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

Form 10-K

(Mark One)

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

For the fiscal year ended November 1, 2014
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	**04-2348234**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
One Technology Way, Norwood, MA	**02062-9106**
(Address of principal executive offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock $0.16 2/3 Par Value	**NASDAQ Global Select Market**
Title of Each Class	*Name of Each Exchange on Which Registered*

Securities registered pursuant to Section 12(g) of the Act:

None
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

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 for 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☑ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Sec. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $12,606,000,000 based on the last reported sale of the Common Stock on The NASDAQ Global Select Market on May 4, 2014. Shares of voting and non-voting stock beneficially owned by executive officers, directors and holders of more than 5% of the outstanding stock have been excluded from this calculation because such persons or institutions may be deemed affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

As of November 1, 2014, there were 311,204,926 shares of Common Stock, $0.16 2/3 par value per share, outstanding.

Documents Incorporated by Reference

Document Description	Form 10-K Part
Portions of the Registrant’s Proxy Statement for the Annual Meeting of Shareholders to be held March 11, 2015	III

Note About Forward-Looking Statements

This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbor created under the Private Securities Litigation Reform Act of 1995 and other safe harbors under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “may,” “could” and "will," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections regarding our future financial performance; our anticipated growth and trends in our businesses; our future capital needs and capital expenditures; our future market position and expected competitive changes in the marketplace for our products; our ability to pay dividends or repurchase stock; our ability to service our outstanding debt; our expected tax rate; the effect of new accounting pronouncements; our ability to successfully integrate acquired businesses and technologies; and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in Part I, Item 1A. "Risk Factors" and elsewhere in our Annual Report on Form 10-K. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements, including to reflect events or circumstances occurring after the date of the filing of this report, except to the extent required by law.

PART I

ITEM 1. BUSINESS

Company Overview

We are a world leader in the design, manufacture and marketing of a broad portfolio of high-performance analog, mixed-signal and digital signal processing integrated circuits (ICs) used in virtually all types of electronic equipment. Since our inception in 1965, we have focused on solving the engineering challenges associated with signal processing in electronic equipment. Our signal processing products play a fundamental role in converting, conditioning, and processing real-world phenomena such as temperature, pressure, sound, light, speed and motion into electrical signals to be used in a wide array of electronic devices. As new generations of digital applications evolve, new needs for high-performance analog signal processing and digital signal processing (DSP) technology are generated. As a result, we produce a wide range of innovative products — including data converters, amplifiers and linear products, radio frequency (RF) ICs, power management products, sensors based on micro-electro mechanical systems (MEMS) technology and other sensors, and processing products, including DSP and other processors — that are designed to meet the needs of a broad base of customers.

We focus on key strategic markets where our signal processing technology is often a critical differentiator in our customers' products, in particular, the industrial, automotive, consumer and communications markets. Used by over 100,000 customers worldwide, our products are embedded inside many different types of electronic equipment including:

- Industrial process control systems
- Factory automation systems
- Instrumentation and measurement systems
- Energy management systems
- Aerospace and defense electronics
- Automobiles
- Portable electronic devices
- Medical imaging equipment
- Patient monitoring devices
- Wireless infrastructure equipment
- Networking equipment
- Optical systems
- Digital cameras

We were incorporated in Massachusetts in 1965. Our headquarters are near Boston, in Norwood, Massachusetts. In addition, we have manufacturing facilities in Massachusetts, Ireland, and the Philippines, and have more than thirty design facilities worldwide. Our common stock is listed on The NASDAQ Global Select Market under the symbol ADI and is included in the Standard & Poor's 500 Index.

Available Information

We maintain a website with the address www.analog.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (including exhibits), and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). We also make available on our website our corporate governance guidelines, the charters for our audit committee, compensation committee, and nominating and corporate governance committee, our equity award granting policies, our code of business conduct and ethics which applies to our directors, officers and employees, and our related person transaction policy, and such information is available in print and free of charge to any shareholder of Analog Devices who requests it. In addition, we intend to disclose on our website any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the SEC or NASDAQ.

Industry Background

Semiconductor components are the electronic building blocks used in electronic systems and equipment. These components are classified as either discrete devices, such as individual transistors, or ICs, in which a number of transistors and other elements are combined to form a more complicated electronic circuit. ICs may be divided into two general categories, digital and analog. Digital circuits, such as memory devices and microprocessors, generally process on-off electrical signals, represented by binary digits, "1" and "0". In contrast, analog ICs monitor, condition, amplify or transform continuous analog signals associated with physical properties, such as temperature, pressure, weight, light, sound or motion, and play an important role in bridging between real world phenomena and a variety of electronic systems. Analog ICs also provide voltage regulation and power control to electronic systems.

Organizational Structure

In fiscal 2014, our organizational structure included a product group focused on core technology development and leadership in converters, amplifiers and RF, MEMS, power management and DSP and an end market-focused organization dedicated to understanding, selecting, and resourcing initiatives that are more customized to a particular market or application. We are in the process of changing our organizational structure to support our core strategy of technology-driven, market-focused innovation. We will be organized into two business groups. The first group will have responsibility for the communications infrastructure and automotive electronics markets, as well as the radio frequency/microwave, high-speed converters, and digital signal processing technology areas. The second will have responsibility for the industrial, healthcare, and consumer markets, and the precision converters, high-performance linear, and sensor technology areas.

The sales and marketing operations will be integrated and chartered with unifying the customer experience across direct, distribution, and digital channels. Manufacturing, finance, legal, and human resources are managed as separate functional operations providing support across the Company.

Principal Products

We design, manufacture and market a broad line of high-performance ICs that incorporate analog, mixed-signal and digital signal processing technologies. Our ICs are designed to address a wide range of real-world signal processing applications. Our product portfolio includes both general-purpose products used by a broad range of customers and applications, as well as application-specific products designed for specific clusters of customers in key target markets. By using readily available, high-performance, general-purpose products in their systems, our customers can reduce the time they need to bring new products to market. Given the high cost of developing more customized ICs, our standard products often provide a cost-effective solution for many low to medium volume applications. However, for some industrial, automotive, consumer, and communications products, we focus on working with leading customers to design application-specific solutions. We begin with our existing core technologies in data conversion, amplification, RF and microwave, MEMS, power management and DSP, and devise a solution to more closely meet the needs of a specific customer or group of customers. Because we have already developed the core technology for our general-purpose products, we can create application-specific solutions quickly.

We produce and market several thousand products and operate in one reportable segment based on the aggregation of six operating segments, one of which was added as a result of our acquisition of Hittite Microwave Corporation (Hittite), which closed on July 22, 2014. Our ten highest revenue products, in the aggregate, accounted for approximately 9% of our revenue for fiscal 2014. A breakdown of our fiscal 2014 revenue by product category follows.

Product Category	Percent of Fiscal 2014 Revenue*
Converters	45%
Amplifiers/ Radio frequency	28%
Other analog	12%
Power management & reference	6%
Digital signal processing	8%

* The sum of the individual percentages does not equal 100% due to rounding

Analog Products

Our analog and mixed signal IC technology has been the foundation of our business for over four decades, and we are one of the world's largest suppliers of high-performance analog ICs. Our analog signal processing ICs are primarily high-performance devices, offering higher dynamic range, greater bandwidth, and other enhanced features. The principal advantages these products have as compared to competitors' products include higher accuracy, higher speed, lower cost per function, smaller size, lower power consumption and fewer components, resulting in improved performance and reliability. Our product portfolio includes several thousand analog ICs, any one of which can have as many as several hundred customers. Our analog ICs typically have long product life cycles. Our analog IC customers include original equipment manufacturers (OEMs) and customers who build electronic subsystems for integration into larger systems.

Converters — We are a leading supplier of data converter products. Data converters translate real-world analog signals into digital data and also translate digital data into analog signals. Data converters remain our largest and most diverse product family and an area where we are continuously innovating to enable our customers to redefine and differentiate their products. Our converter products combine sampling rates and accuracy with the low noise, power, price and small package size required by industrial, automotive, consumer, and communications electronics.

Amplifiers/Radio Frequency — We are also a leading supplier of high-performance amplifiers. Amplifiers are used to condition analog signals. High performance amplifiers emphasize the performance dimensions of speed and precision. Within this product portfolio we provide precision, instrumentation, high speed, intermediate frequency/RF, broadband, and other amplifiers. We also offer an extensive portfolio of precision voltage references that are used in a wide variety of applications. Our analog product line also includes a broad portfolio of high performance RF ICs covering the entire RF signal chain, from industry-leading stand-alone RF function blocks such as phase locked loops, frequency synthesizers, mixers, modulators, demodulators, and power detectors, to highly integrated broadband and short-range single chip transceiver solutions. Our high performance RF ICs support the high performance requirements of cellular infrastructure and a broad range of applications in our target markets.

Other Analog — Also within our analog technology portfolio are products that are based on MEMS technology. This technology enables us to build extremely small sensors that incorporate an electromechanical structure and the supporting analog circuitry for conditioning signals obtained from the sensing element. Our MEMS product portfolio includes accelerometers used to sense acceleration, gyroscopes used to sense rotation and inertial measurement units used to sense multiple degrees of freedom combining multiple sensing types along multiple axes. The majority of our current revenue from MEMS products is derived from the automotive end market. The consumer and, to a lesser extent, the industrial end markets, accounted for the balance of revenue from MEMS products in fiscal year 2014. In addition to our MEMS products, our other analog product category includes isolators that enable designers to implement isolation in designs without the cost, size, power, performance, and reliability constraints found with optocouplers. Our isolators have been designed into hundreds of applications, such as universal serial bus isolation in patient monitors, where it allows hospitals and physicians to adopt the latest advances in computer technology to supervise patient health and wirelessly transmit medical records. In smart metering applications, our isolators provide reliable electrostatic discharge performance that helps reduce meter tampering. Likewise, in satellites, where any malfunction can be catastrophic, our isolators help protect the power system while enabling designers to achieve small form factors.

Power Management & Reference — Power management & reference products make up the balance of our analog sales. Those products, which include functions such as power conversion, driver monitoring, sequencing and energy management, are developed to complement analog signal chain components across core market segments from micro power, energy-sensitive battery applications to efficient, high performance power systems in infrastructure and industrial applications.

Digital Signal Processing Products

Digital Signal Processing products (DSPs) complete our product portfolio. DSPs are optimized for high-speed numeric calculations, which are essential for instantaneous, or real-time, processing of digital data generated, in most cases, from analog to digital signal conversion. Our DSPs are designed to be fully programmable and to efficiently execute specialized software programs, or algorithms, associated with processing digitized real-time, real-world data. Programmable DSPs are designed to provide the flexibility to modify the device's function quickly and inexpensively using software. Our general-purpose DSP IC customers typically write their own algorithms using software development tools provided by us and third-party suppliers. Our DSPs are designed in families of products that share common architectures and therefore can execute the same software across a range of products. We support these products with easy-to-use development tools, which are designed to reduce our customers' product development costs and time-to-market. Our customers use our products to solve a wide range of signal processing challenges across our core market and segment focus areas within the industrial, automotive, consumer and communications end markets. As an integrated part of our customers' signal chain, there are typically many other Analog Devices products connected to our processors, including converters, audio and video codecs and power management solutions.

Markets and Applications

The breakdown of our fiscal 2014 revenue by end market is set out in the table below.

End Market	Percent of Fiscal 2014 Revenue
Industrial	47%
Automotive	18%
Consumer	11%
Communications	24%

The following describes some of the characteristics of, and customer products within, our major end markets:

Industrial — Our industrial market includes the following sectors:

Industrial and Instrumentation — Our industrial automation applications generally require ICs that offer performance greater than that available from commodity-level ICs but generally do not have production volumes that warrant custom ICs. There is a trend towards development of products focused on particular sub-applications, which incorporate combinations of analog, mixed-signal, and DSP ICs to achieve the necessary functionality. Our instrumentation customers differentiate themselves by using the highest performance analog and mixed-signal ICs available. Our industrial and instrumentation market includes applications such as:

- Process control systems
- Robotics
- Environmental control systems
- Oscilloscopes
- Lab, chemical, and environmental analyzers
- Weigh scales

Defense/Aerospace — The defense, commercial avionics and space markets all require high-performance ICs that meet rigorous environmental and reliability specifications. Many of our analog ICs can be supplied in versions that meet these standards. In addition, many products can be supplied to meet the standards required for broadcast satellites and other commercial space applications. Most of our products sold in this market are specially tested versions of products derived from our standard product offering. Customer products include:

- Navigation systems
- Space and satellite communications
- Radar systems
- Security devices

Energy Management — The desire to improve energy efficiency, conservation, reliability, and cleanliness is driving investments in renewable energy, power transmission and distribution systems, electric meters, and other innovative areas. The common characteristic behind these efforts is the addition of sensing, measurement, and communication technologies to electrical infrastructure. Our offerings include both standard and application-specific products and are used in applications such as:

- Utility meters
- Meter communication modules
- Substation relays and automation equipment
- Wind turbines
- Solar inverters
- Building energy automation/control

Healthcare — Two significant trends in the healthcare market today are the increasing need for higher channel counts in medical imaging systems to improve resolution and throughput while achieving a lower cost per channel, and the movement of highly accurate patient monitoring devices from the hospital environment to the home, improving patient care and reducing overall healthcare costs. Our innovative technologies are designed into a variety of high performance imaging, patient monitoring, medical instrumentation, and home health devices. Our offerings include both standard and application-specific products and are used in applications such as:

- Ultrasound
- CT scanners
- Digital x-ray
- Multi-parameter patient monitors
- Pulse oximeters
- Infusion pumps
- Clinical lab instrumentation
- Surgical instrumentation
- Blood analyzers
- Activity monitors

Automotive — We develop differentiated high performance signal processing solutions that enable sophisticated automotive systems to be greener, safer and more comfortable. Through collaboration with manufacturers worldwide, we have achieved significant market share through a broad portfolio of analog, digital and MEMS ICs that increase fuel efficiency, enhance vehicle stability and improve the audio/video experience of passengers. Specifically, we have developed products used in applications such as:

Green	Safety	Comfort
• Hybrid electric / electric vehicles	• Crash sensors in airbag systems	• Car audio amplifiers
• Intelligent battery sensors	• Electronic stability systems	• Head unit solutions
• Battery monitoring and management systems	• Advanced driver assistance systems (RADAR/Vision)	• Rear seat entertainment systems
	• Vehicle dynamic control systems	

Consumer — To address the market demand for digital entertainment systems and the consumer demand for high quality voice transmissions, music, movies and photographs with a high degree of interactivity, we have developed analog and digital solutions that meet the rigorous cost and time-to-market requirements of the consumer electronics market. The emergence of high-performance, feature-rich consumer products has created a market for our high-performance ICs with a high level of specific functionality. These products include:

- Digital cameras
- Home theater systems
- High-performance audio/video equipment
- Portable media devices (smart phones, tablets and wearable devices)

Communications — The development of broadband, wireless and internet infrastructures around the world has created an important market for our communications products. Communications technology involves the acquisition of analog signals that are converted from analog to digital and digital to analog form during the process of transmitting and receiving data. The need for higher speed and reduced power consumption, coupled with more reliable, bandwidth-efficient communications, creates demand for our products, which are used in the full spectrum of signal processing for internet protocol, video streaming and voice communication. In wireless and broadband communication applications, our products are incorporated into:

- Cellular basestation equipment
- Wireless backhaul systems
- Wired networking equipment
- Satellite systems

See Note 4 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information about our products by category and end market.

Research and Development

Our markets are characterized by rapid technological changes and advances. Accordingly, we make substantial investments in the design and development of new products and manufacturing processes, and the improvement of existing products and manufacturing processes. We spent approximately $560 million during fiscal 2014 on the design, development and improvement of new and existing products and manufacturing processes, compared to approximately $513 million during fiscal 2013 and approximately $512 million during fiscal 2012.

Our research and development strategy focuses on building technical leadership in core technologies of converters, amplifiers and RF and microwave, MEMS, power management, and DSP. In support of our research and development activities, we employ thousands of engineers involved in product and manufacturing process development throughout the world.

Patents and Other Intellectual Property Rights

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyrights, mask works, trademarks and trade secrets. We have a program to file applications for and obtain patents, copyrights, mask works and trademarks in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. We have obtained a substantial number of patents and trademarks in the United States and in other countries. As of November 1, 2014, we held approximately 2,150 U.S. patents and approximately 700 non-provisional pending U.S. patent applications with expiration dates ranging from 2014 through 2034. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. While our patents, copyrights, mask works, trademarks and trade secrets provide some advantage and protection, we believe our competitive position and future success is largely determined by such factors as the system and application knowledge, innovative skills, technological expertise and management ability and experience of our personnel; the range and success of new products being developed by us; our market brand recognition and ongoing marketing efforts; and customer service and technical support. It is generally our policy to seek patent protection for significant inventions that may be patented, though we may elect, in certain cases, not to seek patent protection even for significant inventions, if we determine other protection, such as maintaining the invention as a trade secret, to be more advantageous. We also have trademarks that are used in the conduct of our business to distinguish genuine Analog Devices products and we maintain cooperative advertising programs to promote our brands and identify products containing genuine Analog Devices components.

Sales Channels

We sell our products globally through a direct sales force, third-party distributors, independent sales representatives and via our website. We have direct sales offices, sales representatives and/or distributors in over 40 countries outside North America.

We support our worldwide technical direct field sales efforts by an extensive promotional program that includes editorial coverage and paid advertising in trade publications, direct mail programs, promotional brochures, technical seminars and participation in trade shows. We publish and distribute product catalogs, applications guides, technical handbooks and detailed data sheets for individual products. We also provide this information and sell products via our website. We maintain a staff of field application engineers who aid customers in incorporating our products into their products. In addition, we offer a variety of web-based tools that ease product selection and aid in the design process for our customers.

