

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, 1995

OR

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)

(617) 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

The number of shares outstanding of each of the issuer's classes of Common Stock as of February 24, 1995 was 75,498,177 shares of Common Stock.

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, 1995	January 29, 1994
	-----	-----
Net sales	\$208,005	\$181,088
Cost of sales	103,145	94,593
	-----	-----
Gross margin	104,860	86,495
Operating expenses:		
Research and development	30,250	24,256
Selling, marketing, general and administrative	43,671	40,997
	-----	-----
	73,921	65,253
	-----	-----
Operating income	30,939	21,242
Nonoperating expenses (income):		
Interest expense	1,282	1,830
Interest income	(2,191)	(593)
Other	732	565
	-----	-----
	(177)	1,802
	-----	-----
Income before income taxes	31,116	19,440
Provision for income taxes	7,468	4,180
	-----	-----
Net income	\$ 23,648	\$ 15,260
	=====	=====
Shares used to compute earnings per share	78,431	76,455
	=====	=====
Earnings per share of common stock	\$ 0.30	\$ 0.20
	=====	=====

See accompanying notes.

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

Assets	January 28, 1995 -----	October 29, 1994 -----	January 29, 1994 -----
Cash and cash equivalents	\$101,133	\$109,113	\$ 94,363
Short-term investments	57,548	72,652	-
Accounts receivable, net	169,752	162,337	151,056
Inventories:			
Finished good	40,448	45,678	47,960
Work in process	68,055	69,771	79,939
Raw materials	18,184	15,277	15,160
	-----	-----	-----
	126,687	130,726	143,059
Prepaid income taxes	25,000	25,587	22,500
Prepaid expenses	6,424	5,042	5,932
	-----	-----	-----
Total current assets	486,544	505,457	416,910
	-----	-----	-----
Property, plant and equipment, at cost:			
Land and buildings	122,040	111,857	81,900
Machinery and equipment	510,608	477,339	452,549
Office equipment	34,040	36,613	38,607
Leasehold improvements	37,620	33,070	27,616
	-----	-----	-----
	704,308	658,879	600,672
Less accumulated depreciation and amortization	382,567	377,064	357,258
	-----	-----	-----
Net property, plant and equipment	321,741	281,815	243,414
	-----	-----	-----
Intangible assets, net	18,754	19,262	20,794
Deferred charges and other assets	9,381	9,337	5,497
	-----	-----	-----
Total other assets	28,135	28,599	26,291
	-----	-----	-----
	\$836,420	\$815,871	\$686,615
	=====	=====	=====

See accompanying notes.

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

Liabilities and Stockholders' Equity	January 28, 1995 -----	October 29, 1994 -----	January 29, 1994 -----
Short-term borrowings and current portion of long- term debt	\$ 3,938	\$ 22,917	\$ 23,531
Obligations under capital leases	191	236	342
Accounts payable	86,655	74,506	43,501
Deferred income on shipments to domestic distributors	21,450	18,881	17,263
Income taxes payable	32,171	29,425	15,410
Accrued liabilities	57,072	60,221	43,014
	-----	-----	-----
Total current liabilities	201,477	206,186	143,061
	-----	-----	-----
Long-term debt	80,000	80,000	80,000
Noncurrent obligations under capital leases	24	61	209
Deferred income taxes	3,250	3,225	9,025
Other noncurrent liabilities	4,746	4,484	4,868
	-----	-----	-----
Total noncurrent liabilities	88,020	87,770	94,102
	-----	-----	-----
Commitments and Contingencies			
Stockholders' equity:			
Preferred stock, \$1.00 par value, 500,000 shares authorized, none outstanding	-	-	-
Common stock, \$.16 2/3 par value, 150,000,000 shares authorized, 75,438,343 shares issued (75,252,112 in October 1994, 51,048,855 in January 1994)	12,573	12,542	8,508
Capital in excess of par value	142,621	141,159	144,358
Retained earnings	385,842	362,194	302,958
Cumulative translation adjustment	5,964	6,020	5,657
	-----	-----	-----
	547,000	521,915	461,481
Less 3,433 shares in treasury, at cost (none in October 1994 and 1,573,917 in January 1994)	77	-	12,029
	-----	-----	-----
Total stockholders' equity	546,923	521,915	449,452
	-----	-----	-----
	\$836,420	\$815,871	\$686,615
	=====	=====	=====

See accompanying notes.

