and other guidance issued and modified from time to time by state and federal agencies with respect to such laws.

2.28 SELECTED AFFILIATE.

"Selected Affiliate" means (1) any entity in an unbroken chain of companies beginning with the Company if each of the companies other than the last company in the chain owns or controls, directly or indirectly, stock possessing not less than 50 percent of the total combined voting power of all classes of stock in one of the other companies, or (2) any partnership or joint venture in which one or more of such companies is a partner or venturer, each of which shall be selected by the Committee.

2.29 TIP.

"TIP" means, with respect to a Participant, the Analog Devices, Inc. "The Investment Partnership", a qualified retirement plan under Section 401(a) and 401(k) of the Code, or its successor, or as it may be amended from time to time

2.30 UNFORSEEABLE EMERGENCY

"Unforseeable Emergency" has the meaning set forth in Section 6.4.

2.31 VALUATION DATE.

"Valuation Date" means a date on which the Participant's Account is valued as provided in Article V. The Valuation Date shall be the end of the Plan Year and any other date determined in the Administrative Procedures

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 ELIGIBILITY.

Eligibility to participate in the Plan is limited to Eligible Employees. From time to time, and subject to Section 3.4, the Committee shall identify Eligible Employees in accordance with the Administrative Procedures.

3.2 PARTICIPATION.

Participation in the Plan shall be limited to Eligible Employees who complete a Participation Election in accordance with the Administrative Procedures.

3.3 CHANGE IN PARTICIPATION STATUS

A Participant may change a Participant election or terminate his or her participation in the Plan only in accordance with the Administrative Procedures.

3.4 INELIGIBLE PARTICIPANT

Notwithstanding any other provisions of this Plan to the contrary, if the Committee determines that any Participant may not qualify as a "management or highly compensated employee" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or regulations thereunder, the Committee may determine, in its sole discretion, that such Participant shall cease to be eligible to participate in this Plan. Upon such determination and to the extent permitted by Section 409A, the Employer shall make a lump sum payment to the Participant equal to the vested amount credited to his Account as soon as administratively practicable. Upon such payment, no benefit shall thereafter be payable under this Plan either to the Participant or any Beneficiary of the Participant, and all of the Participant's elections as to the time and manner of payment of his Account will be deemed to be canceled.

ARTICLE IV

DEFERRAL OF COMPENSATION

4.1 AMOUNT OF DEFERRAL.

With respect to each Plan Year, a Participant may make Deferral Elections of a specified percentage of his or her Compensation in accordance with the Administrative Procedures. Deferral Elections in effect prior to the effective date of this amendment and restatement shall remain in effect unless modified to the extent and in the manner permitted under the Administrative Procedures.

4.2 CREDITING DEFERRED COMPENSATION AND COMPANY CONTRIBUTION AMOUNTS.

The amount of Compensation subject to a Deferral Election under Section 4.1 shall be credited by the Employer to the Participant's Deferral Account periodically, the frequency of which will be determined in accordance with the Administrative Procedures. To the extent that the Employer is required to withhold any taxes or other amounts from a Participant's deferred Compensation pursuant to any state, federal or local law, such amounts shall be withheld from the Participant's compensation before such amounts are credited.

For each deferral of Compensation, the Company shall credit the Company Contribution Account of each Participant, other than a non-employee Director, with an amount equal to (a) 7% of the amount of Compensation deferred or (b) if the Participant has elected to defer 100% of his or her Compensation, 7% of the total Compensation. For purposes of this paragraph, Compensation shall exclude Company bonus but shall include sales commissions

ARTICLE V

BENEFIT ACCOUNTS

5.1 VALUATION OF ACCOUNT.

As of each Valuation Date, a Participant's Account shall consist of the Account balance as of the immediately preceding Valuation Date, plus any amounts credited under Article IV since the immediately preceding Valuation Date, plus investment return credited pursuant to Section 5.2 since the immediately preceding Valuation Date, minus the aggregate amount of distributions, if any, made from such Account since the immediately preceding Valuation Date.

5.2 CREDITING OF INVESTMENT RETURN.

As of each Valuation Date until all of a Participant's Account is distributed, each Participant's Deferral Account and Company Contribution shall be credited with the Investment Return Rate earned since the immediately preceding Valuation Date as provided in the Administrative Procedures.