We derived approximately 55% of our fiscal 2014 revenue from sales made through distributors. These distributors typically maintain an inventory of our products. Some of them also sell products that compete with our products, including those for which we are an alternate source. In all regions of the world, we defer revenue and the related cost of sales on shipments to distributors until the distributors resell the products to their customers. We make sales to distributors under agreements that allow distributors to receive price adjustment credits and to return qualifying products for credit, as determined by us, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. These agreements limit such returns to a certain percentage of our shipments to that distributor during the prior quarter. In addition, distributors are allowed to return unsold products if we terminate the relationship with the distributor. Additional information relating to our sales to distributors is set forth in Note 2n in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

Segment Financial Information and Geographic Information

We operate and track our results in one reportable segment based on the aggregation of six operating segments.

Through subsidiaries and affiliates, we conduct business in numerous countries outside the United States. During fiscal 2014, we derived approximately 71% of our revenue from customers in international markets. Our international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other laws, policies and regulations of foreign governments. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, our competitive position may be adversely affected by changes in the exchange rate of the United States dollar against other currencies.

Revenue by geographic region, based on the primary location of our customers' design activity for our products, for fiscal 2014 was as follow:

Geographic Area	Percent of Fiscal 2014 Revenue
United States	29%
Rest of North/South America	3%
Europe	32%
Japan	11%
China	16%
Rest of Asia	9%

For further detail regarding revenue and other financial information about our industry, segment and geographic areas, see our Consolidated Financial Statements and Note 4 in the related Notes contained in Item 8 of this Annual Report on Form 10-K. For a discussion of important risk factors that may materially affect us, see the Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Customers

We have tens of thousands of customers worldwide. No sales to an individual customer accounted for more than 10% of fiscal 2014, 2013, or 2012 revenue. These customers use hundreds of different types of our products in a wide range of applications spanning the industrial, automotive, consumer and communication markets. Our largest single customer, excluding distributors, represented approximately 4% of our fiscal 2014 revenue. Our 20 largest customers, excluding distributors, accounted for approximately 32% of our fiscal 2014 revenue.

Seasonality

Sales to customers during our first fiscal quarter may be lower than other quarters due to plant shutdowns at some of our customers during the holiday season. In general, the seasonality for any specific period of time has not had a material impact on our results of operations. In addition, as explained in our risk factors contained in Item 1A of this Annual Report on Form 10-K, our revenue is more likely to be influenced on a quarter to quarter basis by cyclicality in the semiconductor industry.

Production and Raw Materials

Monolithic IC components are manufactured in a sequence of semiconductor production steps that include wafer fabrication, wafer testing, cutting the wafer into individual “chips,” or dice, assembly of the dice into packages and electrical testing of the devices in final packaged form. The raw materials used to manufacture these devices include silicon wafers, processing chemicals (including liquefied gases), precious metals and ceramic and plastic used for packaging.

We develop and employ a wide variety of proprietary manufacturing processes that are specifically tailored for use in fabricating high-performance analog, DSP, mixed-signal and MEMS ICs. We also use bipolar and complementary metal-oxide semiconductor, or CMOS, wafer fabrication processes.

Our IC products are fabricated both at our production facilities and by third-party wafer fabricators. Our products are manufactured in our own wafer fabrication facilities using proprietary processes and at third-party wafer-fabrication foundries using sub-micron digital CMOS processes. We currently source approximately 50% of our wafer requirements annually from third-party wafer fabrication foundries, primarily Taiwan Semiconductor Manufacturing Company (TSMC). We operate wafer fabrication facilities in Wilmington, Massachusetts and Limerick, Ireland. We also operate test facilities located in the Philippines and use third-party subcontractors for the assembly and testing of our products.

Capital spending was approximately $178 million in fiscal 2014, compared with approximately $123 million in fiscal 2013. We expect capital expenditures for fiscal 2015 to be in the range of $150 million to $165 million of which approximately $20 million relates to new buildings we are constructing.

Our products require a wide variety of components, raw materials and external foundry services, most of which we purchase from third-party suppliers. We have multiple sources for many of the components and materials that we purchase and incorporate into our products. However, a large portion of our external wafer purchases and foundry services are from a limited number of suppliers, primarily TSMC. If TSMC or any of our other key 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 significant expenses and disruptions or delays in manufacturing, product development and shipment of product to our customers. Although we have experienced shortages of components, materials and external foundry services from time to time, these items have generally been available to us as needed.

Backlog

Backlog at the end of fiscal 2014 was approximately $538 million, up from approximately $345 million at the end of fiscal 2013. We define backlog as of a particular date to mean firm orders from a customer or distributor with a requested delivery date within thirteen weeks. Backlog is impacted by the tendency of customers to rely on shorter lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog and, in some instances, we may not have manufacturing capacity sufficient to fulfill all orders. As is customary in the semiconductor industry, we allow most orders to be canceled or deliveries to be delayed by customers without significant penalty. Accordingly, we believe that our backlog at any time should not be used as an indication of our future revenue.

We typically do not have long-term sales contracts with our customers. In some of our 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. In other instances, we manufacture product based on forecasts of customer demand. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellation of orders leading to a sharp reduction of sales and backlog. Further, those orders or forecasts 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 some of our products that are subject to these uncertainties, the amount of unsaleable product could be substantial.

Government Contracts

We estimate that approximately 3% of our fiscal 2014 revenue was attributable to sales to the U.S. government and U.S. government contractors and subcontractors. Our government contract business is predominantly in the form of negotiated, firm, fixed-price subcontracts. Most of these contracts and subcontracts contain standard provisions relating to termination at the election of the U.S. government.

Acquisitions, Divestitures and Investments

An element of our business strategy involves expansion through the acquisition of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. From time to time, we consider acquisitions and divestitures that may strengthen our business.

On September 19, 2014, we completed the acquisition of all the outstanding share capital of Metroic Limited (Metroic), a developing-stage start-up company with five employees located in Edinburgh, UK. The acquisition-date fair value of the consideration transferred totaled $4.7 million, which consisted of $2.3 million in initial cash payments at closing, an additional $0.5 million holdback for post-closing working capital adjustments and the estimated fair value of contingent consideration of $1.9 million. In addition, we may be obligated to pay up to an additional $2.2 million in deferred compensation expense relating to future product development and sales through December 31, 2018.

On July 22, 2014, we completed the acquisition of Hittite, a company that designs and develops high performance integrated circuits, modules, subsystems and instrumentation for radio frequency, microwave and millimeterwave applications. The total consideration paid to acquire Hittite was approximately $2.4 billion, financed through a combination of existing cash on hand and a 90-day term loan facility of $2.0 billion.

On October 31, 2013, we completed the sale of the assets and intellectual property related to our microphone product line to InvenSense, Inc. (InvenSense). We received $100.0 million in cash for the assets and intellectual property at the closing. In addition, we have agreed to provide InvenSense with various transition services subsequent to the closing. We may receive additional cash payments, not to exceed $70.0 million, based on the achievement of certain revenue milestones through the first anniversary of the closing date. As of November 1, 2014 we did not achieve any of the revenue milestones and have not received and do not expect to receive any additional cash payments.

Additional information relating to our acquisition and divestiture activities during fiscal years 2014, 2013 and 2012 is set forth in Note 6 and Note 17 of the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

Competition

We believe that competitive performance in the marketplace for signal processing products depends upon multiple factors, including technological innovation, strength of brand, diversity of product portfolio, product performance, technical support, delivery capabilities, customer service quality, reliability and price, with the relative importance of these factors varying among products, markets, and customers.

We compete with a number of semiconductor companies in markets that are highly competitive. Our competitors include but are not limited to:

- Broadcom Corporation
- Freescale Semiconductor, Inc.
- Infineon Technologies
- Intersil Corporation
- Linear Technology Corporation
- Maxim Integrated Products, Inc.
- Microchip Technology, Inc.
- NXP Semiconductors
- ST Microelectronics
- Silicon Laboratories, Inc.
- Texas Instruments, Inc.

We believe that our technical innovation emphasizing product performance and reliability, supported by our commitment to strong customer service and technical support, enables us to make a fundamental difference to our customers' competitiveness in our chosen markets.

Environment, Health and Safety

We are committed to protecting the environment and the health and safety of our employees, customers and the public. We endeavor to adhere to applicable environmental, health and safety (EHS) regulatory and industry standards across all of our facilities, and to encourage pollution prevention, reduce our water and energy consumption, reduce waste generation, and strive towards continual improvement. We strive to achieve excellence in EHS management practices as an integral part of our total quality management system.

Our management systems are certified to ISO 14001, OHSAS 18001, ISO 9001 and TS16949. We are a member of the Electronic Industry Citizenship Coalition (EICC). Our Sustainability Report, first published in 2009, states our commitment to consuming less energy and applying fair labor standards, among other things. We are not including the information contained in our Sustainability Report in, or incorporating it by reference into this Annual Report on Form 10-K.

Our manufacturing facilities are subject to numerous and increasingly strict federal, state, local and foreign EHS laws and regulations, particularly with respect to the transportation, storage, handling, use, emission, discharge and disposal of certain chemicals used or produced in the semiconductor manufacturing process. Our products are subject to increasingly stringent regulations regarding chemical content in jurisdictions where we sell products, including the Restriction of Hazardous Substances (RoHS) directive in the European Union and China and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directive in the European Union. Contracts with many of our customers reflect these and additional EHS compliance standards. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, financial condition or competitive position. There can be no assurance, however, that current or future environmental laws and regulations will not impose costly requirements upon us. Any failure by us to comply with applicable environmental laws, regulations and contractual obligations could result in fines, suspension of production, the need to alter manufacturing processes and legal liability.

Employees

As of November 1, 2014, we employed approximately 9,600 individuals worldwide. Our future success depends in large part on the continued service of our key technical and senior management personnel, and on our ability to continue to attract, retain and motivate qualified employees, particularly those highly-skilled design, process, test and applications engineers involved in the design, support and manufacture of new and existing products and processes. We believe that relations with our employees are good; however, the competition for such personnel is intense, and the loss of key personnel could have a material adverse impact on our results of operations and financial condition.

ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

Disruptions in global credit and financial markets could materially and adversely affect our business and results of operations.

There is significant continuing uncertainty regarding the stability of global credit and financial markets. These economic uncertainties may lead consumers and businesses to postpone spending, which may cause our customers to cancel, decrease or delay their existing and future orders for our products and make it difficult for us to accurately forecast and plan our future business activities. Significant disruption to global credit and financial markets may also adversely affect our ability to access external financing sources on acceptable terms. Financial difficulties experienced by our customers could result in nonpayment or payment delays for previously purchased products, thereby increasing our credit risk exposure. Uncertainty regarding the future stability of the global credit and financial markets could cause the value of the currency in the affected markets to deteriorate, thus reducing the purchasing power of those customers. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. During the past few years, many governments adopted stimulus or spending programs designed to ease the economic impact of the crisis. Some of our businesses benefited from these stimulus programs but there can be no assurance that such programs will continue in the future. If economic conditions deteriorate, we may record additional charges relating to restructuring costs or the impairment of assets and our business and results of operations could be materially and adversely affected.

Our future revenue, gross margins, operating results and net income are difficult to predict and may materially fluctuate.

Our future revenue, gross margins, operating results and net income are difficult to predict and may be materially affected by a number of factors, including:

- the effects of adverse economic conditions in the markets in which we sell our products;
- changes in customer demand for our products and for end products that incorporate our products;
- our ability to effectively manage our cost structure in both the short term and over a longer duration;
- the timing of new product announcements or introductions by us, our customers or our competitors;
- competitive pricing pressures;
- fluctuations in manufacturing yields, adequate availability of wafers and other raw materials, and manufacturing, assembly and test capacity;
- the ability of our third-party suppliers, subcontractors and manufacturers to supply us with sufficient quantities of raw materials, products and/or components;
- a decline in the U.S. Government defense budget, changes in spending or budgetary priorities, a prolonged U.S. Government shutdown or delays in contract awards;
- a decline in infrastructure spending by foreign governments, including China;
- any significant decline in our backlog;
- the timing, delay, reduction or cancellation of significant customer orders and our ability to manage inventory;
- our ability to recruit, hire, retain and motivate adequate numbers of engineers and other qualified employees to meet the demands of our customers;
- the increasing costs of providing employee benefits, including health insurance, pension plan contributions and retirement benefits;
- changes in geographic, product or customer mix;
- our ability to utilize our manufacturing facilities at efficient levels;
- potential significant litigation-related costs or product warranty and/or indemnity claims, including those not covered by our suppliers or insurers;
- the difficulties inherent in forecasting future operating expense levels, including with respect to costs associated with labor, utilities, transportation and raw materials;

- the costs related to compliance with increasing worldwide government, environmental and social responsibility regulations;
- changes in our effective tax rates in the United States, Ireland or worldwide; and
- the effects of public health emergencies, natural disasters, widespread travel disruptions, security risks, terrorist activities, international conflicts and other events beyond our control.

In addition, the semiconductor market has historically been cyclical and subject to significant economic upturns and downturns. Our business is also subject to rapid technological changes and there can be no assurance (i) that products stocked in our inventory will not be rendered obsolete before we ship them, or (ii) that we will be able to design, develop and produce products in a timely fashion to accommodate changing customer demand. As a result of these and other factors, there can be no assurance that we will not experience material fluctuations in future revenue, gross margins, operating results and net income on a quarterly or annual basis. Our historical financial performance and results of operations should not be relied upon as indicators of future performance or results. In addition, if our revenue, gross margins, operating results and net income do not meet the expectations of securities analysts or investors, the market price of our common stock may decline.

Increases in our effective tax rate and exposure to additional tax liabilities may adversely impact our results of operations.

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 tax rate in 2014 was below the U.S. federal statutory tax rate of 35%, primarily due to lower statutory tax rates applicable to our operations in the foreign jurisdictions in which we earn income. A number of factors may increase our future effective tax rate, including: new or revised tax laws or legislation (including proposed revisions to Irish tax laws), or the interpretation of such laws or legislation by governmental authorities; increases in tax rates in various jurisdictions; variation in the mix of jurisdictions in which our profits are earned and taxed; repatriation of non-U.S. earnings; any adverse resolution of ongoing tax audits or adverse rulings from taxing authorities worldwide; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including executive compensation subject to the limitations of Section 162(m) of the Internal Revenue Code and amortization of assets acquired in connection with strategic transactions; decreased availability of tax deductions for stock-based compensation awards worldwide; and changes in available tax credits. Any significant increase in our future effective tax rate could adversely impact our net income during future periods.

Long-term contracts are not typical for us, some contracts may be terminated for convenience of the customer, and incorrect forecasts or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

We typically do not have long-term sales contracts with our customers. 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. In other instances, we manufacture product based on forecasts of customer demands. Additionally, our U.S. Government contracts and subcontracts may be funded in increments over a number of government budget periods and typically can be terminated by the government for its convenience. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales, and we are subject to the risk of lower than expected orders or cancellations of orders, leading to a sharp reduction of sales and backlog. Further, orders or forecasts for products that meet the customer's unique requirements and that are canceled or unrealized orders would, in addition, result in an inventory of unsaleable products, causing potential inventory write-offs, and we may be unable to recover all of our costs incurred or committed. As a result of lengthy manufacturing cycles for certain of the products that are subject to these uncertainties, the amount of unsaleable product could be substantial. Incorrect forecasts, or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

Our future success depends upon our ability to execute our business strategy, continue to innovate, improve our existing products, design, develop, produce and market new products, and identify and enter new markets.

Our future success significantly depends on our continued ability to execute our business strategy, continue to improve our existing products and design, develop, produce and market innovative new products. Product design, development, innovation and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality and reliability standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. In addition, our growth is dependent on our continued ability to identify and penetrate new markets where we have limited experience and competition is intense. Some of our customers in these markets are less established, which could subject us to increased credit risk. There can be no assurance that the markets we serve and/or target based on our business strategy 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 price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or 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.

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

We face intense technological and pricing competition in the semiconductor industry, and we expect this competition to increase in the future, including from companies located outside the United States. Many companies have sufficient financial, manufacturing, technical, sales and marketing resources to develop and market products that compete with our products. Some of our competitors may have more advantageous supply or development relationships with our current and potential customers or suppliers. Our competitors also include emerging companies selling specialized products in markets we serve and entities outside of the U.S. Competition is generally based on design and quality of products, product performance, features and functionality, and product pricing, availability and capacity, with the relative importance of these factors varying among products, markets and customers. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced performance, features and functionality, lower power requirements, greater levels of integration or lower cost. Increased competition in certain markets has resulted in and may continue to result in declining average selling prices, reduced gross margins and loss of market share in those markets. 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 competition.

We rely on third-party suppliers, subcontractors and manufacturers for some industry-standard wafers, manufacturing processes, assembly and test services, and transportation, and we generally cannot control their availability or conditions of supply.

We rely, and plan to continue to rely, on suppliers, assembly and test subcontractors, freight carriers, and 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 availability, capacity utilization, delivery schedules, manufacturing yields, and costs. We currently source approximately 50% of our wafer requirements annually from third-party wafer fabrication foundries, primarily Taiwan Semiconductor Manufacturing Company, or TSMC. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. In certain instances, the third-party supplier is the sole source of highly specialized processing services. Additionally, our recently acquired Hittite business utilizes foundries that provide the advanced gallium arsenide, or GaAs, processes that currently account for most of its wafer purchases. The number of foundries that can provide the GaAs process is limited, and Hittite is currently in the process of transitioning away from one of its principal GaAs foundries. If our suppliers are unable or unwilling to manufacture and deliver components to us on the time schedule and of the quality or quantity that we require or provide us with required manufacturing processes, 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. If additional or replacement suppliers or manufacturing processes are not available, we may also experience delays in product development or shipment which could, in turn, result in the temporary or permanent loss of customers.