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

	Three Months Ended	
	January 28, 1995	January 29, 1994
	-----	-----
OPERATIONS		
Cash flows from operations:		
Net income	\$ 23,648	\$15,260
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	15,023	15,301
Deferred income taxes	43	493
Other noncash expenses	402	816
Changes in operating assets and liabilities	10,868	(10,555)
	-----	-----
Total adjustments	26,336	6,055
	-----	-----
Net cash provided by operations	49,984	21,315
	-----	-----
INVESTMENTS		
Cash flows from investments:		
Additions to property, plant and equipment, net	(54,764)	(10,047)
Maturities of short-term investments	50,192	-
Purchase of short-term investments	(35,088)	-
	-----	-----
Net cash used for investments	(39,660)	(10,047)
	-----	-----
FINANCING ACTIVITIES		
Cash flows from financing activities:		
Payments on fixed rate borrowings	(20,000)	-
Net increase in variable rate borrowings	1,035	1,500
Proceeds from employee stock plans	685	869
Payments on capital lease obligations	(82)	(81)
	-----	-----
Net cash provided by (used for) financing activities	(18,362)	2,288
	-----	-----
Effect of exchange rate changes on cash	58	139
	-----	-----
Net increase (decrease) in cash and cash equivalents	(7,980)	13,695
Cash and cash equivalents at beginning of period	109,113	80,668
	-----	-----
Cash and cash equivalents at end of period	\$101,133	\$94,363
	=====	=====
SUPPLEMENTAL INFORMATION		
Cash paid during the period for:		
Income taxes	\$ 2,954	\$ 3,323
	=====	=====
Interest	\$ 135	\$ 794
	=====	=====

See accompanying notes.

Note 1 - In the opinion of management, the information furnished in the accompanying financial statements reflects all adjustments, consisting only of normal recurring adjustments, which are necessary to a fair statement of the results for this interim period and should be read in conjunction with the most recent Annual Report to Stockholders.

Note 2 - Litigation

As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended October 29, 1994 and as set forth in Item 1, "Legal Proceedings" in this Form 10-Q for the fiscal quarter ended January 28, 1995, the Company is engaged in patent infringement litigation with Texas Instruments, Inc. and a related enforcement proceeding brought by the International Trade Commission, and antitrust litigation with Maxim Integrated Products, Inc.

Although the Company believes it should prevail in these matters, the Company is unable to determine their ultimate outcome or estimate the ultimate amount of liability, if any, at this time. An adverse resolution of these matters could have a material adverse effect on the Company's consolidated financial position or on its consolidated results of operations or cash flows in the period in which the matters are resolved.

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

First Quarter of Fiscal 1995 Compared to the First Quarter of Fiscal 1994

Net sales increased 15% to \$208.0 million for the first quarter of fiscal 1995, compared to net sales of \$181.1 million for the first quarter of fiscal 1994. The sales increase resulted primarily from higher sales volumes of standard linear IC products, particularly for high-speed data converters and amplifiers. The Company also continued to experience strong demand for system-level ICs. Total IC sales, including both standard linear and system-level IC products, grew 18% over the prior year to comprise approximately 91% of total sales for the first quarter of fiscal 1995. Sales of assembled products declined 10% from the first quarter of 1994 to the first quarter of 1995.

On a geographic basis, the strongest year-over-year sales gains were registered in Europe and Japan with sales growth in both regions aided by the translation of local currency sales to a weaker average U.S. dollar exchange rate. Sales to European customers recovered from a weak first quarter one year ago as European industrial economies improved. Revenue increases in Japan were largely attributable to increased demand for standard linear IC products. Sales through the North American distribution channel also grew significantly from the comparable quarter of 1994 due to the Company's increased penetration of this channel for its standard linear IC products.

Gross margin improved to 50.4% of sales from 47.8% in the first quarter of 1994. This increase resulted principally from a greater mix of higher-margined standard linear IC products as well as continued improvement in gross margins of system-level IC products year-over-year as further volume efficiencies have been realized in the system-level IC product area.