5.3 STATEMENT OF ACCOUNTS.

The Recordkeeper shall provide statements of account to Participants in accordance with the Administrative Procedures.

5.4 VESTING OF ACCOUNT.

Except as provided in Sections 10.1 and 10.2, a Participant shall be 100% vested in his or her Deferral Account at all times. A Participant's interest in his or her Company Contribution Account shall be 100% vested as of a Change in Control and on death or Disability. A Participant's interest in his or her Company Contribution Account shall vest under the vesting schedule for the employer basic contributions under TIP.

Any nonvested portion of a Participant's Company Contribution Account shall be forfeited at separation from service. Forfeitures under the Plan shall not be credited to other Participants.

5.5 INVESTMENT VEHICLES.

A Participant may elect, from time to time, to have his Account credited with an Investment Return Rate as if it were invested in one or more investment vehicles selected by the Committee and made available for such election in accordance with the Administrative Procedures. The Committee may also establish a deemed investment which shall apply if the Participant makes no election.

ARTICLE VI

PAYMENT OF BENEFITS

6.1 PAYMENT OF DEFERRAL BENEFIT

Upon the death, Disability, or Retirement of a Participant, the Employer shall pay to the Participant or his Beneficiary a Deferral Benefit equal to the vested balance of his or her Account determined pursuant to Article V, less applicable withholding, based on his election in accordance with Section 6.4. The distribution shall be subject to any waiting period required by Section 409A with respect to Participants who are Key Employees as defined therein. Elections with respect to such payment made under the Plan prior to the effective date of this amendment and restatement shall continue in effect until changed in accordance with the provisions of this Article VI and the Administrative Procedures.

Upon a Change in Control or upon a Participant's separation from service for reasons other than death, Disability, or Retirement, the Employer shall pay to the Participant a Deferral Benefit in a lump sum equal to the vested balance of his or her Account determined pursuant to Article V, less applicable withholdings, as soon as administratively practicable; provided that such distribution shall be subject to any waiting period required by Section 409A with respect to Key Employees as defined therein.

6.2 PAYMENTS TO BENEFICIARIES.

In the event of the Participant's death prior to his or her receipt of his or her entire vested Account, the vested balance shall be distributed to his or her Beneficiary as determined under Article VII, in a lump sum; provided that if the Participant was receiving installment distributions at the time of death, or had made an installment election pursuant to Section 6.4 at least 12 months prior to death, the Beneficiary will receive the annual installments at such times as such installments would have become distributable to the Participant.

6.3 UNFORSEEABLE EMERGENCY

In the event that the Committee, upon request of a Participant, determines, that the Participant has suffered an Unforeseeable Emergency the Employer shall distribute to the Participant, as soon as practicable following such determination, the amounts provided for under this Section 6.3. Such distribution shall consist of an amount necessary to meet the emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), but not exceeding the aggregate balance of such Participant's Deferral Account as of the date of such payment. The amount of the Deferral Benefit otherwise payable under the Plan to such Participant shall be adjusted to reflect the early payment of the Unforseeable Emergency. Any distribution under this Section 6.3 shall be made only to the extent that it is in compliance with Section 409A.

6.4 FORM OF PAYMENT.

The Deferral Benefit payable pursuant to Section 6.1 on death, Disability or Retirement, shall be paid in one of the following forms as further described in the Administrative Procedures, as elected by the Participant. The Participant shall elect the form of such distribution at the time he or she first completes the Participation Election and such election shall apply to the entire amount of the Participant's vested Account.

(a) Installments; or,

(b) A lump sum.

In the event a Participant fails to make a distribution election, his or her vested Account Balance shall be distributed as a lump sum as soon as administratively practicable after his or her separation from service, death or Disability; subject to such waiting period as required by Section 409A with respect to a Key Employee as defined therein.

6.5 COMMENCEMENT OF PAYMENTS.

Notwithstanding the foregoing, the distribution of a lump sum or the commencement of installment payments under Sections 6.1 and 6.2 of the Plan shall begin following an event which entitles a Participant (or a Beneficiary) to payments under the Plan and the end of any waiting period required with respect to such Participant as required by Section 409A.

6.6 SMALL BENEFIT.

In the event the Committee determines that the vested balance of a Participant's Account is less than $10,000 at the time of commencement of payments, or the portion of the vested balance of the Participant's Account payable to any Beneficiary is less than $10,000 at the time of commencement of payments to such Beneficiary, the Committee may inform the Employer and the Employer, will pay the entire amount in the form of a lump sum payment, notwithstanding any Participant election to the contrary.