The markets for semiconductor products are cyclical, and increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products.

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. If we expand our operations and workforce too rapidly or procure excessive resources in anticipation of increased demand for our products, and that demand does not materialize at the pace at which we expect, or declines, or if we overbuild inventory in a period of decreased demand, our operating results may be adversely affected as a result of increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges. These capacity expansions by us and other semiconductor manufacturers could also lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, or locate suitable third-party suppliers, to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our current or future business could be materially and adversely affected.

Our semiconductor products are complex and we may be subject to product warranty and indemnity claims, which could result in significant costs and damage to our reputation and adversely affect the market acceptance of our products.

Semiconductor products are highly complex and may contain defects when they are first introduced or as new versions are developed. We generally warrant our products to our customers for one year from the date title passes from us. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to warranty and indemnification provisions in our customer contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs associated with product recalls, which may adversely impact our operating results. We may also be subject to customer indemnity claims. Our customers have on occasion been sued, and may be sued in the future, by third parties alleging infringement of intellectual property rights, or damages resulting from use of our products. Those customers may seek indemnification from us under the terms and conditions of our sales contracts with them. In certain cases, our potential indemnification liability may be significant. If any of our products contains defects, or has reliability, quality or compatibility problems, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could also adversely affect our operating results.

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 operating results.

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

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual obligations to indemnify our customers. Other companies or individuals 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 infringing products, if those patents are found to be valid and infringed by us. 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. We could also be subject to litigation or arbitration disputes arising under our contractual obligations, as well as indemnity, warranty or product liability claims that could lead to significant costs and expenses as we defend those claims or pay damage awards. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities. We may incur costs and expenses relating to a recall of our customers' products due to an alleged failure of components we supply. An adverse outcome in litigation or arbitration could have a material adverse effect on our financial position or on our operating results or cash flows in the period in which the dispute is resolved.

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

Our future success depends, in part, on our ability to protect our intellectual property. We primarily rely on patent, mask work, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. Despite our efforts to protect our intellectual property, it is possible that competitors or other unauthorized third parties may obtain, copy, reverse engineer, use or disclose our technologies, products and processes. Moreover, the laws of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our proprietary intellectual property.

There can be no assurance that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with adequate protection. We may not be able to obtain foreign patents or pending applications corresponding to our U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents and mask works do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents.

We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products or technology without our authorization. Also, former employees may seek employment with our business partners, customers or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment.

A significant disruption in, or breach in security of, our information technology systems could materially and adversely affect our business or reputation.

We rely on information technology systems throughout our Company to keep financial records and customer data, process orders, manage inventory, coordinate shipments to customers, maintain confidential and proprietary information, assist in semiconductor engineering and other technical activities and operate other critical functions such as internet connectivity, network communications and email. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, telecommunication failures, user errors, catastrophes or other unforeseen events. If we were to experience a prolonged disruption in the information technology systems that involve our internal communications or our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. We may also be subject to security breaches caused by computer viruses, illegal break-ins or hacking, sabotage, or acts of vandalism by third parties. Our security measures or those of our third party service providers may not detect or prevent security breaches. In addition, we provide our confidential and proprietary information to our third-party business partners in certain cases where doing so is necessary to conduct our business. While we employ confidentiality agreements to protect such information, nonetheless those third parties may also be subject to security breaches or otherwise compromise the protection of such information. Security breaches of our information technology systems or those of our partners could result in the misappropriation or unauthorized disclosure of confidential and proprietary information belonging to us or to our employees, partners, customers or suppliers, which could result in our suffering significant financial or reputational damage.

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

Our continued success depends to a significant extent upon the recruitment, retention and effective succession of our executive officers and key management and technical personnel, particularly our experienced engineers. 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 our business should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract and retain qualified personnel. We do not maintain any key person life insurance policy on any of our officers or employees.

To remain competitive, we may need to invest in or acquire other companies, purchase or license technology from third parties, or enter into other strategic transactions in order to introduce new products or enhance our existing products.

An element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, diversify our product portfolio, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. We may not be able to find businesses that have the technology or resources we need and, if we find such businesses, we may not be able to invest in, purchase or license the technology or resources on commercially favorable terms or at all. Acquisitions, investments and technology licenses are difficult to identify and complete for a number of reasons, including the cost of potential transactions, competition among prospective buyers and licensees, the need for regulatory approvals, and difficulties related to integration efforts. Both in the U.S. and abroad, governmental regulation of acquisitions has become more complex, increasing the costs and risks of undertaking significant acquisitions. In order to finance a potential transaction, we may need to raise additional funds by issuing securities or borrowing money. We may not be able to obtain financing on favorable terms, and the sale of our stock may result in the dilution of our existing shareholders or the issuance of securities with rights that are superior to the rights of our common shareholders.

Acquisitions also involve a number of risks, including:

- difficulty or delay integrating acquired technologies, operations and personnel with our existing businesses;
- diversion of management's attention in connection with both negotiating the transaction and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger or more complex operations;
- the future funding requirements for acquired companies, which may be significant;
- potential loss of key employees;
- exposure to unforeseen liabilities of acquired companies;

- higher than expected or unexpected costs relating to or associated with an acquisition;
- difficulty realizing synergies and growth prospects of an acquisition in a timely manner or at all; and
- increased risk of costly and time-consuming litigation.

If we are unable to successfully address these risks, we may not realize some or all of the expected benefits of the acquisition, which may have an adverse effect on our business strategy, plans and operating results.

We rely on supplies, services and manufacturing capacity located in geologically unstable areas, which could affect our ability to produce products.

We, like many companies in the semiconductor industry, rely on supplies, services, internal manufacturing capacity, wafer fabrication foundries and other subcontractors in geologically unstable locations around the world. Earthquakes, tsunamis, flooding or other natural disasters may disrupt local semiconductor-related businesses and adversely affect manufacturing capacity, availability and cost of key raw materials, utilities and equipment, and availability of key services, including transport of our products worldwide. Our insurance may not adequately cover losses resulting from such disruptions. 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, flood, natural disaster, unavailability of utilities or otherwise, could result in a temporary or permanent loss of customers for affected products, which could have a material adverse effect on our results of operations and financial condition.

We are exposed to business, economic, political, legal, regulatory and other risks through our significant worldwide operations, which could adversely affect our business, financial condition and results of operations.

We have significant operations and manufacturing facilities outside the United States, including in Ireland and the Philippines. A significant portion of our revenue is derived from customers in international markets, and we expect that international sales will continue to account for a significant portion of our revenue in the future. Risks associated with our international business operations include the following:

- political, legal and economic changes or instability and civil unrest in foreign markets;
- currency conversion risks and exchange rate and interest rate fluctuations;
- limitations on the repatriation of earnings;
- economic disruption from terrorism and threats of terrorism and the response to them by the U.S. and its allies;
- increased managerial complexities, including different employment practices and labor issues;
- greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- complex and varying government regulations and legal standards, particularly with respect to price protection, competition practices, export control regulations, customs and tax requirements, anti-boycott regulations, data privacy, intellectual property, anti-corruption and environmental compliance, including U.S. customs and export regulations, including International Traffic in Arms Regulations and the Foreign Corrupt Practices Act;
- natural disasters or pandemics;
- transportation disruptions and delays and increases in labor and transportation costs;
- changes to foreign taxes, tariffs and freight rates;
- trade and travel restrictions, including restrictions imposed by the U.S. government on trading with parties in foreign countries;
- fluctuations in raw material costs and energy costs;
- greater difficulty in accounts receivable collections and longer collection periods; and
- costs associated with our foreign defined benefit pension plans.

Any of these risks, or any other risks related to international business operations, could materially adversely affect our business, financial condition and results of operations.

Many of these risks are present in China. While we expect to continue to expand our business and operations in China, our success in the Chinese markets may be adversely affected by China's continuously evolving laws and regulations, including those relating to taxation, import and export tariffs, currency controls, the environment, indigenous innovation, and intellectual property rights and enforcement and protection of those rights. Enforcement of existing laws or agreements may be inconsistent. In addition, changes in the political environment, governmental policies or U.S.-China relations could result in revisions to laws or regulations or their interpretation and enforcement, exposure of our proprietary intellectual property, increased taxation, and restrictions on imports, import duties or currency revaluations, which could have an adverse effect on our business plans and operating results.

At November 1, 2014, our principal source of liquidity was $2.9 billion of cash and cash equivalents and short-term investments, of which approximately $856.5 million was held in the United States and the remaining balance was held outside the United States in various foreign subsidiaries. As we intend to reinvest our foreign earnings indefinitely, this cash held outside the United States is not readily available to meet our cash requirements in the United States. We require a substantial amount of cash in the United States for operating requirements, stock repurchases, cash dividends and acquisitions. If we are unable to address our U.S. cash requirements through operations, through borrowings under our current credit facility, through future debt or equity offerings or from other sources of cash obtained at an acceptable cost, it may be necessary for us to consider repatriation of earnings that are permanently reinvested, and we may be required to pay additional taxes under current tax laws, which could have a material effect on our results of operations and financial condition.

Our operating results are dependent on the performance of independent distributors.

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 they could 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 declarations of bankruptcy by these distributors. Our inability to collect open accounts receivable could adversely affect our operating results. Termination of a significant distributor or a group of distributors, whether at our initiative or the distributor's initiative or through consolidation in the distribution industry, could disrupt our current business, and if we are unable to find suitable replacements, our operating results could be adversely affected.

We are subject to environmental, health and safety (EHS) regulations, which could increase our expenses and affect our operating results.

Our industry is subject to EHS requirements, particularly those environmental requirements that control and restrict the sourcing, use, transportation, emission, discharge, storage and disposal of certain chemicals, minerals, elements and materials used or produced in the semiconductor manufacturing process. Public attention to environmental, sustainability and social responsibility concerns continues to increase, and our customers routinely include stringent environmental and other standards in their contracts with us. Changes in EHS laws or regulations may require us to invest in costly equipment or alter the way our products are made and may adversely affect the sourcing, supply and pricing of materials used in our products. In addition, we use hazardous and other regulated materials that subject us to risks of strict liability for damages caused by potential or actual releases of such materials. Any failure to control such materials adequately or to comply with existing or future EHS statutory or regulatory standards, requirements or contractual obligations could result in liability for damages and remediation; the imposition of regulatory penalties and civil and criminal fines; the suspension or termination of the development, manufacture, sale or use of certain of our products; changes to our manufacturing processes or a need to substitute materials that may cost more or be less available; damage to our reputation; and/or increased expenses associated with compliance, each of which could have a material adverse effect on our business and operating results.

If we fail to comply with government contracting regulations, we could suffer a loss of revenue or incur price adjustments or other penalties.

Some of our revenue is derived from contracts with agencies of the United States government and subcontracts with its prime contractors. As a United States government contractor or subcontractor, we are subject to federal contracting regulations, including the Federal Acquisition Regulations, which govern the allowability of costs incurred by us in the performance of United States government contracts. Certain contract pricing is based on estimated direct and indirect costs, which are subject to change. Additionally, the United States government is entitled after final payment on certain negotiated contracts to examine all of our cost records with respect to such contracts and to seek a downward adjustment to the price of the contract if it determines that we failed to furnish complete, accurate and current cost or pricing data in connection with the negotiation of the price of the contract.

In connection with our United States government business, we are also subject to government audits and to review and approval of our policies, procedures, and internal controls for compliance with procurement regulations and applicable laws. In certain circumstances, if we do not comply with the terms of a contract or with regulations or statutes, we could be subject to downward contract price adjustments or refund obligations or could in extreme circumstances be assessed civil and criminal penalties or be debarred or suspended from obtaining future contracts for a specified period of time. Any such suspension or debarment or other sanction could have an adverse effect on our business.

Under some of our government subcontracts, we are required to maintain secure facilities and to obtain security clearances for personnel involved in performance of the contract, in compliance with applicable federal standards. If we were unable to comply with these requirements, or if personnel critical to our performance of these contracts were unable to obtain or maintain their security clearances, we might be unable to perform these contracts or compete for other projects of this nature, which could adversely affect our revenue.

If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our outstanding senior unsecured notes.

In April 2011, we issued in a public offering $375.0 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 2016 Notes). In June 2013, we issued in a public offering $500.0 million aggregate principal amount of 2.875% senior unsecured notes due June 1, 2023 (the 2023 Notes and together with the 2016 Notes, the Notes). Our ability to make payments of principal and interest on our indebtedness when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our outstanding debt, we may be required to, among other things:

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness, including the Notes;
- borrow under our existing revolving credit facility;
- divert funds that would otherwise be invested in our operations;
- repatriate earnings at higher tax rates that are permanently reinvested in foreign locations;
- sell selected assets; or
- reduce or delay planned capital expenditures or operating expenditures.

Such measures might not be sufficient to enable us to service our debt, including the Notes, which could negatively impact our financial results. In addition, any such financing, refinancing or sale of assets might not be possible on economically favorable terms.

Restrictions in our revolving credit facility and outstanding debt instruments may limit our activities.

Our current revolving credit facility and our outstanding senior unsecured notes impose, and future debt instruments to which we may become subject may impose, restrictions that limit our ability to engage in activities that could otherwise benefit our Company, including to undertake certain transactions, to create certain liens on our assets and to incur certain subsidiary indebtedness. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition. In addition, our revolving credit facility requires us to maintain compliance with specified financial ratios. If we breach any of the covenants under our revolving credit facility or the indenture governing our outstanding notes and do not obtain appropriate waivers, then, subject to applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable or we may be restricted from further borrowing under our revolving credit facility.

Our stock price may be volatile.

The market price of our common stock has been volatile in the past and may be volatile in the future, as it may be significantly affected by factors including:

- global economic conditions generally;
- crises in global credit, debt and financial markets;
- actual or anticipated fluctuations in our revenue and operating results;
- changes in financial estimates by securities analysts or our failure to perform in line with those estimates or our published guidance;
- changes in market valuations of other semiconductor companies;

- announcements by us or our competitors of significant new products, technical innovations, material transactions, acquisitions or dispositions, litigation or capital commitments;
- departures of key personnel;
- alleged noncompliance with laws, regulations or ethics standards by us or any of our employees, officers or directors; and
- negative media publicity targeting us or our suppliers, customers or competitors.

The stock market has historically experienced volatility, especially within the semiconductor industry, that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our operating results.

Our directors and executive officers periodically sell shares of our common stock in the market, including pursuant to Rule 10b5-1 trading plans. Regardless of the individual's reasons for such sales, securities analysts and investors could view such sales as a negative indicator and our stock price could be adversely affected as a result.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Norwood, Massachusetts. Manufacturing and other operations are conducted in several locations worldwide. The following tables provide certain information about our principal general offices and manufacturing facilities:

Principal Properties Owned:	Use	Approximate Total Sq. Ft.
Wilmington, MA	Wafer fabrication, testing, engineering, marketing and administrative offices	594,000 sq. ft.
Cavite, Philippines	Wafer probe and testing, warehouse, engineering and administrative offices	605,000 sq. ft.
Limerick, Ireland	Wafer fabrication, wafer probe and testing, engineering and administrative offices	351,500 sq. ft.
Chelmsford, MA	Final assembly of certain module and subsystem-level products, testing, engineering and administrative offices	176,500 sq. ft.
Greensboro, NC	Product testing, engineering and administrative offices	99,000 sq. ft.
San Jose, CA	Engineering, administrative offices	77,000 sq. ft.

Principal Properties Leased:	Use	Approximate Total Sq. Ft.	Lease Termination (fiscal year)	Renewals
Norwood, MA	Corporate headquarters, engineering, sales and marketing offices	130,000 sq. ft.	2022	2, five-yr. periods
Bangalore, India	Engineering	75,000 sq. ft.	2018	1, five-yr. period
Greensboro, NC	Engineering and administrative offices	51,000 sq. ft.	2018	2, three-yr. periods
Shanghai, China	Engineering	59,000 sq. ft.	2018	2, 1 two-yr. period, 1 three-yr. period
Tokyo, Japan	Engineering	36,400 sq. ft.	2016	1, two-yr. period
Beijing, China	Engineering	33,000 sq. ft.	2016	1, two-yr. period

In addition to the principal leased properties listed in the above table, we also lease sales offices and other premises at 22 locations in the United States and 62 locations internationally under operating lease agreements. These leases expire at various dates through the year 2022. We do not anticipate experiencing significant difficulty in retaining occupancy of any of our manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. For information concerning our obligations under all operating leases see Note 11 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of our business, various claims, charges and litigation are asserted or commenced against us 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, we can give no assurance that we will prevail. We do not believe that any current legal matters will have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth (i) the name, age and position of each of our executive officers and (ii) the business experience of each person named in the table during at least the past five years. There is no family relationship among any of our executive officers.

