

Analog Devices, Second Quarter, Fiscal 2018

Schedule A
Revenue and Earnings Summary (Unaudited)
(In thousands, except per-share amounts)

	Three Months Ended		
	2Q 18 May 5, 2018	1Q 18 Feb. 3, 2018	2Q 17 Apr. 29, 2017
Revenue	\$ 1,513,053	\$ 1,518,624	\$ 1,147,982
Year-to-year change	31.8 %	54.3 %	47.4 %
Quarter-to-quarter change	(0.4)%	(1.5)%	16.6 %
Cost of sales (1)	479,241	483,434	507,539
Gross margin	1,033,812	1,035,190	640,443
Gross margin percentage	68.3 %	68.2 %	55.8 %
Year-to-year change (basis points)	1,250	230	(980)
Quarter-to-quarter change (basis points)	10	290	(1,010)
Operating expenses:			
R&D (1)	289,472	288,597	235,232
Selling, marketing and G&A (1)	172,146	176,908	190,686
Amortization of intangibles	107,129	107,019	68,690
Special charges	1,089	57,318	—
Total operating expenses	569,836	629,842	494,608
Total operating expenses percentage	37.7 %	41.5 %	43.1 %
Year-to-year change (basis points)	(540)	270	410
Quarter-to-quarter change (basis points)	(380)	530	430
Operating income	463,976	405,348	145,835
Operating income percentage	30.7 %	26.7 %	12.7 %
Year-to-year change (basis points)	1,800	(30)	(1,390)
Quarter-to-quarter change (basis points)	400	(240)	(1,430)
Other expense	62,429	66,494	59,121
Income before income tax	401,547	338,854	86,714
Provision (benefit) for income taxes	21,716	70,682	(6,850)
Tax rate percentage	5.4 %	20.9 %	(7.9)%
Net income (2)	\$ 379,831	\$ 268,172	\$ 93,564
Shares used for EPS - basic	370,384	369,093	341,316
Shares used for EPS - diluted	374,778	374,189	345,654
Earnings per common share - basic	\$ 1.02	\$ 0.72	\$ 0.27
Earnings per common share - diluted	\$ 1.01	\$ 0.71	\$ 0.27
Dividends paid per share	\$ 0.48	\$ 0.45	\$ 0.45

(1) Includes stock-based compensation expense as follows:

Cost of sales	\$ 3,820	\$ 4,221	\$ 2,566
R&D	\$ 22,018	\$ 19,728	\$ 11,910
Selling, marketing and G&A	\$ 13,076	\$ 13,953	\$ 8,010

(2) Under the two-class method, earnings per share is calculated using net earnings allocable to common shares, which is derived by reducing net income by the income allocable to participating securities. Net income allocable to common shares used in the basic and diluted earnings per share calculation was \$378,299 and \$266,929 for the three months ended May 5, 2018 and February 3, 2018, respectively. There was no net income allocated to participating securities in the three months ended April 29, 2017.

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**Schedule B
Selected Balance Sheet Information (Unaudited)
(In thousands)**

	2Q 18		1Q 18		2Q 17
	May 5,		Feb. 3,		Apr. 29,
	2018		2018		2017
Cash & short-term investments	\$ 806,517	\$	\$ 827,550	\$	\$ 6,188,372
Accounts receivable, net	759,557		709,761		630,353
Inventories (1)	551,220		559,720		647,858
Other current assets	70,980		80,715		68,884
Total current assets	2,188,274		2,177,746		7,535,467
PP&E, net	1,114,579		1,115,417		1,089,319
Investments	64,361		65,093		55,815
Goodwill	12,258,185		12,224,141		12,269,501
Intangible assets, net	5,066,191		5,182,355		5,587,862
Other	84,864		88,563		84,719
Total assets	\$ 20,776,454	\$	\$ 20,853,315	\$	\$ 26,622,683
Deferred income on shipments to distributors, net	\$ 565,668	\$	\$ 529,532	\$	\$ 377,792
Other current liabilities	811,195		657,016		750,321
Debt, current	56,000		50,000		4,321,169
Long-term debt	6,926,441		7,384,856		8,572,364
Deferred income taxes	943,117		981,866		2,431,410
Other non-current liabilities (2)	888,678		902,266		203,032
Shareholders' equity	10,585,355		10,347,779		9,966,595
Total liabilities & equity	\$ 20,776,454	\$	\$ 20,853,315	\$	\$ 26,622,683

(1) Includes \$5,360, \$5,270, and \$3,007 related to stock-based compensation in 2Q18, 1Q18, and 2Q17, respectively.