6.7 CHANGES IN FORM OF BENEFIT

A Participant's election to change the form in which his or her benefit is to be paid under Section 6.1 on death, Disability or Retirement, shall, to the extent required by Section 409A, meet the following requirements:

(a) the new election may not take effect until at least 12 months after the date on which the election is made; and

(b) in the case of an election related to a payment other than Disability or death, the payment with respect to which such change is made must be deferred for a period of not less than 5 years from the date such payment would otherwise have been made.

6.8 SPECIAL 2005 DISTRIBUTION AND ELECTION CHANGES

To the extent and in the manner permitted under Section 409A, and at the election of any Participant, the following distributions and election changes may be made, in accordance with the Administrative Procedures:

(a) All or any part of the Account may be withdrawn by any Participant during calendar year 2005 subject to such procedures and limitations as imposed by the Committee;

(b) Any deferral election for Compensation in effect during 2005 may be cancelled in whole or in part; and

(c) With respect to a deferral which relates in whole or in part to services performed on or before December 31, 2005, an election to defer receipt of such Compensation under this

Plan may be made on or before March 15, 2005 with respect to amounts that have not been paid or become payable at the time of the election.

ARTICLE VII

BENEFICIARY DESIGNATION

7.1 BENEFICIARY DESIGNATION.

Each Participant shall have the sole right, at any time, to designate any person or persons as his Beneficiary to whom payment under the Plan shall be made in the event of his or her death prior to complete distribution to the Participant of his or her Account. All Beneficiary designations must be made in the manner required by the Committee or the Recordkeeper. Any designation of a Beneficiary in effect under the Plan prior to this amendment and restatement shall continue in full force and effect until changed in accordance with the terms of this Plan.

7.2 CHANGE OF BENEFICIARY DESIGNATION.

Any Beneficiary designation may be changed by a Participant by making a new Beneficiary designation in the manner required by the Committee or the Recordkeeper, which will cancel all Beneficiary designations previously filed. The designation of a Beneficiary may be made or changed at any time without the consent of any other person.

7.3 NO DESIGNATION.

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's designated Beneficiary shall be the Participant's Beneficiary under the terms of the TIP.

7.4 EFFECT OF PAYMENT.

Payment to a Participant's Beneficiary shall completely discharge the Employer's obligations under the Plan. The Beneficiary shall have no right to change or in any way modify the manner in which the Participant's Account is being paid.

ARTICLE VIII

ADMINISTRATION

8.1 COMMITTEE.

The Deferred Compensation Plan Committee shall be appointed by the Board and consist of up to three members of the Board who are not Participants in the Plan. The Committee shall have complete discretion to (i) supervise the administration and operation of the Plan, (ii) adopt rules and procedures governing the Plan from time to time, (iii) make interpretive rulings with respect to the Plan terms and determine all questions of fact arising with respect to the Plan terms and any Participant and (iv) to adopt and modify from time to time the Administrative Procedures..

8.2 AGENTS.

The Committee may appoint an individual, who may be an employee of the Company, to be the Committee's agent with respect to the day-to-day administration of the Plan. In addition, the Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

8.3 BINDING EFFECT OF DECISIONS.

Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan shall be final and binding upon all persons having any interest in the Plan.

8.4 INDEMNIFICATION OF COMMITTEE.

The Company shall indemnify and hold harmless the members of the Committee and their duly appointed agents under Section 8.2 against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, to the maximum extent permitted by law.

ARTICLE IX

AMENDMENT AND TERMINATION OF THE PLAN

9.1 AMENDMENT.

The Board or the Committee, acting on behalf of the Company and of each Selected Affiliate shall amend the terms of this Plan from time to time to comply with Section 409A. In addition, the Board or the Committee may, on behalf of the Company and of each Selected Affiliate, amend, suspend or reinstate any or all of the provisions of the Plan, including, without limitation, reduce or eliminate employer contributions or Participant deferrals under the Plan; provided that any such amendment, suspension or reinstatement which is inconsistent with Section 409A shall be ineffective to the extent inconsistent with Section 409A. No amendment may reduce the value of any Participant's Account at the end of the calendar year prior to the date such amendment is adopted, except to the extent required for conformance with Section 409A.