Executive Officer	Age	Position(s)	Business Experience
Vincent T. Roche	54	President and Chief Executive Officer	Chief Executive Officer since May 2013; President since November 2012; Vice President, Strategic Segments Group and Global Sales from October 2009 to November 2012; Vice President, Worldwide Sales from March 2001 to October 2009; Vice President and General Manager, Silicon Valley Business Units and Computer & Networking from 1999 to March 2001; Product Line Director from 1995 to 1999; Product Marketing Manager from 1988 to 1995.
David A. Zinsner	46	Senior Vice President, Finance and Chief Financial Officer	Senior Vice President, Finance and Chief Financial Officer since November 2014; Vice President, Finance and Chief Financial Officer from January 2009 to November 2014; Senior Vice President and Chief Financial Officer, Intersil Corporation from 2005 to December 2008; Corporate Controller and Treasurer, Intersil Corporation from 2000 to 2005. Corporate Treasurer, Intersil Corporation from 1999 to 2000.
Rick D. Hess	61	Senior Vice President, Communications and Automotive Business Group	Senior Vice President, Communications and Automotive Business Group since November 2014; Vice President, Radio and Microwave Group from July 2014 to November 2014; President and Chief Executive Officer, Hittite Corporation from April 2013 to July 2014; Vice President to Superconductors, American Superconductor Corporation from 2010 to April 2013; President and Chief Executive Officer, Konarka Technologies from 2006 to 2010.
Robert R. Marshall	60	Senior Vice President, Worldwide Manufacturing	Senior Vice President, Worldwide Manufacturing since November 2014; Vice President, Worldwide Manufacturing from February 1994 to November 2014; Vice President, Manufacturing, Limerick Site, Analog Devices, B.V. - Limerick, Ireland from November 1991 to February 1994; Plant Manager, Analog Devices, B.V. - Limerick, Ireland from January 1991 to November 1991.
William Matson	55	Senior Vice President, Human Resources	Senior Vice President, Human Resources since November 2014; Vice President, Human Resources from November 2006 to November 2014; Chief Human Resource Officer of Lenovo from January 2005 to June 2006; General Manager of IBM Business Transformation Outsourcing from September 2003 to April 2005; Vice President, Human Resources of IBM Asia Pacific Region from December 1999 to September 2003.

Executive Officer	Age	Position(s)	Business Experience
Richard Meaney	57	Senior Vice President, Industrial and Healthcare Business Group	Senior Vice President, Industrial and Healthcare Business Group since November 2014;Vice President, Products and Technologies Group from November 2012 to November 2014; Vice President, Converters from August 2009 to November 2012; Vice President, Precision Signal Processing from October 1999 to August 2009; Product Line Director from August 1991 to September 1999; Engineering Manager from August 1988 to July 1991; Design Engineer Analog Devices B.V. Limerick, Ireland from August 1979 to July 1988.
Peter Real	54	Senior Vice President and Chief Technology Officer	Senior Vice President and Chief Technology Officer since November 2014; Vice President, High Speed and Technology Group from November 2012 to November 2014; Vice President, Linear and Radio Frequency Group from August 2009 to November 2012; Vice President, Radio Frequency and Networking Components Group from January 2008 to August 2009; Product Line Director from 1999 to 2007; Engineering Manager from 1992 to 1999.
Margaret K. Seif	53	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary since November 2014; Vice President, General Counsel and Secretary from January 2006 to November 2014; Senior Vice President, General Counsel and Secretary of RSA Security Inc. from January 2000 to November 2005; Vice President, General Counsel and Secretary of RSA Security Inc. from June 1998 to January 2000.
Thomas Wessel	47	Senior Vice President, Worldwide Sales and Marketing	Senior Vice President, Worldwide Sales and Marketing since November 2014; Vice President, Worldwide Sales from March 2012 to November 2014; Vice President, Worldwide Automotive Segment from November 2009 to March 2012; Vice President, European Sales and Marketing from June 2008 to November 2009; Managing Director, European Sales and Marketing from June 2005 to June 2008.
Eileen Wynne	48	Vice President, Corporate Controller and Chief Accounting Officer	Vice President and Chief Accounting Officer since May 2013; Corporate Controller since April 2011; Assistant Corporate Controller from February 2004 to April 2011.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on The NASDAQ Global Select Market under the symbol ADI. Prior to April 2, 2012, our common stock was listed on the New York Stock Exchange. The tables below set forth the high and low sales prices per share of our common stock on the applicable exchange and the dividends declared for each quarterly period within our two most recent fiscal years.

High and Low Sales Prices of Common Stock

	Fiscal 2014		Fiscal 2013	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$51.20	$46.12	$44.74	$38.74
Second Quarter	$54.40	$47.14	$47.27	$41.81
Third Quarter	$56.18	$49.47	$50.00	$43.86
Fourth Quarter	$52.95	$42.57	$49.79	$45.28

Dividends Declared Per Outstanding Share of Common Stock

In fiscal 2014 and fiscal 2013, we paid a cash dividend in each quarter as follows:

Period	Fiscal 2014	Fiscal 2013
First Quarter	$0.34	$0.30
Second Quarter	$0.37	$0.34
Third Quarter	$0.37	$0.34
Fourth Quarter	$0.37	$0.34

During the first quarter of fiscal 2015, on November 24, 2014, our Board of Directors declared a cash dividend of $0.37 per outstanding share of common stock. The dividend will be paid on December 16, 2014 to all shareholders of record at the close of business on December 5, 2014. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is set forth in Item 12 below.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(a)	Average Price Paid Per Share(b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(c)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
August 3, 2014 through August 30, 2014	1,083,233	$ 50.72	1,064,200	$ 880,174,472
August 31, 2014 through September 27, 2014	1,145,845	$ 49.91	1,141,200	$ 823,217,761
September 28, 2014 through November 1, 2014	1,617,382	$ 46.52	1,612,400	$ 748,215,058
Total	3,846,460	$ 48.71	3,817,800	$ 748,215,088

(a) Includes 28,660 shares withheld by us from employees to satisfy employee minimum tax obligations upon vesting of restricted stock units granted to our employees under our equity compensation plans.

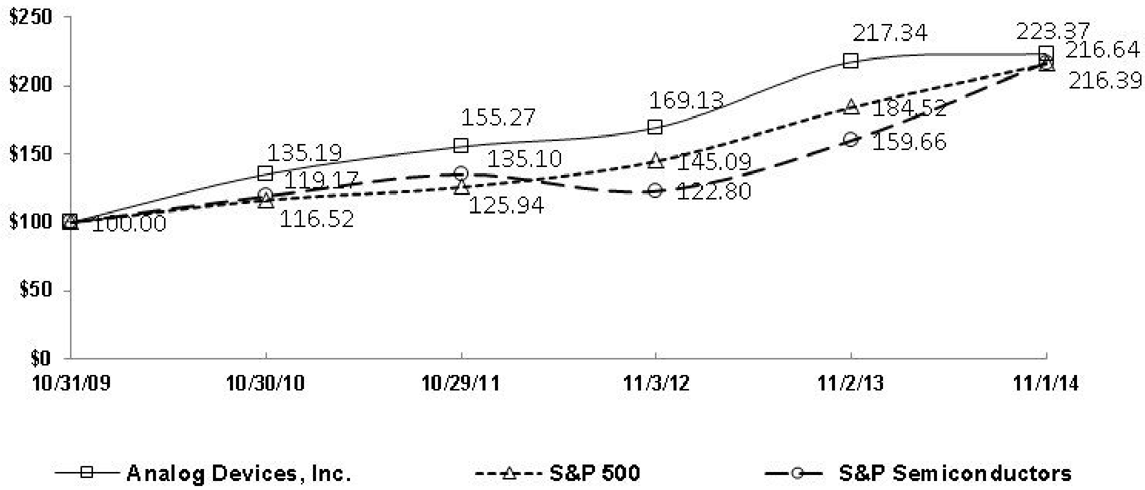
(b) The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to the brokers. The average price paid for shares in connection with vesting of restricted stock are averages of the closing stock price at the vesting date which is used to calculate the number of shares to be withheld.

(c) Shares repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. On February 17, 2014, our Board of Directors authorized our repurchase of an additional $570.0 million of our common stock, increasing the total amount of our common stock that we are authorized to repurchase under the program to $5.6 billion. 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.

The number of holders of record of our common stock at December 9, 2014 was 2,167. This number does not include shareholders for whom shares are held in a “nominee” or “street” name. On October 31, 2014, the last reported sales price of our common stock on The NASDAQ Global Select Market was $49.62 per share.

Comparative Stock Performance Graph

The following graph compares cumulative total shareholder return on our common stock since October 31, 2009 with the cumulative total return of the Standard & Poor’s (S&P) 500 Index and the S&P Semiconductors Index. This graph assumes the investment of $100 on October 31, 2009 in our common stock, the S&P 500 Index and the S&P Semiconductors Index and assumes all dividends are reinvested. Measurement points are the last trading day for each respective fiscal year.



ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected financial data for each of our last five fiscal years.

(thousands, except per share amounts)	2014	2013	2012	2011	2010
Statement of Operations data:					
Total revenue from continuing operations	$ 2,864,773	$ 2,633,689	$ 2,701,142	$ 2,993,320	$ 2,761,503
Income from continuing operations, net of tax	629,320	673,487	651,236	860,894	711,225
Total income from discontinued operations, net of tax	—	—	—	6,500	859
Net income	629,320	673,487	651,236	867,394	712,084
Income per share from continuing operations, net of tax:					
Basic	2.01	2.19	2.18	2.88	2.39
Diluted	1.98	2.14	2.13	2.79	2.33
Net income per share					
Basic	2.01	2.19	2.18	2.90	2.39
Diluted	1.98	2.14	2.13	2.81	2.33
Cash dividends declared per common share	1.45	1.32	1.15	0.94	0.84
Balance Sheet data:					
Total assets	$ 6,859,690	$ 6,381,750	$ 5,620,347	$ 5,277,635	$ 4,328,831
Debt	$ 872,789	$ 872,241	$ 821,598	$ 886,376	$ 400,635

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (all tabular amounts in thousands except per share amounts)

Results of Operations

Overview

	Fiscal Year			2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Revenue	$2,864,773	$2,633,689	$2,701,142	$ 231,084	9 %	$ (67,453)	(2)%
Gross Margin %	63.9%	64.3%	64.5%				
Net income	$ 629,320	$ 673,487	$ 651,236	$ (44,167)	(7)%	$ 22,251	3 %
Net income as a % of Revenue	22.0%	25.6%	24.1%				
Diluted EPS	$ 1.98	$ 2.14	$ 2.13	$ (0.16)	(7)%	$ 0.01	— %

Fiscal 2014 and fiscal 2013 were 52-week years. Fiscal 2012 was a 53-week year. The additional week in fiscal 2012 was included in the first quarter ended February 4, 2012.

On July 22, 2014, we completed the acquisition of Hittite Microwave Corporation (Hittite), a company that designs and develops high performance integrated circuits, modules, subsystems and instrumentation for radio frequency, microwave and millimeterwave applications. The total consideration paid to acquire Hittite was approximately $2.4 billion, financed through a combination of existing cash on hand and a 90-day term loan facility of $2.0 billion. The acquisition of Hittite is referred to as the Acquisition. The results of operations of Hittite from July 22, 2014 (the Acquisition Date) are included in the consolidated statements of income for fiscal 2014 and accounted for approximately 3% of revenue. See Note 6, *Acquisitions,* of the Notes to the Consolidated Financial Statements contained in Item 8 of this Annual Report on From 10-K for further discussion related to the Acquisition.

The year-to-year revenue changes by end market and product category are more fully outlined below under *Revenue Trends by End Market* and *Revenue Trends by Product Type*.

Revenue Trends by End Market

The following table summarizes revenue by end market. 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.

	2014			2013		2012	
	Revenue	% of Total Product Revenue	Y/Y%	Revenue	% of Total Product Revenue*	Revenue	% of Total Product Revenue
Industrial	$ 1,333,694	47%	10 %	$ 1,215,829	46%	$ 1,244,608	46%
Automotive	524,867	18%	9 %	483,445	18%	464,553	17%
Consumer	325,222	11%	(20)%	404,548	15%	464,179	17%
Communications	680,990	24%	29 %	529,867	20%	527,802	20%
Total Revenue	**$ 2,864,773**	100%	9 %	**$ 2,633,689**	100%	**$ 2,701,142**	100%

* The sum of the individual percentages does not equal the total due to rounding.

The year-to-year increase in communications end market revenue in fiscal 2014 was primarily a result of increased wireless base station deployment activity and, to a lesser extent, an increase in revenue as a result of the Acquisition. Industrial end market revenue increased year-over-year in fiscal 2014 as compared to fiscal 2013 as a result of an increase in demand in this end market, which was most significant for products sold into the instrumentation and automation sectors and, to a lesser extent, an increase in revenue as a result of the Acquisition. The year-to-year increase in automotive end market revenue in fiscal 2014 was primarily a result of increasing electronic content in vehicles and higher demand for new vehicles. The year-to-year decrease in revenue in the consumer end market in fiscal 2014 was primarily the result of the sale of our microphone product line in the fourth quarter of fiscal 2013.

The year-to-year decrease in revenue in the industrial and consumer end markets in fiscal 2013 was primarily the result of a weak global economic environment and one less week of operations in fiscal 2013 as compared to fiscal 2012. Automotive end market revenue increased in fiscal 2013 primarily as a result of increasing electronic content in vehicles.

Revenue Trends by Product Type

The following table summarizes revenue by product categories. The categorization of our products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories, we reclassify the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

	2014			2013		2012	
	Revenue	**% of Total Product Revenue***	**Y/Y%**	**Revenue**	**% of Total Product Revenue***	**Revenue**	**% of Total Product Revenue***
Converters	$ 1,285,368	45%	9 %	$ 1,180,072	45%	$ 1,192,064	44%
Amplifiers/Radio frequency	806,975	28%	18 %	682,759	26%	697,687	26%
Other analog	356,406	12%	(4)%	372,281	14%	397,376	15%
Subtotal analog signal processing	2,448,749	85%	10 %	2,235,112	85%	2,287,127	85%
Power management & reference	174,483	6%	1 %	172,920	7%	182,134	7%
Total analog products	**$ 2,623,232**	92%	9 %	**$ 2,408,032**	91%	**$ 2,469,261**	91%
Digital signal processing	241,541	8%	7 %	225,657	9%	231,881	9%
Total Revenue	**$ 2,864,773**	100%	9 %	**$ 2,633,689**	100%	**$ 2,701,142**	100%

* The sum of the individual percentages does not equal the total due to rounding.

The year-to-year increase in total revenue in fiscal 2014 as compared to fiscal 2013 was the result of improving demand across most product type categories and the result of the Acquisition, which was partially offset by declines in the other analog product category, primarily as a result of the sale of our microphone product line in the fourth quarter of fiscal 2013.

The year-to-year decrease in total revenue in fiscal 2013 as compared to fiscal 2012 was the result of one less week of operations in fiscal 2013 as compared to fiscal 2012 and a broad-based decrease in demand across most product type categories.

Revenue Trends by Geographic Region

Revenue by geographic region, based upon the primary location of our customers' design activity for its products, for fiscal 2014, 2013 and 2012 was as follows.

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
United States	$ 821,554	$ 821,269	$ 818,653	$ 285	— %	$ 2,616	— %
Rest of North and South America	96,957	99,215	114,133	(2,258)	(2)%	(14,918)	(13)%
Europe	924,477	840,585	852,668	83,892	10 %	(12,083)	(1)%
Japan	308,054	292,804	333,558	15,250	5 %	(40,754)	(12)%
China	459,260	349,575	341,196	109,685	31 %	8,379	2 %
Rest of Asia	254,471	230,241	240,934	24,230	11 %	(10,693)	(4)%
Total Revenue	$2,864,773	$2,633,689	$2,701,142	$ 231,084	9 %	$ (67,453)	(2)%

In fiscal years 2014, 2013 and 2012, the predominant countries comprising "Rest of North and South America" are Canada and Mexico; the predominant countries comprising "Europe" are Germany, Sweden, France and the United Kingdom; and the predominant countries comprising "Rest of Asia" are Taiwan and South Korea.

On a regional basis, the year-over-year sales increases for fiscal 2014 in most regions were the result of an increase in demand in the communications, industrial and automotive end markets and an increase in revenue as a result of the Acquisition, partially offset by a lower demand for products used in consumer applications.

On a regional basis, the year-over-year sales declines in Japan and Rest of Asia for fiscal 2013 were primarily the result of lower demand for products used in consumer applications. The year-over-year sales increase in China for fiscal 2013 was primarily the result of an increase in demand in the industrial end market.

Gross Margin

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Gross Margin	$1,830,188	$1,692,411	$1,741,001	$ 137,777	8%	$ (48,590)	(3)%
Gross Margin %	63.9%	64.3%	64.5%				

Gross margin percentage decreased by 40 basis points compared to fiscal 2013, primarily as a result of recording approximately $53.6 million of additional cost related to the sale of acquired inventory written up to fair value as a result of the Acquisition. This expense was partially offset by the improved utilization levels in our manufacturing facilities and, to a lesser extent, a mix shift in favor of higher margin products being sold as a result of the Acquisition.

Gross margin percentage in fiscal 2013 decreased 20 basis points compared to fiscal 2012 primarily as a result of a slight mix shift in favor of lower margin products being sold.

Research and Development (R&D)

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
R&D Expenses	$ 559,686	$ 513,035	$ 511,835	$ 46,651	9%	$ 1,200	—%
R&D Expenses as a % of Revenue	19.5%	19.5%	18.9%				

R&D expenses increased in fiscal 2014 as compared to fiscal 2013, primarily due to an increase in variable compensation expense linked to our overall profitability and revenue growth, higher R&D employee and related benefit expenses, and a general increase in other operational spending. Approximately $15.0 million of the overall increase year-over-year was a result of the Acquisition.

R&D expenses remained flat in fiscal 2013 as compared to fiscal 2012 as increases in R&D employee salary and benefit expenses and other operational spending were offset by lower variable compensation expense linked to our overall profitability and revenue growth.