(2) Includes \$691 million related to the one-time transition tax related to the Tax Cuts and Jobs Act of 2017 in 2Q18 and 1Q18.

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Schedule C
Cash Flow Statement (Unaudited)
(In thousands)

	Three Months Ended		
	2Q 18 May 5, 2018	1Q 18 Feb. 3, 2018	2Q 17 Apr. 29, 2017
Cash flows from operating activities:			
Net Income	\$ 379,831	\$ 268,172	\$ 93,564
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	56,589	56,415	48,772
Amortization of intangibles	142,954	142,050	88,770
Stock-based compensation expense	38,914	37,902	22,486
Cost of goods sold for inventory acquired	—	—	121,113
Other non-cash activity	3,342	6,762	11,078
Deferred income taxes	(42,718)	(691,496)	(79,980)
Changes in operating assets and liabilities	139,582	568,883	233,512
Total adjustments	338,663	120,516	445,751
Net cash provided by operating activities	718,494	388,688	539,315
Percent of revenue	47.5%	25.6%	47.0%
Cash flows from investing activities:			
Purchases of short-term available-for-sale investments	—	—	(378,540)
Maturities of short-term available-for-sale investments	—	—	1,247,493
Sales of short-term available-for-sale investments	—	—	69,787
Additions to property, plant and equipment	(53,900)	(63,222)	(46,929)
Payments for acquisitions, net of cash acquired	(52,339)	—	(9,686,497)
Change in other assets	249	(1,278)	(6,117)
Net cash used for investing activities	(105,990)	(64,500)	(8,800,803)
Cash flows from financing activities:			
Proceeds from debt	743,778	—	9,083,858
Debt repayments	(1,200,000)	(420,000)	—
Dividend payments to shareholders	(178,282)	(166,719)	(139,314)
Repurchase of common stock	(21,978)	(7,930)	(23,874)
Proceeds from employee stock plans	27,745	37,812	52,841
Contingent consideration payment	(542)	—	—
Change in other financing activities	(866)	8,811	(2,237)
Net cash (used for) provided by financing activities	(630,145)	(548,026)	8,971,274
Effect of exchange rate changes on cash	(3,392)	3,550	694
Net (decrease) increase in cash and cash equivalents	(21,033)	(220,288)	710,480
Cash and cash equivalents at beginning of period	827,550	1,047,838	4,987,263
Cash and cash equivalents at end of period	\$ 806,517	\$ 827,550	\$ 5,697,743

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**Schedule D
Revenue Trends by End Market (Unaudited)
(In thousands)**

The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the "sold to" customer information, the "ship to" customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs we reclassify revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

	Three Months Ended					
	May 5, 2018				Feb. 3, 2018	Apr. 29, 2017
	Revenue	%	Q/Q %	Y/Y %	Revenue	Revenue
Industrial	\$ 788,281	52%	6%	47%	\$ 740,898	\$ 536,437
Automotive	238,839	16%	(6)%	28%	253,638	185,871
Consumer	198,063	13%	(17)%	(6)%	238,968	211,575
Communications	287,870	19%	1%	34%	285,120	214,099
Total Revenue	\$ 1,513,053	100%	—%	32%	\$ 1,518,624	\$ 1,147,982

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Schedule E

**Reconciliation of Non-GAAP to GAAP Revenue and Earnings Measures (In thousands, except per-share amounts)
(Unaudited)**

See "Non-GAAP Financial Information" in this press release for a description of the items excluded from our non-GAAP measures.