R&D expense for the first quarter of 1995 grew 24.7% over the same quarter last year to 14.5% of sales as the Company continued investment in high growth opportunities available in communications, digital signal processing and micromachining technology. Selling, marketing, general and administrative (SMG&A) expense growth was contained to 6.5% compared to the first quarter of 1994, increasing at a lower rate than sales. As a result, SMG&A as a percentage of sales decreased to 21.0% from 22.6% for the year ago period.

Operating income increased 46% reaching 14.9% of sales compared to 11.7% for the first quarter of fiscal 1994. This performance gain was attributable to higher sales, improvement in gross margin and continued efforts in further reducing the SMG&A expense to sales ratio.

Nonoperating expenses decreased \$2.0 million, benefiting from increased interest income on a higher level of cash, cash equivalents and short-term investments as interest income increased from \$593,000 in the first quarter of fiscal 1994 to \$2.2 million in the first quarter of fiscal 1995. A reduction in interest expense related to the maturity of the Company's \$20.0 term loan early in the first quarter of 1995 also contributed to the decrease in nonoperating expenses from the first quarter of 1994 to the first quarter of 1995.

The effective income tax rate increased from 21.5% of sales for the year ago quarter to 24.0% for the first quarter of fiscal 1995 due to a shift in the mix of worldwide profits.

The growth in sales, improved operating performance and lower nonoperating expenses led to a 55% increase in net income to \$23.6 million for the first quarter of fiscal 1995. Earnings per share increased to \$.30 from \$.20 for last year's first quarter.

First Quarter of Fiscal 1995 Compared to the Fourth Quarter of Fiscal 1994

Continued strength in orders coupled with a strong backlog led to an increase in net sales from \$203.3 million for the previous quarter to \$208.0 million for the first quarter, a traditionally weak seasonal quarter. First quarter sales growth was due principally to greater sales volumes of both standard linear IC and system-level IC products, with the highest growth for both in the communications and computer sectors. The largest sales increases occurred in Europe, continuing the recovery begun in the fourth quarter.

Gross margin improved slightly from the fourth quarter's 50.1% of sales to 50.4% for the first quarter of 1995. Gross margin for the Company's standard linear IC products remained at a high level, while gross margin for system-level IC products improved.

R&D expenses for the first quarter of 1995 increased \$1.2 million over the preceding quarter as the funding of new product development continued. As a percentage of sales, R&D expenses were relatively unchanged at 14.5% compared to 14.3% for the fourth quarter. SMG&A expenses were flat to the prior quarter in dollars and as a percentage of sales decreased from 21.5% to 21.0% for the first quarter of fiscal 1995.

The higher sales, improved gross margin and tight control over operating expenses generated a sequential gain in operating income of 6.7% with operating income reaching 14.9% of sales compared to 14.3% in the previous quarter.

Interest expense was reduced from \$1.7 million in the fourth quarter to \$1.3 million in the first quarter of 1995 due to a reduction in debt during the first quarter. The effective income tax rate for the first quarter remained at 24.0% compared to the prior quarter.

Net income grew 9.1%, increasing from \$21.7 million or \$.28 for the fourth quarter of fiscal 1994 to \$23.6 million or \$.30 per share for the first quarter of fiscal 1995. As a percentage of sales, net income improved to 11.4% from 10.7% for the fourth quarter.

Liquidity and Capital Resources

At January 28, 1995, cash and cash equivalents and short-term investments totaled \$158.7 million, a decrease of \$23.1 million compared to \$181.8 million at the end of the fourth quarter of fiscal 1994 and an increase of \$64.3 million compared to \$94.4 million at the end of the first quarter of fiscal 1994. The decrease in cash, cash equivalents and short-term investments from the fourth quarter of fiscal 1994 resulted from cash used to fund a portion of capital expenditures as well as reduce debt in the first quarter of fiscal 1995. The increase over the first quarter of fiscal 1994 primarily represented continued generation of cash flow from operations.