R&D expenses as a percentage of revenue will fluctuate from year-to-year depending on the amount of revenue and the success of new product development efforts, which we view as critical to our future growth. We have hundreds of R&D projects underway, none of which we believe are material on an individual basis. We expect to continue the development of innovative technologies and processes for new products. We believe that a continued commitment to R&D is essential to maintain product leadership with our existing products as well as to provide innovative new product offerings, and therefore, we expect to continue to make significant R&D investments in the future.

Selling, Marketing, General and Administrative (SMG&A)

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
SMG&A Expenses	$ 454,676	$ 396,233	$ 396,519	$ 58,443	15%	$ (286)	— %
SMG&A Expenses as a % of Revenue	15.9%	15.0%	14.7%				

SMG&A expenses increased year-to-year as compared to fiscal 2013 primarily due to Acquisition-related transaction costs and other activity of approximately $33.3 million. The remainder of the increases were primarily due to higher variable compensation expense linked to our overall profitability and revenue growth, higher SMG&A employee and related benefit expenses as a result of an increased headcount attributable to the Acquisition and, to a lesser extent, increases in other operational spending. The increases in SMG&A employee and related benefit expenses were partially offset by a lower stock-based compensation expense as fiscal 2013 included $6.3 million related to the accelerated vesting of restricted stock units following the death of the Company's then-CEO in the second quarter of fiscal 2013.

SMG&A expenses remained flat in fiscal 2013 as compared to fiscal 2012 as decreases in SMG&A employee salary and benefit expenses and variable compensation expense linked to our overall profitability and revenue growth were partially offset by increases in other operational spending. In addition, fiscal 2013 also included $6.3 million of stock-based compensation expense following the death of our CEO in the second quarter of fiscal 2013 due to the accelerated vesting of restricted stock units in accordance with the terms of his restricted stock unit agreement.

Amortization of Intangibles

During fiscal 2014, we recognized approximately $26.0 million of amortization expense within operating expenses of which approximately $25.9 million related to the $665.5 million of amortizable intangible assets acquired as a result of the Acquisition.These amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives.

Special Charges

We monitor global macroeconomic conditions on an ongoing basis, and continue to assess opportunities for improved operational effectiveness and efficiency and better alignment of expenses with revenues. As a result of these assessments, we have undertaken various restructuring actions over the past several years. The expense reductions relating to ongoing actions are described below.

During fiscal 2008 through fiscal 2011, we recorded special charges of approximately $45.5 million. These special charges included: $41.3 million for severance and fringe benefit costs in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 245 manufacturing employees and 495 engineering and SMG&A employees; $2.1 million for lease obligation costs for facilities that we ceased using during the first quarter of fiscal 2009; $0.8 million for the write-off of property, plant and equipment; $0.5 million for contract termination costs and $0.3 million for clean-up and closure costs that were expensed as incurred; and $0.5 million related to the impairment of intellectual property. This action resulted in estimated annual cost savings of approximately $56.0 million. We have terminated the employment of all employees associated with these actions.

During fiscal 2012, we recorded special charges of approximately $8.4 million. These special charges included: $7.9 million for severance and fringe benefit costs in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 95 manufacturing, engineering and SMG&A employees; $0.2 million for lease obligation costs for facilities that we ceased using during the third quarter of fiscal 2012; $0.1 million for contract termination costs; and $0.2 million for the write-off of property, plant and equipment. These actions resulted in estimated annual cost savings of approximately $12.0 million. We have terminated the employment of all employees associated with these actions.

During fiscal 2013, we recorded special charges of approximately $29.8 million for severance and fringe benefit costs in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 235 engineering and SMG&A employees. As of November 1, 2014, the Company still employed 2 of the 235 employees included in this cost reduction action. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit. This action resulted in annual cost savings of approximately $32.6 million.

During fiscal 2014, we recorded special charges of approximately $37.3 million. These special charges included $37.9 million for severance and fringe benefit costs in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 341 manufacturing, engineering and SMG&A employees; $0.5 million for lease obligations costs for facilities that we ceased using during the fourth quarter of fiscal 2014; and $0.4 million for the impairment of assets that have no future use located at closed facilities. We reversed approximately $1.4 million of our severance accrual related to charges taken in fiscal 2013, primarily due to severance costs being lower than our estimates. As of November 1, 2014, the Company still employed 311 of the 341 employees included in these cost reduction actions. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit. We expect these actions will result in estimated annual cost savings of approximately $46.2 million, once fully implemented.

We expect that annual cost savings resulting from these actions will be used to make additional investments in products that we expect will drive revenue growth in the future.

Operating Income

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Operating income	$ 752,484	$ 753,075	$ 824,048	$ (591)	— %	$ (70,973)	(9)%
Operating income as a % of Revenue	26.3%	28.6%	30.5%				

The year-over-year decrease in operating income in fiscal 2014 as compared to fiscal 2013 was primarily the result of an increase in revenue of $231.1 million, which was offset by a 40 basis point decrease in gross margin percentage, a $46.7 million increase in R&D expenses, a $58.4 million increase in SMG&A expenses, a $25.8 million increase in amortization of intangibles, and a $7.5 million increase in special charges as more fully described above under the headings *Research and Development (R&D), Selling, Marketing, General and Administrative (SMG&A), Amortization of Intangibles and Special Charges.*

The year-over-year decrease in operating income in fiscal 2013 as compared to fiscal 2012 was primarily the result of a decrease in revenue of $67.5 million, a 20 basis point decrease in gross margin percentage, and an increase of $21.4 million in special charges as more fully described above under the heading *Special Charges.*

Nonoperating (Income) Expense

	Fiscal Year			Change	
				2014 over 2013	2013 over 2012
	2014	2013	2012	$ Change	$ Change
Interest expense	$ 34,784	$ 27,102	$ 26,422	$ 7,682	$ 680
Interest income	(12,173)	(12,753)	(14,448)	580	1,695
Other, net	528	(76,597)	(1,459)	77,125	(75,138)
Total nonoperating (income) expense	$ 23,139	$ (62,248)	$ 10,515	$ 85,387	$ (72,763)

The year-over year change in nonoperating expense in fiscal 2014 as compared to fiscal 2013 was primarily the result of recognizing other income of $85.4 million from the sale of a product line in fiscal 2013, as more fully described below under the heading *Divestitures,* partially offset by the net loss on extinguishment of debt of approximately $10.2 million in conjunction with the redemption of our $375 million aggregate principal amount of 5.0% senior unsecured notes in fiscal 2013 as more fully described below under the heading *Liquidity and Capital Resources.* Interest and fees related to the 90-day term loan facility used to fund the Acquisition caused our interest expense to increase year-over-year from fiscal 2013.

The year-over-year increase in nonoperating income in fiscal 2013 as compared to fiscal 2012 was primarily the result of recognizing a gain of $85.4 million from the sale of a product line, as more fully described below under the heading *Divestitures*, partially offset by the net loss on extinguishment of debt of approximately $10.2 million in conjunction with the redemption of our $375 million aggregate principal amount of 5.0% senior unsecured notes in fiscal 2013 as more fully described below under the heading *Liquidity and Capital Resources.*

Provision for Income Taxes

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Provision for Income Taxes	$ 100,025	$ 141,836	$ 162,297	$ (41,811)	(29)%	$ (20,461)	(13)%
Effective Income Tax Rate	13.7%	17.4%	19.9%				

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned.

The tax rate for all periods presented was below the U.S. federal statutory tax rate of 35%, primarily due to lower statutory tax rates applicable to our operations in the foreign jurisdictions in which we earn income. Income from non-U.S. jurisdictions accounted for approximately 78% of our total revenues for fiscal 2014, resulting in a material portion of our pretax income being earned and taxed outside the U.S., primarily in Bermuda and Ireland, at rates ranging from 0% to 35%. The impact on our provision for income taxes of income earned in foreign jurisdictions being taxed at rates different than the U.S. statutory rate was a benefit of approximately $179.3 million and a foreign effective tax rate of approximately 8.7% in fiscal 2014 compared to a benefit of approximately $162.3 million and a foreign effective tax rate of approximately 11.4% for fiscal 2013. A reduction in the ratio of domestic taxable income to worldwide taxable income effectively lowers the overall tax rate, due to the fact that the tax rates in the majority of foreign jurisdictions where we earn income are significantly lower than the U.S. statutory rate. In addition, our effective income tax rate can be impacted each year by discrete factors or events. Our effective tax rate for fiscal 2014 was not significantly impacted by discrete items. Our effective tax rate for fiscal 2013 was lower by approximately 3% due to $6.6 million recorded as a result of the reversal of certain prior period tax liabilities and a tax benefit of $6.3 million from the reinstatement of the U.S. federal research and development tax credit in January 2013 retroactive to January 1, 2012.

The decrease in our effective tax rate for fiscal 2013 compared to fiscal 2012 was primarily due to income earned in lower tax rate jurisdictions as a result of an international tax restructuring effective January 1, 2013. In addition, our effective tax rate for fiscal 2013 was lower by approximately 3% as a result of various discrete items including the reinstatement of the U.S. federal research and development tax credit and the reversal of certain prior period tax liabilities. These decreases in our effective tax rate were partially offset by the recording of a tax reserve of $36.5 million related to one open tax matter related to Section 965 of the Internal Revenue Code which increased our effective tax rate by approximately 5%, and the tax effect of the gain on the sale of a product line in fiscal 2013, which increased our effective tax rate by approximately 3%.

Net Income

	Fiscal Year			Change			
				2014 over 2013		2013 over 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Net Income	$ 629,320	$ 673,487	$ 651,236	$ (44,167)	(7)%	$ 22,251	3%
Net Income, as a % of Revenue	22.0%	25.6%	24.1%				
Diluted EPS	$ 1.98	$ 2.14	$ 2.13	$ (0.16)	(7)%	$ 0.01	—%

The year-over-year decrease in net income in fiscal 2014 from fiscal 2013 was primarily a result of the $85.4 million decrease in nonoperating income partially offset by the $41.8 million decrease in provision for income taxes.

The year-over-year increase in net income in fiscal 2013 from fiscal 2012 was primarily a result of the lower provision for income taxes and the $72.8 million increase in nonoperating income, partially offset by the $71.0 million decrease in operating income.

The impact of inflation and foreign currency exchange rate movement on our results of operations during the past three fiscal years has not been significant.

Divestitures

On October 31, 2013, we completed the sale of the assets and intellectual property related to our microphone product line to InvenSense, Inc. (InvenSense). We received $100.0 million in cash for the assets and intellectual property and after providing for the write-off of inventory, fixed assets and other costs incurred to complete the transaction, recorded a net gain of $85.4 million in nonoperating income during fiscal 2013. We have agreed to provide InvenSense with various transition services subsequent to the closing. The sale of the assets and intellectual property related to the microphone product line did not qualify as a discontinued operation as it was not considered to be a component of the Company per the applicable guidance.

Acquisitions

On July 22, 2014, we completed our acquisition of Hittite (the Acquisition), a company that designs and develops high performance integrated circuits, modules, subsystems and instrumentation for radio frequency, microwave and millimeterwave applications. The total consideration paid to acquire Hittite was approximately $2.4 billion, financed through a combination of existing cash on hand and a 90-day term loan facility of $2.0 billion. We recognized assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition, resulting in the recognition of $1.4 billion of goodwill and $666.4 million of intangible assets, including $0.9 million of in-process research and development intangible assets. We recognized approximately $41.2 million of transaction-related costs, including legal, accounting, severance, debt financing, interest and other related fees that were expensed in fiscal 2014. These costs are included in the consolidated statements of income in operating expenses within SMG&A expenses as well as non-operating expenses. This acquisition resulted in the creation of a new operating segment. We continue to operate and track our results in one reportable segment based on the aggregation of six operating segments.

The following unaudited pro forma consolidated financial information presents our combined results of operations after giving effect to the Acquisition and assumes that the Acquisition, which closed on July 22, 2014, was completed on November 4, 2012 (the first day of the Company's 2013 fiscal year). The pro forma consolidated financial information has been calculated after applying our accounting policies and includes adjustments for amortization expense of acquired intangible assets, transaction-related costs, increase in cost of sales for inventory acquired and depreciation of property, plant and equipment, and interest expense for the debt incurred to fund the Acquisition, together with the consequential tax effects. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of our operating results that would have been achieved had the Acquisition actually taken place on November 4, 2012. In addition, these results are not intended to be a projection of future results and do not reflect events that may occur after the Acquisition, including but not limited to revenue enhancements, cost savings or operating synergies that the combined Company may achieve as a result of the Acquisition.

(thousands, except per share data)	**Pro Forma Fiscal Year Ended**	
	November 1, 2014	**November 2, 2013**
Revenue	$ 3,075,468	$ 2,907,504
Net income	$ 778,049	$ 641,217
Basic net income per common share	$ 2.48	$ 2.08
Diluted net income per common share	$ 2.44	$ 2.04

Liquidity and Capital Resources

At November 1, 2014, our principal source of liquidity was $2.9 billion of cash and cash equivalents and short-term investments, of which approximately $856.5 million was held in the United States. The balance of our cash and cash equivalents and short-term investments was held outside the United States in various foreign subsidiaries. As we intend to reinvest our foreign earnings indefinitely, this cash held outside the United States is not available to meet certain aspects of our cash requirements in the United States, including cash dividends and common stock repurchases. If these funds are needed for U.S. operations or can no longer be permanently reinvested outside the United States, the Company would be required to accrue and pay U.S. taxes to repatriate these funds. Our cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of acquisition, including money market funds, and our short-term investments consist primarily of corporate obligations, such as commercial paper and floating rate notes, bonds and bank time deposits. We maintain these balances with high credit quality counterparties, continually monitor the amount of credit exposure to any one issuer and diversify our investments in order to minimize our credit risk.

We believe that our existing sources of liquidity and cash expected to be generated from future operations, together with existing and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures, research and development efforts, dividend payments (if any) and repurchases of our stock (if any) under our stock repurchase program in the immediate future and for at least the next twelve months.

	Fiscal Year		
	2014	2013	2012
Net Cash Provided by Operations	$ 871,602	$ 912,345	$ 814,542
Net Cash Provided by Operations as a % of Revenue	30.4%	34.6%	30.2%
Net Cash Used for Investing Activities	$ (114,751)	$ (949,926)	$ (1,339,690)
Net Used for Financing Activities	$ (576,610)	$ (100,557)	$ (349,627)

At November 1, 2014, cash and cash equivalents totaled $569.2 million. The following changes contributed to the net increase in cash and cash equivalents of $177.1 million in fiscal 2014.

Operating Activities

During fiscal 2014, we generated cash from operating activities of $871.6 million, a decrease of $40.7 million compared to the $912.3 million generated in fiscal 2013. Results of operations, after non-cash adjustments to net income, contributed $739.2 million compared to a contribution of $731.5 million for the year ended November 2, 2013. The contribution by results of operations was offset by changes in net cash inflows from working capital changes.

Investing Activities

During fiscal 2014, cash used for investing activities included $1.9 billion of cash payments, net of cash acquired, in connection with the Acquisition, $2.0 billion for the net purchases of available-for-sale short term investments and $177.9 million for property, plant and equipment additions.

Financing Activities

During fiscal 2014, cash used for financing activities included, proceeds of $200.1 million from employee stock option exercises. We distributed $454.2 million to our shareholders in dividend payments and paid $356.3 million for the repurchase of 7.2 million shares of our common stock.

Working Capital

	Fiscal Year			
	2014	2013	$ Change	% Change
Accounts Receivable	$ 396,605	$ 325,144	$ 71,461	22%
Days Sales Outstanding*	44	44		
Inventory	$ 367,927	$ 283,337	$ 84,590	30%
Days Cost of Sales in Inventory*	102	111		

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* We use the annualized fourth quarter revenue in our calculation of days sales outstanding and we use the annualized fourth quarter cost of sales in our calculation of days cost of sales in inventory.

The increase in accounts receivable was primarily the result of accounts receivable acquired as part of the Acquisition and higher product shipments in the final month of fiscal 2014 as compared to the final month of fiscal 2013. Overall, our days in sales outstanding remained consistent year-over-year.

Inventory as of November 1, 2014 increased as compared to the end of the fourth quarter of fiscal 2013 primarily as a result of inventory acquired as part of the Acquisition and increased manufacturing production to support anticipated higher sales demand. Our inventory levels are impacted by our need to support forecasted sales demand and variations between those forecasts and actual demand. Days cost of sales in inventory decreased from 111 days at the end of the fourth quarter of fiscal 2013 to 102 days at the end of fiscal 2014, as a result of recording approximately $53.6 million of additional cost related to the sale of acquired inventory written up to fair value as a result of the Acquisition. We expect days cost of sales in inventory to return to normal levels in the first quarter of fiscal 2015.

Current liabilities increased to $709.1 million at November 1, 2014 from $570.5 million recorded at the end of fiscal 2013 primarily due to increases in accrued salaries, benefits and severance including amounts related to the Acquisition and, to a lesser extent, an increase in deferred income on shipments to distributors, more fully described below.

As of November 1, 2014 and November 2, 2013, we had gross deferred revenue of $349.7 million and $309.2 million, respectively, and gross deferred cost of sales of $71.3 million and $61.8 million, respectively. Deferred income on shipments to distributors increased in fiscal 2014 primarily as a result of higher demand for products, as well as the Acquisition and, to a lesser, extent a mix shift in favor of higher margin products sold into the channel. Sales to distributors are made under agreements that allow distributors to receive price-adjustment credits and to return qualifying products for credit, as determined by us, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. Given the uncertainties associated with the levels of price-adjustment credits to be granted to distributors, the sales price to the distributors is not fixed or determinable until the distributors resell the products to their customers. Therefore, we defer revenue recognition from sales to distributors until the distributors have sold the products to their customers. The amount of price-adjustments is dependent on future overall market conditions, and therefore the levels of these adjustments could fluctuate significantly from period to period. To the extent that we experience a significant increase in the amount of credits we issue to our distributors, there could be a material impact on the ultimate revenue and gross margin recognized relating to these transactions.