	Three Months Ended		
	2Q 18 May 5, 2018	1Q 18 Feb. 3, 2018	2Q 17 Apr. 29, 2017
GAAP Revenue	\$ 1,513,053	\$ 1,518,624	\$ 1,147,982
Y/Y Revenue growth %	31.8 %	54.3 %	47.4 %
Q/Q Revenue growth %	(0.4)%	(1.5)%	16.6 %
Acquisition-Related Deferred Revenues	—	—	60,759
Non-GAAP Revenue	\$ 1,513,053	\$ 1,518,624	\$ 1,208,741
Y/Y Revenue growth %	25.2 %	54.3 %	55.2 %
Q/Q Revenue growth %	(0.4)%	(1.5)%	22.8 %
GAAP Gross Margin	\$ 1,033,812	\$ 1,035,190	\$ 640,443
Gross Margin Percentage	68.3 %	68.2 %	55.8 %
Acquisition-Related Deferred Revenues	—	—	46,480
Acquisition-Related Expenses	44,743	43,776	150,532
Acquisition-Related Transaction Costs	—	—	200
Non-GAAP Gross Margin	\$ 1,078,555	\$ 1,078,966	\$ 837,655
Gross Margin Percentage	71.3 %	71.0 %	69.3 %
GAAP Operating Expenses	\$ 569,836	\$ 629,842	\$ 494,608
Percent of Revenue	37.7 %	41.5 %	43.1 %
Acquisition-Related Expenses	(123,196)	(117,978)	(75,361)
Acquisition-Related Transaction Costs	(3,871)	(8,736)	(39,266)
Restructuring-Related Expense	(1,089)	(57,318)	—
Non-GAAP Operating Expenses	\$ 441,680	\$ 445,810	\$ 379,981
Percent of Non-GAAP Revenue	29.2 %	29.4 %	31.4 %
GAAP Operating Income/Margin	\$ 463,976	\$ 405,348	\$ 145,835
Percent of Revenue	30.7 %	26.7 %	12.7 %
Acquisition-Related Deferred Revenues	—	—	46,480
Acquisition-Related Expenses	167,939	161,754	225,392
Acquisition-Related Transaction Costs	3,871	8,736	39,966
Restructuring-Related Expense	1,089	57,318	—
Non-GAAP Operating Income/Margin	\$ 636,875	\$ 633,156	\$ 457,673
Percent of Non-GAAP Revenue	42.1 %	41.7 %	37.9 %
GAAP Provision (Benefit) for Income Taxes	\$ 21,716	\$ 70,682	\$ (6,850)
Tax rate %	5.4 %	20.9 %	(7.9)%
Income Tax on Non-Discrete Tax Items Above	5,163	11,981	31,007
Income Tax of Prior Period Tax Liabilities	(624)	—	—
Income Tax of Uncertain Tax Positions	3,750	—	—
Income Tax of State Tax Valuation Release	—	—	16,518
Income Tax One-Time Transitional Tax	—	(687,061)	—
Income Tax on Deferred Tax Recalibration	—	639,698	—
Non-GAAP Provision for Income Taxes	\$ 30,005	\$ 35,300	\$ 40,675
Non-GAAP Tax rate %	5.2 %	6.2 %	10.2 %

GAAP Diluted EPS	\$	1.01	\$	0.71	\$	0.27
Acquisition-Related Deferred Revenue		—		—		0.13
Acquisition-Related Expenses		0.45		0.43		0.65
Acquisition-Related Transaction Costs		0.01		0.02		0.12
Restructuring-Related Expense		—		0.15		—
Income Tax Effect of Above Items		(0.01)		(0.03)		(0.09)
Impact of State Tax Valuation Release		—		—		(0.05)
Impact of Uncertain Tax Positions		(0.01)		—		—
Impact of Toll Tax		—		1.84		—
Impact of Deferred Tax Recalibration		—		(1.71)		—
Non-GAAP Diluted EPS (1)	\$	1.45	\$	1.42	\$	1.03

(1) The sum of the individual per share amounts may not equal the total due to rounding.

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Schedule F
Reconciliation of Free Cash Flow to Net Cash Flows Provided by Operating Activities
(Unaudited)
(In thousands)

	Three Months Ended		
	2Q 18 May 5, 2018	1Q 18 Feb. 3, 2018	2Q 17 Apr. 29, 2017
Net cash provided by operating activities	\$ 718,494	\$ 388,688	\$ 539,315
% of Revenue	47.5%	25.6%	47.0%
Capital expenditures	(53,900)	(63,222)	(46,929)
Free cash flow	\$ 664,594	\$ 325,466	\$ 492,386
% of Revenue (1)	43.9%	21.4%	40.7%

(1) 2Q17 Revenue on a non-GAAP basis and includes acquisition-related deferred revenue outlined on Schedule E.