9.2 TERMINATION.

The Board or the Committee, acting on behalf of the Company and of each Selected Affiliate, may terminate this Plan at any time and for any reason whatsoever to the extent permitted by Section 409A. If the Plan is terminated under the provisions of this Section 9.2 all vested Accounts shall be distributed in a lump sum to the Participants or in such other manner as is permitted under Section 409A. A termination of the Plan shall not reduce the value of a

Participant's Account, as it existed as of the day before the effective date of such termination except to the extent distributed to the Participant or a Beneficiary.

ARTICLE X

MISCELLANEOUS

10.1 FUNDING.

Participants, their Beneficiaries, and their heirs, successors and assigns, shall have no secured interest or claim in any property or assets of the Employer. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future. Notwithstanding the foregoing, the Company has a related so-called `Rabbi Trust' to hold funds to be used in payment of the obligations of Employers under the Plan. In the event of a Change in Control or prior thereto, the Employers shall fund such trust in an amount equal to not less than the total value of the Participants' Accounts under the Plan as of the Valuation Date immediately preceding the Change in Control; provided that any funds contained therein shall be liable for the claims of the respective Employer's general creditors as provided therein.

10.2 NONASSIGNABILITY.

No right or interest under the Plan of a Participant or his or her Beneficiary (or any person claiming through or under any of them) shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant or Beneficiary. If any Participant or Beneficiary shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his or her benefits hereunder or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, then the Committee, in its discretion, may terminate his or her interest in any such benefit (including the Deferral Account) to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written "termination declaration" with the Clerk of the Company and making reasonable efforts to deliver a copy to the Participant or Beneficiary whose interest is adversely affected (the "terminated participant").

As long as the terminated participant is alive, any benefits affected by the termination shall be retained by the Employer and, in the Committee's sole and absolute judgment, may be paid to or expended for the benefit of the terminated participant, his or her spouse, his or her children or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper; provided that no such action shall result in any acceleration of the payment of the Participant's Account. Upon the death of the terminated participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plan that would apply if he or she died prior to the time that all benefits to which he or she was entitled were paid to him or her.

10.3 LEGAL FEES AND EXPENSES.

If, after a Change in Control, (1) an Eligible Employee initiates or is required to defend against a claim in court concerning the benefits intended to be provided to such Eligible Employee under the Plan (the "Claim"); and (2) the Eligible Employee prevails on the Claim, the Eligible Employee shall be entitled to attorneys' fees and costs of the litigation.

10.4 CAPTIONS.

The captions contained herein are for convenience only and shall not control or affect the meaning or construction hereof.

10.5 GOVERNING LAW.

The provisions of the Plan shall be construed and interpreted according to the laws of the Commonwealth of Massachusetts. The Employee hereby irrevocably submits to and acknowledges and recognizes the jurisdiction of a federal court of the Commonwealth of Massachusetts without regard to conflict of law provisions, or if jurisdiction is not appropriate in a federal court located in Massachusetts, then a state court within the Commonwealth of Massachusetts (which courts, for purposes of this Agreement, are the only courts of competent jurisdiction) over any suit, action or other proceeding arising out of, under or in connection with this Agreement or its subject matter.

10.6 SUCCESSORS.

The provisions of the Plan shall bind and inure to the benefit of the Company, its Selected Affiliates, and their respective successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company or a Selected Affiliate and successors of any such Company or other business entity.

10.7 RIGHT TO CONTINUED SERVICE.

Nothing contained herein shall be construed to confer upon any Eligible Employee the right to continue to serve as an Eligible Employee of the Employer or in any other capacity.

Exhibit 31.1

CERTIFICATION

I, Jerald G. Fishman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Analog Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 15, 2006

/s/ Jerald G. Fishman

Jerald G. Fishman
President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Joseph E. McDonough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Analog Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 15, 2006 /s/ Joseph E. McDonough

Joseph E. McDonough
Vice President-Finance

and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Analog Devices, Inc. (the "Company") for the period ended January 28, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jerald G. Fishman, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 15, 2006

/s/ Jerald G. Fishman

Jerald G. Fishman
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Analog Devices, Inc. (the "Company") for the period ended January 28, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Joseph E. McDonough, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 15, 2006

/s/ Joseph E. McDonough

Joseph E. McDonough
Chief Financial Officer