Debt

As of November 1, 2014, we had $872.8 million of carrying value outstanding on our long term debt. The difference in the carrying value of the debt and the principal amount of the debt is due to the unamortized discount on these instruments that will accrete to the face value of the debt over the term of the debt. Our debt obligations consist of the following:

$375.0 million aggregate principal amount of 3.0% senior unsecured notes

On April 4, 2011, we issued $375.0 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 2016 Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011.

$500.0 million aggregate principal amount of 2.875% senior unsecured notes

On June 3, 2013, we issued $500.0 million aggregate principal amount of 2.875% senior unsecured notes due June 1, 2023 (the 2023 Notes) with semi-annual fixed interest payments due on June 1 and December 1 of each year, commencing December 1, 2013.

The indentures governing the 2016 Notes and the 2023 Notes contain covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party. As of November 1, 2014, we were compliant with these covenants. See Note 16 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information on our outstanding debt.

Revolving Credit Facility

During December 2012, we terminated our $165.0 million unsecured revolving credit facility with certain institutional lenders entered into in May 2008. On December 19, 2012, we entered into a five-year, $500.0 million senior unsecured revolving credit facility with certain institutional lenders. To date, we have not borrowed under this credit facility but we may borrow in the future and use the proceeds for repayment of existing indebtedness, stock repurchases, acquisitions, capital expenditures, working capital and other lawful corporate purposes. The terms of the facility impose restrictions on our ability to undertake certain transactions, to create certain liens on assets and to incur certain subsidiary indebtedness. In addition, the credit agreement contains a consolidated leverage ratio covenant of total consolidated funded debt to consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) of not greater than 3.0 to 1.0. As of November 1, 2014, we were compliant with these covenants.

$145.0 million term loan facility

On December 22, 2010, Analog Devices Holdings B.V., our wholly owned subsidiary, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent. The borrower's obligations were guaranteed by us. The credit agreement provided for a $145.0 million term loan facility, which was set to mature on December 22, 2013. During the first quarter of fiscal 2013, we repaid the remaining outstanding principal balance on the loan of $60.1 million and the credit agreement was terminated.

$375.0 million aggregate principal amount of 5.0% senior unsecured notes

During the third quarter of fiscal 2013, we redeemed our outstanding 5.0% senior unsecured notes which were due on July 1, 2014 (the 2014 Notes). The redemption price was 104.744% of the principal amount of the 2014 Notes. We recognized a net loss on the debt extinguishment of approximately $10.2 million recorded in other, net expense within nonoperating (income) expense. The loss was comprised of the make-whole premium of $17.8 million paid to bondholders on the 2014 Notes in accordance with the terms of the 2014 Notes, the recognition of the remaining $8.6 million of unamortized proceeds received from the termination of the interest rate swap associated with the debt, and the write-off of approximately $1.0 million of debt issuance and discount costs that remained to be amortized. The write-off of the remaining unamortized portion of debt issuance costs, discount and swap proceeds are reflected in our consolidated statements of cash flows within operating activities, and the make-whole premium is reflected within financing activities.

$2.0 billion term loan facility

On July 22, 2014, we entered into a 90-day term loan facility in an aggregate principal amount of $2.0 billion with Credit Suisse AG, as Administrative Agent, and each lender from time to time party thereto (the Term Loan Agreement) to finance the Acquisition. On August 29, 2014, we repaid in full the outstanding principal balance due under the Term Loan Agreement.

Stock Repurchase Program

Our common stock repurchase program has been in place since August 2004. In the aggregate, our Board of Directors have authorized us to repurchase $5.6 billion of our common stock under the program. Under the 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 under the program. As of November 1, 2014, we had repurchased a total of approximately 137.0 million shares of our common stock for approximately $4.8 billion under this program. As of November 1, 2014, an additional $748.2 million worth of shares remains available for repurchase under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. We also from time to time repurchase shares in settlement of employee minimum tax withholding obligations due upon the vesting of restricted stock units or the exercise of stock options. Any future common stock repurchases will be based on several factors, including our financial performance, outlook, liquidity and the amount of cash we have available in the United States.

Capital Expenditures

Net additions to property, plant and equipment were $177.9 million in fiscal 2014 and were funded with a combination of cash on hand and cash generated from operations. We expect capital expenditures for fiscal 2015 to be in the range of $150 million to $165 million, of which approximately $20 million relates to new facilities and upgrades to existing facilities. These capital expenditures will be funded with a combination of cash on hand and cash generated from operations.

Dividends

On November 24, 2014, our Board of Directors declared a cash dividend of $0.37 per outstanding share of common stock. The dividend will be paid on December 16, 2014 to all shareholders of record at the close of business on December 5, 2014 and is expected to total approximately $115.1 million. We currently expect quarterly dividends to continue at $0.37 per share, although they remain subject to determination and declaration by our Board of Directors. The payment of future dividends, if any, will be based on several factors, including our financial performance, outlook and liquidity.

Contractual Obligations

The table below summarizes our contractual obligations and the amounts we owe under these contracts in specified periods as of November 1, 2014:

		Payment due by period			
(thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Contractual obligations:					
Operating leases (a)	$ 52,293	$ 22,781	$ 22,278	$ 6,781	$ 453
Debt obligations	875,000	—	375,000	—	500,000
Interest payments associated with long-term debt obligations	146,250	25,625	34,375	28,750	57,500
Deferred compensation plan (b)	21,393	283	—	—	21,110
Pension funding (c)	15,763	15,763	—	—	—
Total	$1,110,699	$ 64,452	$ 431,653	$ 35,531	$ 579,063

(a) Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

(b) These payments relate to obligations under our deferred compensation plan. The deferred compensation plan allows certain members of management and other highly-compensated employees and non-employee directors to defer receipt of all or any portion of their compensation. The amount in the "More than 5 Years" column of the table represents the remaining total balance under the deferred compensation plan to be paid to participants who have not terminated employment. Since we cannot reasonably estimate the timing of withdrawals for participants who have not yet terminated employment, we have included the future obligation to these participants in the "More than 5 Years" column of the table.

(c) Our funding policy for our foreign defined benefit plans is consistent with the local requirements of each country. The payment obligations in the table are estimates of our expected contributions to these plans for fiscal year 2015. The actual future payments may differ from the amounts presented in the table and reasonable estimates of payments beyond one year are not practical because of potential future changes in variables, such as plan asset performance, interest rates and the rate of increase in compensation levels.

Purchase orders for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the total amount of these purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. In addition, our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

Our 2014 acquisition of Metroic Limited and our 2011 acquisition of Lyric Semiconductor, Inc. involve the potential payment of contingent consideration. The table above does not reflect any such obligations, which could be up to $5.0 million, as the timing and amounts are uncertain. See Note 6 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for more information regarding our acquisitions.

As of November 1, 2014, our total liabilities associated with deferred taxes and uncertain tax positions was $70.6 million, which are included in "Other non-current liabilities" in our consolidated balance sheet contained in Item 8 of this Annual Report on Form 10-K. Due to the complexity associated with our deferred taxes and tax uncertainties, we cannot make a reasonably reliable estimate of the period in which we expect to settle the non-current liabilities associated with these deferred taxes and uncertain tax positions. Therefore, we have not included these deferred taxes and uncertain tax positions in the above contractual obligations table.

The expected timing of payments and the amounts of the obligations discussed above are estimated based on current information available as of November 1, 2014.

Off-balance Sheet Financing

As of November 1, 2014, we had no off-balance sheet financing arrangements.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by us as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards will not have a material impact on our future financial condition and results of operations. See Note 2t, New Accounting Pronouncements*,* of the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and impact on our historical financial condition and results of operations.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers,* which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, which is the Company's first quarter of fiscal 2018. Early application is not permitted. The guidance allows for the amendment to be applied either retrospectively to each prior reporting period presented or retrospectively as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

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 U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue 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 based on 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.

Revenue Recognition

Revenue from product sales to customers is generally recognized when title passes, which is upon shipment in the U.S. and for certain foreign counties. Shipments to other foreign countries is subsequent to product shipment. Title for these shipments to these other foreign countries ordinarily passes within a week of shipment. Accordingly, we defer the revenue recognized relating to these other foreign countries until title has passed. For multiple element arrangements, we allocate arrangement consideration among the elements based on the relative fair values of those elements as determined using vendor-specific objective evidence or third-party evidence. We use our best estimate of selling price to allocate arrangement consideration between the deliverables in cases where neither vendor-specific objective evidence nor third-party evidence is available. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve.

Revenue from contracts with the United States government, government prime contractors and some commercial customers is generally recorded on a percentage of completion basis, using either units delivered or costs incurred as the measurement basis for progress toward completion. The output measure is used to measure results directly and is generally the best measure of progress toward completion in circumstances in which a reliable measure of output can be established. Estimated revenue in excess of amounts billed is reported as unbilled receivables. Contract accounting requires judgment in estimating costs and assumptions related to technical issues and delivery schedule. Contract costs include material, subcontract costs, labor and an allocation of indirect costs. The estimation of costs at completion of a contract is subject to numerous variables involving contract costs and estimates as to the length of time to complete the contract. Changes in contract performance, estimated gross margin, including the impact of final contract settlements, and estimated losses are recognized in the period in which the changes or losses are determined.

Inventory Valuation

We value inventories 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 net realizable value of inventory. While a portion of the calculation is determined via reference to the age of inventory and lower of cost or market calculations, an element of the calculation 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 adjustments to existing inventories may need to be recorded in future periods. To date, our actual results have not been materially different than our estimates, and we do not expect them to be materially different in the future.

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. To date, our actual results have not been materially different than our estimates, and we do not expect them to be materially different in the future.

Long-Lived Assets

We review property, plant, and equipment and finite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is determined by comparison of their carrying value to future undiscounted cash flows that 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 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 and identified intangible assets 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. We review indefinite-lived intangible assets for impairment annually, on the first day of the fourth quarter (on or about August 1) or more frequently if indicators of impairment exist. The Company performs a qualitative assessment on its indefinite-lived intangible assets to determine whether it is more likely-than not that the indefinite-lived intangible asset is impaired. If it is determined that the fair value of the indefinite-lived intangible asset is less than the carrying value, the Company would compare the fair value of the intangible asset with its carrying amount and recognize into earnings any amount by which the carrying value of the assets exceeds the fair value.

Goodwill

Goodwill is subject to annual impairment tests or more frequently if indicators of potential impairment exist and suggest that the carrying value of goodwill may not be recoverable from estimated discounted future cash flows. We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the fourth quarter (on or about August 1) or more frequently if we believe indicators of impairment exist. For our latest annual impairment assessment which occurred on August 3, 2014, we identified our reporting units to be our six operating segments, which meet the aggregation criteria for one reportable segment. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies, which requires significant judgment by management. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

Business Combinations

Under the acquisition method of accounting, we recognize tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. We record the excess of the fair value of the purchase price over the value of the net assets acquired as goodwill. The accounting for business combinations requires us to make significant estimates and assumptions, especially with respect to intangible assets and the fair value of contingent payment obligations. Critical estimates in valuing purchased technology, customer lists and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could experience impairment charges which could be material. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

We record contingent consideration resulting from a business combination at its fair value on the acquisition date. We generally determine the fair value of the contingent consideration using the income approach methodology of valuation. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as an adjustment to operating expenses within the consolidated statement of income. Changes in the fair value of the contingent consideration can result from changes in assumed discount periods and rates, and from changes pertaining to the achievement of the defined milestones. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, future business and economic conditions, as well as changes in any of the assumptions described above, can materially impact the amount of contingent consideration expense we record in any given period.

Accounting for Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of the recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. We assessed the likelihood of the realization of deferred tax assets and concluded that a valuation allowance is needed to reserve the amount of the deferred tax assets that may not be realized due to the uncertainty of the timing and amount of the realization of certain state credit carryovers. In reaching our conclusion, we evaluated certain relevant criteria including the existence of deferred tax liabilities that can be used to realize deferred tax assets, the taxable income in prior carryback years in the impacted state jurisdictions 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, which in turn, may result in an increase or decrease to our tax provision in a subsequent period.

We account for uncertain tax positions by determining if it is "more likely than not" that a tax position will be sustained by the appropriate taxing authorities prior to recording any benefit in the financial statements. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in known facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. A change in these factors would result in the recognition of a tax benefit or an additional charge to the tax provision.

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. In the event our assumptions are incorrect, the differences could have a material impact on our income tax provision and operating results in the period in which such determination is made. In addition to the factors described above, our current and expected effective tax rate is based on then-current tax law. Significant changes during the year in enacted tax law could affect these estimates.

Stock-Based Compensation

Stock-based compensation expense associated with stock options and related awards is recognized in the consolidated statements of income. 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 items:

Expected volatility — We are responsible for estimating volatility and have considered a number of factors, including third-party estimates, when estimating volatility. We currently believe that the exclusive use of implied volatility results in the best estimate of the grant-date fair value of employee stock options because it reflects the market's current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility, we concluded that: (1) options in our common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the remaining maturities of the traded options used to estimate volatility are at least one year.

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 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 of the option. 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. Cash dividends are not paid on options, restricted stock or restricted stock units.

The amount of stock-based compensation expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Forfeitures are 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. Based on an analysis of our historical forfeitures, we have applied an annual forfeiture rate of 4.4% to all unvested stock-based awards as of November 1, 2014. This analysis is re-evaluated quarterly and the forfeiture rate is adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those awards that vest.

Contingencies

From time to time, we receive demands from third parties alleging that our products or manufacturing processes infringe the patent or intellectual property rights of these parties. We periodically assess each matter to determine if a contingent liability should be recorded. 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. If a loss is probable and reasonably estimable, we record a contingent loss. 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. If the judgments and estimates made by us are incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations.

Post-Retirement Benefits

We have significant pension costs and liabilities related to our foreign defined benefit pension plans that are developed from actuarial valuations specific to each country. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets, mortality rates, merit and promotion increases. We are required to consider current market conditions, including changes in interest rates, in making our assumptions. Changes in the related pension costs or liabilities may occur in the future due to changes in our assumptions. Our assumptions as to the expected long-term rates of return on plan assets are based upon the composition of plan assets, historical long-term rates of return on similar assets and current and expected market conditions. The discount rate used for non-U.S. plans reflects the market rate for high-quality fixed-income investments on our annual measurement date, which for fiscal 2014 was November 1, 2014 and is subject to change each year.

The discount rates used for plans outside the U.S. are based on a combination of relevant indices regarding corporate and government securities, the duration of the liability and appropriate judgment. Net actuarial gains or losses subject to amortization are amortized over the expected average remaining service lifetime to the extent that they exceed 10% of the greater of the projected benefit obligation and market related value of assets. Changes in pension income/costs or assets/ liabilities may occur in the future due to changes in the assumptions and changes in asset values. If the actual results and events of our pension plan differ from our current assumptions, our benefit obligations may be over-or under-valued. See the disclosures about pension obligations, the composition of plan assets, assumptions and other matters in Note 13 of the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

We performed a sensitivity analysis on the discount rate and long-term rate of return on assets, which are key assumptions in determining our net periodic post-retirement benefit cost. The table below illustrates the impact of an increase (decrease) of 25 basis points in these assumptions for the year ended November 1, 2014.

	Increase (Decrease) in Pension Expense	
	25 Basis Point Increase	25 Basis Point Decrease
Long-term rate of return on assets used to determine net periodic benefit cost	$ (0.6)	$ 0.6
Discount rate used to determine net periodic benefit cost	$ (2.1)	$ 2.2

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Exposure

Our interest income and expense are sensitive to changes in the general level of interest rates. In this regard, changes in interest rates affect the interest earned on our marketable securities and short term investments, as well as the fair value of our investments and debt.

Based on our marketable securities and short-term investments outstanding as of November 1, 2014 and November 2, 2013, our annual interest income would change by approximately $29 million and $46 million, respectively, for each 100 basis point increase in interest rates.

To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of November 1, 2014 and November 2, 2013, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $7 million and $15 million decline, respectively in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

As of November 1, 2014, we had $875 million in principal amount of senior unsecured notes outstanding, which consisted of $375 million 3% senior unsecured notes (the 2016 Notes), due April 15, 2016 and $500 million 2.875% senior unsecured notes (the 2023 Notes), due June 1, 2023. As of November 1, 2014, a hypothetical 100 basis point increase in market interest rates would reduce the fair value of our 2016 Notes outstanding by approximately $5 million. As of November 1, 2014, a similar increase in market interest rates would reduce the fair value of our 2023 Notes by $35 million.

Foreign Currency Exposure

As more fully described in Note 2i in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K, we regularly hedge our non-U.S. dollar-based exposures by entering into forward foreign currency exchange contracts. The terms of these contracts are for periods matching the duration of the underlying exposure and generally range from one month to twelve months. Currently, our largest foreign currency exposure is the Euro, primarily because our European operations have the highest proportion of our local currency denominated expenses. Relative to foreign currency exposures existing at November 1, 2014 and November 2, 2013, a 10% unfavorable movement in foreign currency exchange rates over the course of the year would result in approximately $8 million of gains and $2 million of losses, respectively, in changes in earnings or cash flows.