Cash provided by operating activities was \$50.0 million or 24.0% of sales in the first quarter of 1995 compared to \$21.3 million or 11.8% of sales in the first quarter of 1994. The increase in operating cash flows from the year earlier period was principally attributable to higher net income together with an increase in accounts payable. The increase in accounts payable compared to the first quarter of 1994 primarily reflected expenditures associated with the expansion of the Company's wafer fabrication facilities in Limerick, Ireland.

Net additions to property, plant and equipment of \$54.8 million for the first quarter of fiscal 1995 were funded with both internally generated cash flow from operations and cash on hand. The majority of these expenditures related to the addition of 6-inch submicron wafer fabrication capability at the Company's facility in Limerick, Ireland. Capital expenditures for fiscal 1995 are currently expected to be approximately \$150 million, including capital expenditures associated with the Limerick wafer fabrication expansion.

In the first quarter of fiscal 1995, the Company's 7.18%, \$20.0 million loan matured and was repaid in full with cash on hand. At January 28, 1995, substantially all of the Company's lines of credit were unused, including its four-year, \$60 million credit facility.

The Company believes that its strong financial condition, existing sources of liquidity, available capital resources and cash expected to be generated from operations leave it well positioned to obtain the funds required to meet its current and future operating requirements.

Litigation

As set forth in Note 2 to the Condensed Consolidated Financial Statements and Item 1., "Legal Proceedings" contained in this Form 10-Q for the fiscal quarter ended January 28, 1995, the Company is engaged in patent infringement litigation with Texas Instruments, Inc. and a related enforcement proceeding brought by the International Trade Commission, and antitrust litigation with Maxim Integrated Products, Inc.

Although the Company believes it should prevail in these matters, the Company is unable to determine their ultimate outcome or estimate the ultimate amount of liability, if any, at this time. An adverse resolution of these matters could have a material adverse effect on the Company's consolidated financial position or on its consolidated results of operations or cash flows in the period in which the matters are resolved.

PART II - OTHER INFORMATION
ANALOG DEVICES, INC.

Item 1. Legal Proceedings

Texas Instruments Litigation

As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended October 29, 1994 (the "1994 10-K"), the Company is a defendant in a lawsuit brought by Texas Instruments, Inc. ("TI") on July 9, 1990 in the United States District Court for the Western District of Texas (Dallas Division). The complaint alleges patent infringement arising from certain plastic encapsulation processes and seeks an injunction and unspecified damages. The trial of this action is now scheduled to begin on April 18, 1995. In addition, the enforcement proceeding brought by the International Trade Commission (the "ITC") alleging that the Company had violated a cease and desist order of the ITC did not commence in February 1995 as previously reported. The initial hearing in this proceeding has been deferred to an as yet unspecified date.

On January 10, 1995, TI commenced a new lawsuit in the United States District Court for the Eastern District of Texas (Marshall Division) naming the Company as a defendant. The complaint alleges infringement of two TI patents relating to digital signal processing technology not at issue in the previously noted litigation and seeks an injunction and unspecified damages. The Company has recently filed an answer and counterclaim denying infringement and challenging the validity of the TI patents. The Company has also filed a motion to transfer this action to the United States District Court for the District of Massachusetts. This case is proceeding and is in its preliminary stages.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - Exhibit 27 - Financial Data Schedule
- (b) There were no reports on Form 8-K filed for the three months ended January 28, 1995.

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.

(Registrant)

Date: March 10, 1995

By:/s/ Ray Stata

Ray Stata
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: March 10, 1995

By:/s/ Joseph E. McDonough

Joseph E. McDonough
Vice President-Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF ANALOG DEVICES, INC. FOR THE THREE MONTHS ENDED JANUARY 28, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

3-MOS	OCT-28-1995	OCT-30-1994	JAN-28-1995
	1		
	101,133		
	57,548		
	169,752		
	0		
	126,687		
	486,544		
	704,308		
	382,567		
	836,420		
201,477			
	80,024		
	12,573		
0			
	0		
	534,350		
836,420			
	208,005		
	208,005		
	103,145		
	103,145		
	73,921		
	0		
	1,282		
	31,116		
	7,468		
23,648			
	0		
	0		
	0		
	23,648		
	.30		
	.30		