The market risk associated with our derivative instruments results from currency exchange rates that are expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to our foreign exchange instruments consist of a number of major international financial institutions with high credit ratings. Based on the credit ratings of our counterparties as of November 1, 2014, we do not believe that there is significant risk of nonperformance by them. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of our exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed our obligations to the counterparties.

The following table illustrates the effect that a 10% unfavorable or favorable movement in foreign currency exchange rates, relative to the U.S. dollar, would have on the fair value of our forward exchange contracts as of November 1, 2014 and November 2, 2013:

	November 1, 2014	November 2, 2013
Fair value of forward exchange contracts (liability) asset	$ (10,093)	$ 2,267
Fair value of forward exchange contracts after a 10% unfavorable movement in foreign currency exchange rates asset	$ 7,918	$ 22,763
Fair value of forward exchange contracts after a 10% favorable movement in foreign currency exchange rates liability	$ (27,051)	$ (17,216)

The calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, such changes typically affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. Our sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency selling prices.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Analog Devices, Inc.

We have audited the accompanying consolidated balance sheets of Analog Devices, Inc. as of November 1, 2014 and November 2, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended November 1, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Analog Devices, Inc. at November 1, 2014 and November 2, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 1, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Analog Devices, Inc.'s internal control over financial reporting as of November 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated December 10, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
December 10, 2014

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF INCOME
Years ended November 1, 2014, November 2, 2013 and November 3, 2012

(thousands, except per share amounts)	2014	2013	2012
Revenue			
Revenue	$ 2,864,773	$ 2,633,689	$ 2,701,142
Costs and Expenses			
Cost of sales(1)	1,034,585	941,278	960,141
Gross margin	1,830,188	1,692,411	1,741,001
Operating expenses:			
Research and development(1)	559,686	513,035	511,835
Selling, marketing, general and administrative(1)	454,676	396,233	396,519
Amortization of intangibles	26,020	220	168
Special charges	37,322	29,848	8,431
	1,077,704	939,336	916,953
Operating income	752,484	753,075	824,048
Nonoperating (income) expenses:			
Interest expense	34,784	27,102	26,422
Interest income	(12,173)	(12,753)	(14,448)
Other, net	528	(76,597)	(1,459)
	23,139	(62,248)	10,515
Earnings			
Income before income taxes	729,345	815,323	813,533
Provision for income taxes:			
Payable currently	177,736	159,535	172,098
Deferred	(77,711)	(17,699)	(9,801)
	100,025	141,836	162,297
Net Income	$ 629,320	$ 673,487	$ 651,236
Shares used to compute earnings per share — Basic	313,195	307,763	298,761
Shares used to compute earnings per share — Diluted	318,027	314,041	306,191
Basic Earnings Per Share	$ 2.01	$ 2.19	$ 2.18
Diluted Earnings Per Share	$ 1.98	$ 2.14	$ 2.13
Dividends declared and paid per share	$ 1.45	$ 1.32	$ 1.15
(1) Includes stock-based compensation expense as follows:			
Cost of sales	$ 7,069	$ 6,593	$ 7,254
Research and development	$ 20,707	$ 21,901	$ 23,169
Selling, marketing, general and administrative	$ 23,036	$ 28,392	$ 23,077

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended November 1, 2014, November 2, 2013 and November 3, 2012

(thousands)	2014	2013	2012
Net Income	$ 629,320	$ 673,487	$ 651,236
Foreign currency translation adjustment (net of taxes of $2,379 in 2014, $1,404 in 2013 and $3,612 in 2012)	(5,615)	(499)	3,020
Change in unrecognized gains/losses on marketable securities:			
Change in fair value of available-for-sale securities classified as short-term investments (net of taxes of $186 in 2014, $67 in 2013 and $115 in 2012) on	(306)	497	525
Change in fair value of available-for-sale securities classified as other investments (net of taxes of $0 in 2014, $0 in 2013 and $129 in 2012)	—	—	241
Adjustment for realized holding gains on securities classified as other investments reclassified into earnings (net of taxes of $0 in 2014, $0 in 2013 and $430 in 2012)	—	—	(799)
Total change in unrealized gains/losses on marketable securities, net of tax	(306)	497	(33)
Change in unrecognized gains/losses on derivative instruments designated as cash flow hedges:			
Changes in fair value of derivatives (net of taxes of $916 in 2014, $4,242 in 2013 and $1,233 in 2012)	(9,350)	9,708	(7,923)
Adjustment for realized gain/loss reclassified into earnings (net of taxes of $148 in 2014, $354 in 2013 and $1,160 in 2012)	912	(1,776)	7,401
Total change in derivative instruments designated as cash flow hedges, net of tax	(8,438)	7,932	(522)
Changes in accumulated other comprehensive (loss) income — pension plans:			
Change in transition asset (net of taxes of $0 in 2014, $4 in 2013 and $1 in 2012)	22	20	15
Change in actuarial loss/gain (net of taxes of $12,139 in 2014, $4,146 in 2013 and $7,243 in 2012)	(74,049)	(24,099)	(44,784)
Change in prior service cost/income (net of taxes of $58 in 2014, $3 in 2013 and $584 in 2012)	406	(3)	4,079
Total change in accumulated other comprehensive (loss) income — pension plans, net of tax	(73,621)	(24,082)	(40,690)
Other comprehensive loss	(87,980)	(16,152)	(38,225)
Comprehensive income	$ 541,340	$ 657,335	$ 613,011

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED BALANCE SHEETS
November 1, 2014 and November 2, 2013

(thousands, except per share amounts)	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 569,233	$ 392,089
Short-term investments	2,297,235	4,290,823
Accounts receivable less allowances of $2,919 ($2,593 in 2013)	396,605	325,144
Inventories(1)	367,927	283,337
Deferred tax assets	128,934	136,299
Prepaid income tax	6,633	2,391
Prepaid expenses and other current assets	45,319	42,342
Total current assets	3,811,886	5,472,425
Property, Plant and Equipment, at Cost		
Land and buildings	495,738	458,853
Machinery and equipment	1,880,351	1,733,850
Office equipment	51,477	49,321
Leasehold improvements	50,782	50,870
	2,478,348	2,292,894
Less accumulated depreciation and amortization	1,855,926	1,784,723
Net property, plant and equipment	622,422	508,171
Other Assets		
Deferred compensation plan investments	21,110	17,364
Other investments	13,397	3,816
Goodwill	1,642,438	284,112
Intangible assets, net	671,402	28,552
Deferred tax assets	27,249	26,226
Other assets	49,786	41,084
Total other assets	2,425,382	401,154
	$ 6,859,690	$ 6,381,750
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 138,967	$ 119,994
Deferred income on shipments to distributors, net	278,435	247,428
Income taxes payable	62,770	45,490
Accrued liabilities	228,884	157,600
Total current liabilities	709,056	570,512
Non-current Liabilities		
Long-term debt	872,789	872,241
Deferred income taxes	235,791	6,037
Deferred compensation plan liability	21,110	17,364
Other non-current liabilities	263,047	176,020
Total non-current liabilities	1,392,737	1,071,662
Commitments and contingencies (Note 12)		
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, 311,204,926 shares issued and outstanding (311,045,084 on November 2, 2013)	51,869	51,842
Capital in excess of par value	643,058	711,879
Retained earnings	4,231,496	4,056,401
Accumulated other comprehensive loss	(168,526)	(80,546)
Total shareholders' equity	4,757,897	4,739,576
	$ 6,859,690	$ 6,381,750

(1) Includes $3,291 and $2,273 related to stock-based compensation at November 1, 2014 and November 2, 2013, respectively.

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended November 1, 2014, November 2, 2013 and November 3, 2012

(thousands)	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive (Loss) Income
BALANCE, OCTOBER 29, 2011	297,961	$ 49,661	$ 289,587	$ 3,482,334	$ (26,169)
Activity in Fiscal 2012					
Net Income — 2012				651,236	
Dividends declared and paid				(344,701)	
Issuance of stock under stock plans and other	7,662	1,277	190,453		
Tax benefit — stock options			17,452		
Stock-based compensation expense			53,500		
Other comprehensive loss					(38,225)
Common stock repurchased	(4,234)	(705)	(160,341)		
BALANCE, NOVEMBER 3, 2012	301,389	50,233	390,651	3,788,869	(64,394)
Activity in Fiscal 2013					
Net Income — 2013				673,487	
Dividends declared and paid				(405,955)	
Issuance of stock under stock plans and other	11,078	1,846	304,431		
Tax benefit — stock options			20,203		
Stock-based compensation expense			56,886		
Other comprehensive income					(16,152)
Common stock repurchased	(1,422)	(237)	(60,292)		
BALANCE, NOVEMBER 2, 2013	311,045	51,842	711,879	4,056,401	(80,546)
Activity in Fiscal 2014					
Net Income — 2014				629,320	
Dividends declared and paid				(454,225)	
Issuance of stock under stock plans and other	7,400	1,234	198,880		
Tax benefit — stock options			30,085		
Stock-based compensation expense			50,812		
Replacement share-based awards issued in connection with acquisition			6,541		
Other comprehensive income					(87,980)
Common stock repurchased	(7,240)	(1,207)	(355,139)		
BALANCE, NOVEMBER 1, 2014	311,205	$ 51,869	$ 643,058	$ 4,231,496	$ (168,526)

See accompanying Notes.

ANALOG DEVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended November 1, 2014, November 2, 2013 and November 3, 2012

(thousands)	2014	2013	2012
Operations			
Cash flows from operating activities:			
Net income	$ 629,320	$ 673,487	$ 651,236
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	114,064	110,196	109,705
Amortization of intangibles	27,906	220	128
Stock-based compensation expense	50,812	56,886	53,500
Gain on sale of investments	—	—	(1,231)
Gain on sale of product line	—	(85,444)	—
Loss on extinguishment of debt	—	10,205	—
Non-cash portion of special charges	—	—	219
Other non-cash activity	4,423	(185)	(3,187)
Excess tax benefit — stock options	(22,231)	(16,171)	(12,230)
Deferred income taxes	(77,711)	(17,699)	(9,801)
Change in operating assets and liabilities:			
Accounts receivable	(36,460)	12,377	5,774
Inventories	24,642	28,527	(18,592)
Prepaid expenses and other current assets	(5,354)	4,660	8,471
Deferred compensation plan investments	(3,746)	11,116	(2,070)
Prepaid income tax	10,499	6,124	13,319
Accounts payable, deferred income and accrued liabilities	58,373	17,487	60
Deferred compensation plan liability	3,746	(11,116)	2,052
Income taxes payable	96,536	50,705	25,930
Other liabilities	(3,217)	60,970	(8,741)
Total adjustments	242,282	238,858	163,306
Net cash provided by operating activities	871,602	912,345	814,542
Investing Activities			
Cash flows from investing:			
Purchases of short-term available-for-sale investments	(7,485,162)	(8,540,335)	(8,165,043)
Maturities of short-term available-for-sale investments	7,318,877	6,970,885	6,543,795
Sales of short-term available-for-sale investments	2,187,389	650,730	437,748
Additions to property, plant and equipment, net	(177,913)	(123,074)	(132,176)
Proceeds related to sale of investments	—	—	1,506
Proceeds related to sale of product line	—	100,000	—
Payments for acquisitions, net of cash acquired	(1,945,887)	(2,475)	(24,158)
Change in other assets	(12,055)	(5,657)	(1,362)
Net cash used for investing activities	(114,751)	(949,926)	(1,339,690)
Financing Activities			
Cash flows from financing activities:			
Proceeds from debt	1,995,398	493,880	—
Payment of senior unsecured notes	—	(392,790)	—
Early termination of swap agreements	—	—	18,520
Proceeds from derivative instruments	—	10,952	—
Term loan repayments	(1,995,398)	(60,108)	(56,500)
Dividend payments to shareholders	(454,225)	(405,955)	(344,701)
Repurchase of common stock	(356,346)	(60,529)	(161,046)
Proceeds from employee stock plans	200,114	306,277	191,730
Contingent consideration payment	(3,576)	(5,665)	(1,991)
Change in other financing activities	15,192	(2,790)	(7,869)
Excess tax benefit — stock options	22,231	16,171	12,230
Net cash used for financing activities	(576,610)	(100,557)	(349,627)
Effect of exchange rate changes on cash	(3,097)	1,394	(1,492)
Net increase (decrease) in cash and cash equivalents	177,144	(136,744)	(876,267)
Cash and cash equivalents at beginning of year	392,089	528,833	1,405,100
Cash and cash equivalents at end of year	$ 569,233	$ 392,089	$ 528,833

See accompanying Notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended November 1, 2014, November 2, 2013 and November 3, 2012
(all tabular amounts in thousands except per share amounts)

1. Description of Business

Analog Devices, Inc. ("Analog Devices" or the "Company") is a world leader in the design, manufacture and marketing of a broad portfolio of high-performance analog, mixed-signal and digital signal processing integrated circuits (ICs) used in virtually all types of electronic equipment. Since the Company's inception in 1965, it has focused on solving the engineering challenges associated with signal processing in electronic equipment. The Company's signal processing products play a fundamental role in converting, conditioning, and processing real-world phenomena such as temperature, pressure, sound, light, speed and motion into electrical signals to be used in a wide array of electronic devices. As new generations of digital applications evolve, new needs for high-performance analog signal processing and digital signal processing (DSP) technology are generated. As a result, the Company produces a wide range of innovative products — including data converters, amplifiers and linear products, radio frequency (RF) ICs, power management products, sensors based on micro-electro mechanical systems (MEMS) technology and other sensors, and processing products, including DSP and other processors — that are designed to meet the needs of a broad base of customers.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Upon consolidation, all intercompany accounts and transactions are eliminated. Certain amounts reported in previous years have been reclassified to conform to the fiscal 2014 presentation. Such reclassified amounts were immaterial. The Company's fiscal year is the 52-week or 53-week period ending on the Saturday closest to the last day in October. Fiscal 2014 and 2013 were 52-week periods. Fiscal 2012 was a 53-week period. The additional week in fiscal 2012 was included in the first quarter ended February 4, 2012.

On July 22, 2014, the Company completed its acquisition of Hittite Microwave Corporation (Hittite), a company that designs and develops high performance integrated circuits, modules, subsystems and instrumentation for radio frequency, microwave and millimeterwave applications. The total consideration paid to acquire Hittite was approximately $2.4 billion, financed through a combination of existing cash on hand and a 90-day term loan facility of $2.0 billion. The acquisition of Hittite is referred to as the Acquisition. The Consolidated Financial Statements include the financial results of Hittite prospectively from July 22, 2014, the closing date of the Acquisition. See Note 6, *Acquisitions*, of these notes to Consolidated Financial Statements for further discussion related to the Acquisition.

b. Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less at the time of acquisition. Cash, cash equivalents and short-term investments consist primarily of institutional money market funds, corporate obligations such as commercial paper and floating rate notes, bonds and bank time deposits.

The Company classifies its investments in readily marketable debt and equity securities as "held-to-maturity," "available-for-sale" or "trading" at the time of purchase. There were no transfers between investment classifications in any of the fiscal years presented. Held-to-maturity securities, which are carried at amortized cost, include only those securities the Company has the positive intent and ability to hold to maturity. Securities such as bank time deposits, which by their nature are typically held to maturity, are classified as such. The Company's other readily marketable cash equivalents and short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, reported in accumulated other comprehensive (loss) income.

The Company's deferred compensation plan investments are classified as trading. See Note 7 for additional information on the Company's deferred compensation plan investments. There were no cash equivalents or short-term investments classified as trading at November 1, 2014 or November 2, 2013.

The Company periodically evaluates its investments for impairment. There were no other-than-temporary impairments of short-term investments in any of the fiscal years presented.

Realized gains or losses on investments are determined based on the specific identification basis and are recognized in nonoperating (income) expense. There were no material net realized gains or losses from the sales of available-for-sale investments during any of the fiscal periods presented.

Unrealized gains and losses on available-for-sale securities classified as short-term investments at November 1, 2014 and November 2, 2013 were as follows:

	2014	2013
Unrealized gains on securities classified as short-term investments	$ 541	$ 1,137
Unrealized losses on securities classified as short-term investments	(407)	(511)
Net unrealized gains on securities classified as short-term investments	$ 134	$ 626

Unrealized gains and losses in fiscal years 2014 and 2013 relate to corporate obligations.

As of November 1, 2014, the Company held 66 investment securities, 18 of which were in an unrealized loss position with gross unrealized losses of $0.4 million and an aggregate fair value of $694.7 million. As of November 2, 2013, the Company held 137 investment securities, 31 of which were in an unrealized loss position with gross unrealized losses of $0.5 million and an aggregate fair value of $972.2 million. These unrealized losses were primarily related to corporate obligations that earn lower interest rates than current market rates. None of these investments have been in a loss position for more than twelve months. As the Company does not intend to sell these investments and it is unlikely that the Company will be required to sell the investments before recovery of their amortized basis, which will be at maturity, the Company does not consider those investments to be other-than-temporarily impaired at November 1, 2014 and November 2, 2013.

The components of the Company's cash and cash equivalents and short-term investments as of November 1, 2014 and November 2, 2013 were as follows:

	2014	2013
Cash and cash equivalents:		
Cash	$ 117,337	$ 45,637
Available-for-sale	447,968	346,452
Held-to-maturity	3,928	—
Total cash and cash equivalents	$ 569,233	$ 392,089
Short-term investments:		
Available-for-sale	$ 2,297,235	$ 4,290,823
Total short-term investments	$ 2,297,235	$ 4,290,823

See Note 2j for additional information on the Company's cash equivalents and short-term investments.

c. Supplemental Cash Flow Statement Information

	2014	2013	2012
Cash paid during the fiscal year for:			
Income taxes	$ 73,067	$ 36,863	$ 143,899
Interest	$ 27,931	$ 29,354	$ 29,177

d. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. The valuation of inventory requires the Company to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The Company employs a variety of methodologies to determine the net realizable value of its inventory. While a portion of the calculation to record inventory at its net realizable value is based on the age of the inventory and lower of cost or market calculations, a key factor in estimating obsolete or excess inventory requires the Company to estimate the future demand for its products. If actual demand is less than the Company's estimates, impairment charges, which are recorded to cost of sales, may need to be recorded in future periods. Inventory in excess of saleable amounts is not valued, and the remaining inventory is valued at the lower of cost or market. Approximately $8.8 million of raw materials has been classified as non-current and is presented within the consolidated balance sheet as other assets as the Company does not expect this inventory to be sold within one year. This inventory was purchased as part of a planned transition from a principal foundry supplier and was acquired by the Company through the Acquisition. The larger than normal purchase was made to maintain an adequate supply of the raw material for customers, which has a natural life of five to ten years.

Inventories at November 1, 2014 and November 2, 2013 were as follows:

	2014	2013
Raw materials	$ 47,267	$ 19,641
Work in process	216,765	175,155
Finished goods	103,895	88,541
Total inventories	$ 367,927	$ 283,337
Non-current inventories	$ 8,793	—

e. Property, Plant and Equipment

Property, plant and equipment is recorded at cost less allowances for depreciation. The straight-line method of depreciation is used for all classes of assets for financial statement purposes while both straight-line and accelerated methods are used for income tax purposes. Leasehold improvements are amortized based upon the lesser of the term of the lease or the useful life of the asset. Repairs and maintenance charges are expensed as incurred. Depreciation and amortization are based on the following useful lives:

Buildings	Up to 25 years
Machinery & equipment	3-8 years
Office equipment	3-8 years

Depreciation expense for property, plant and equipment was $114.1 million, $110.2 million and $109.7 million in fiscal 2014, 2013 and 2012, respectively.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of these assets is determined by comparison of their carrying amount to the 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 value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. If such assets are not impaired, but their useful lives have decreased, the remaining net book value is amortized over the revised useful life. We have not recorded any material impairment charges related to our property, plant and equipment in fiscal 2014, fiscal 2013 or fiscal 2012.

f. Goodwill and Intangible Assets

Goodwill

The Company evaluates goodwill for impairment annually as well as whenever events or changes in circumstances suggest that the carrying value of goodwill may not be recoverable. The Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis on the first day of the fourth quarter (on or about August 1) or more frequently if indicators of impairment exist. For the Company's latest annual impairment assessment that occurred on August 3, 2014, the Company identified its reporting units to be its six operating segments, one of which was added as a result of the Acquisition, which meet the aggregation criteria for one reportable segment. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method, as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that reporting unit. There was no impairment of goodwill in any of the fiscal years presented. The Company's next annual impairment assessment will be performed as of the first day of the fourth quarter of fiscal 2015 unless indicators arise that would require the Company to reevaluate at an earlier date. The following table presents the changes in goodwill during fiscal 2014 and fiscal 2013:

	2014	2013
Balance at beginning of year	$ 284,112	$ 283,833
Acquisition of Hittite (Note 6)	1,357,077	—
Acquisition of Metroic (Note 6)	1,337	—
Goodwill allocated to sale of product line (Note 17)	—	(1,609)
Foreign currency translation adjustment	(88)	1,888
Balance at end of year	$ 1,642,438	$ 284,112

Intangible Assets

The Company reviews finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is determined 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 value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. As of November 1, 2014 and November 2, 2013, the Company's finite-lived intangible assets consisted of the following which related to the acquisition of Hittite and Multigig, Inc. See Note 6 below for further information related to the acquisitions of Hittite and Multigig, Inc.

	November 1, 2014		November 2, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 624,900	$ 19,473	$ —	$ —
Technology-based	$ 16,200	$ 1,627	$ 1,100	$ 348
Backlog	$ 25,500	$ 7,154	$ —	$ —
Total	$ 666,600	$ 28,254	$ 1,100	$ 348

Amortization expense related to finite-lived intangible assets was $27.9 million, $0.2 million and $0.1 million in fiscal 2014, 2013 and 2012, respectively. The remaining amortization expense will be recognized over a weighted average life of approximately 4.3 years.

The Company expects annual amortization expense for intangible assets as follows:

Fiscal Year	Amortization Expense
2015	$ 91,774
2016	$ 73,428
2017	$ 73,300
2018	$ 72,149
2019	$ 69,433

Indefinite-lived intangible assets are tested for impairment on an annual basis on the first day of the fourth quarter (on or about August 1) or more frequently if indicators of impairment exist. The impairment test involves the comparison of the fair values of the intangible assets with their carrying amount. No impairment of intangible assets resulted from the impairment tests in any of the fiscal years presented.

Intangible assets, excluding in-process research and development (IPR&D), are amortized on a straight-line basis over their estimated useful lives or on an accelerated method of amortization that is expected to reflect the estimated pattern of economic use. IPR&D assets are considered indefinite-lived intangible assets until completion or abandonment of the associated R&D efforts. Upon completion of the projects, the IPR&D assets will be amortized over their estimated useful lives.

Indefinite-lived intangible assets consisted of $33.1 million and $27.8 million of IPR&D as of November 1, 2014 and November 2, 2013, respectively.

g. Grant Accounting

Certain of the Company's foreign subsidiaries have received grants from governmental agencies. These grants include capital, employment and research and development grants. Capital grants for the acquisition of property and equipment are netted against the related capital expenditures and amortized as a credit to depreciation expense over the useful life of the related asset. Employment grants, which relate to employee hiring and training, and research and development grants are recognized in earnings in the period in which the related expenditures are incurred by the Company.

h. Translation of Foreign Currencies

The functional currency for the Company's foreign sales and research and development operations is the applicable local currency. Gains and losses resulting from translation of these foreign currencies into U.S. dollars are recorded in accumulated other comprehensive (loss) income. Transaction gains and losses and re-measurement of foreign currency denominated assets and liabilities are included in income currently, including those at the Company's principal foreign manufacturing operations where the functional currency is the U.S. dollar. Foreign currency transaction gains or losses included in other expenses, net, were not material in fiscal 2014, 2013 or 2012.

i. Derivative Instruments and Hedging Agreements

Foreign Exchange Exposure Management — The Company enters into forward foreign currency exchange contracts to offset certain operational and balance sheet exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Euro; other significant exposures include the Philippine Peso, the Japanese Yen and the British Pound. These foreign currency exchange contracts are entered into to support transactions made in the normal course of business, and accordingly, are not speculative in nature. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. As the terms of the contract and the underlying transaction are matched at inception, forward contract effectiveness is calculated by comparing the change in fair value of the contract to the change in the forward value of the anticipated transaction, with the effective portion of the gain or loss on the derivative reported as a component of accumulated other comprehensive (loss) income (OCI) in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction affects earnings. Any residual change in fair value of the instruments, or ineffectiveness, is recognized immediately in other (income) expense. Additionally, the Company enters into forward foreign currency contracts that economically hedge the gains and losses generated by the re-measurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other (income) expense immediately as an offset to the changes in the fair value of the asset or liability being hedged. As of November 1, 2014 and November 2, 2013, the total notional amount of these undesignated hedges was $45.2 million and $33.4 million, respectively. The fair value of these hedging instruments in the Company's consolidated balance sheets as of November 1, 2014 and November 2, 2013 was immaterial.

Interest Rate Exposure Management — The Company's current and future debt may be subject to interest rate risk. The Company utilizes interest rate derivatives to alter interest rate exposure in an attempt to reduce the effects of these changes.

On October 28, 2014, the Company entered into forward starting interest rate swap transactions to hedge its exposure to the variability in future cash flows due to changes in interest rates for debt issuances expected to occur in the future. Amounts reported in OCI related to these derivatives will be reclassified from OCI to earnings as interest expense is incurred on the forecasted hedged fixed-rate debt, adjusting interest expense to reflect the fixed-rate entered into by the forward starting swaps. These cash flow instruments hedge forecasted interest payments to be made through 2025. These forward starting swaps will be terminated on the day the hedged forecasted debt issuances occur, but no later than December 1, 2015, if the hedged forecasted debt issuances do not occur. As of November 1, 2014 the total notional value of these hedges was $500.0 million and the fair value was $1.7 million which was included in other assets in the Company's consolidated balance sheet as of November 1, 2014.

On April 24, 2013, the Company entered into a treasury rate lock agreement with Bank of America. This agreement allowed the Company to lock a 10-year US Treasury rate of 1.7845% through June 14, 2013 for its anticipated issuance of the 2023 Notes. The Company designated this agreement as a cash flow hedge. On June 3, 2013, the Company terminated the treasury rate lock simultaneously with the issuance of the 2023 Notes which resulted in a gain of approximately $11.0 million. This gain is being amortized into interest expense over the 10-year term of the 2023 Notes. During fiscal 2014 and fiscal 2013 approximately $1.1 million and $0.5 million, respectively, was amortized from OCI into interest expense and approximately $1.1 million will be amortized from OCI into interest expense within the next 12 months.

On June 30, 2009, the Company entered into interest rate swap transactions related to its outstanding $375.0 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014 (the 2014 Notes) where the Company swapped the notional amount of its $375.0 million of fixed rate debt at 5.0% into floating interest rate debt through July 1, 2014. The Company designated these swaps as fair value hedges. The fair value of the swaps at inception was zero and subsequent changes in the fair value of the interest rate swaps were reflected in the carrying value of the interest rate swaps on the balance sheet. The carrying value of the debt on the balance sheet was adjusted by an equal and offsetting amount. The gain or loss on the hedged item (that is, the fixed-rate borrowings) attributable to the hedged benchmark interest rate risk and the offsetting gain or loss on the related interest rate swaps for fiscal 2012 was as follows:

	November 3, 2012		
Statement of income classification	Loss on Swaps	Gain on Note	Net Income Effect
Other income	$ (769)	$ 769	$ —

The amounts earned and owed under the swap agreements were accrued each period and were reported in interest expense. There was no ineffectiveness recognized in any of the periods presented. In the second quarter of fiscal 2012, the Company terminated the interest rate swap agreement. The Company received $19.8 million in cash proceeds from the swap termination, which included $1.3 million in accrued interest. The proceeds, net of interest received, are disclosed in cash flows from financing activities in the consolidated statements of cash flows. As a result of the termination, the carrying value of the 2014 Notes was adjusted for the change in the fair value of the interest component of the debt up to the date of the termination of the swap in an amount equal to the fair value of the swap, and was amortized into earnings as a reduction of interest expense over the remaining life of the debt. During fiscal 2013 and 2012, $4.6 million and $5.3 million, respectively, were amortized into earnings as a reduction of interest expense related to the swap termination. This amortization is reflected in the consolidated statements of cash flows within operating activities. During the third quarter of fiscal 2013, in conjunction with the redemption of the 2014 Notes, the Company recognized the remaining $8.6 million in unamortized proceeds received from the termination of the interest rate swap as other, net expense.

The market risk associated with the Company's derivative instruments results from currency exchange rate or interest rate movements that are expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to the Company's derivative instruments consist of a number of major international financial institutions with high credit ratings. Based on the credit ratings of the Company's counterparties as of November 1, 2014, nonperformance is not perceived to be a significant risk. Furthermore, none of the Company's derivatives are subject to collateral or other security arrangements and none contain provisions that are dependent on the Company's credit ratings from any credit rating agency. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties. As a result of the above considerations, the Company does not consider the risk of counterparty default to be significant.

The Company records the fair value of its derivative financial instruments in its consolidated financial statements in other current assets, other assets or accrued liabilities, depending on their net position, regardless of the purpose or intent for holding the derivative contract. Changes in the fair value of the derivative financial instruments are either recognized periodically in earnings or in shareholders' equity as a component of OCI. Changes in the fair value of cash flow hedges are recorded in OCI and reclassified into earnings when the underlying contract matures. Changes in the fair values of derivatives not qualifying for hedge accounting or the ineffective portion of designated hedges are reported in earnings as they occur.

The total notional amounts of forward foreign currency derivative instruments designated as hedging instruments of cash flow hedges denominated in Euros, British Pounds, Philippine Pesos and Japanese Yen as of November 1, 2014 and November 2, 2013 was $183.5 million and $196.9 million, respectively. The fair values of forward foreign currency derivative instruments designated as hedging instruments in the Company's consolidated balance sheets as of November 1, 2014 and November 2, 2013 were as follows:

		Fair Value At	
	Balance Sheet Location	November 1, 2014	November 2, 2013
Forward foreign currency exchange contracts	Prepaid expenses and other current assets	$ —	$ 2,377
	Accrued liabilities	$ 10,584	$ —

For information on the unrealized holding gains (losses) on derivatives included in and reclassified out of accumulated other comprehensive income into the consolidated statement of income related to forward foreign currency exchange contracts, see Note 2o, *Accumulated Other Comprehensive (Loss) Income*.

The Company estimates that $7.9 million of forward foreign currency derivative instruments included in OCI will be reclassified into earnings within the next 12 months. There was no ineffectiveness during fiscal years ended November 1, 2014 and November 2, 2013.

All of the Company's derivative financial instruments are subject to master netting arrangements that allow the Company and its counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements have been presented in the Company's consolidated balance sheet on a net basis. As of November 1, 2014 and November 2, 2013, none of the master netting arrangements involved collateral. The following table presents the gross amounts of the Company's derivative assets and liabilities and the net amounts recorded in our consolidated balance sheet as of November 1, 2014 and November 2, 2013:

	November 1, 2014	November 2, 2013
Gross amount of recognized (liabilities) assets	(10,736)	$ 4,217
Gross amounts recognized assets (liabilities) offset in the consolidated balance sheet	643	(1,950)
Net amount presented in the consolidated balance sheet (liabilities) assets	$ (10,093)	$ 2,267

j. Fair Value

The Company defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The tables below, set forth by level, presents the Company's financial assets and liabilities, excluding accrued interest components, that were accounted for at fair value on a recurring basis as of November 1, 2014 and November 2, 2013. The tables exclude cash on hand and assets and liabilities that are measured at historical cost or any basis other than fair value. As of November 1, 2014 and November 2, 2013, the Company held $121.3 million and $45.6 million, respectively, of cash and held-to-maturity investments that were excluded from the tables below.

	November 1, 2014			
	Fair Value measurement at Reporting Date using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents:				
Available-for-sale:				
Institutional money market funds	$ 178,067	$ —	$ —	$ 178,067
Corporate obligations (1)	—	269,901	—	269,901
Short - term investments:				
Available-for-sale:				
Securities with one year or less to maturity:				
Corporate obligations (1)	—	2,122,120	—	2,122,120
Floating rate notes, issued at par	—	85,061	—	85,061
Floating rate notes (1)	—	50,010	—	50,010
Securities with greater than one year to maturity:				
Floating rate notes, issued at par	—	40,044	—	40,044
Other assets:				
Deferred compensation investments	21,393	—	—	21,393
Interest rate swap agreements	—	1,723	—	1,723
Total assets measured at fair value	$ 199,460	$ 2,568,859	$ —	$ 2,768,319
Liabilities				
Contingent consideration	—	—	4,806	4,806
Forward foreign currency exchange contracts (2)	—	10,093	—	10,093
Total liabilities measured at fair value	$ —	$ 10,093	$ 4,806	$ 14,899

(1) The amortized cost of the Company’s investments classified as available-for-sale as of November 1, 2014 was $2.3 billion.

(2) The Company has a master netting arrangement by counterparty with respect to derivative contracts. See Note 2i, *Derivative Instruments and Hedging Agreements*, for more information related to the Company's master netting arrangements.

	November 2, 2013			
	Fair Value measurement at Reporting Date using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents:				
Available-for-sale:				
Institutional money market funds	$ 186,896	$ —	$ —	$ 186,896
Corporate obligations (1)	—	159,556	—	159,556
Short - term investments:				
Available-for-sale:				
Securities with one year or less to maturity:				
Corporate obligations (1)	—	3,764,213	—	3,764,213
Floating rate notes, issued at par	—	207,521	—	207,521
Floating rate notes (1)	—	113,886	—	113,886
Securities with greater than one year to maturity:				
Floating rate notes, issued at par	—	205,203	—	205,203
Other assets:				
Forward foreign currency exchange contracts (2)	—	2,267	—	2,267
Deferred compensation investments	17,431	—	—	17,431
Total assets measured at fair value	$ 204,327	$ 4,452,646	$ —	$ 4,656,973
Liabilities				
Contingent consideration	—	—	6,479	6,479
Total liabilities measured at fair value	$ —	$ —	$ 6,479	$ 6,479

(1) The amortized cost of the Company's investments classified as available-for-sale as of November 2, 2013 was $3.8 billion.

(2) The Company has a master netting arrangement by counterparty with respect to derivative contracts. See Note 2i, *Derivative Instruments and Hedging Agreements*, for more information related to the Company's master netting arrangements.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash equivalents and short-term investments — These investments are adjusted to fair value based on quoted market prices or are determined using a yield curve model based on current market rates.

Deferred compensation plan investments — The fair value of these mutual fund, money market fund and equity investments are based on quoted market prices.

Forward foreign currency exchange contracts — The estimated fair value of forward foreign currency exchange contracts, which includes derivatives that are accounted for as cash flow hedges and those that are not designated as cash flow hedges, is based on the estimated amount the Company would receive if it sold these agreements at the reporting date taking into consideration current interest rates as well as the creditworthiness of the counterparty for assets and the Company's creditworthiness for liabilities. The fair value of these instruments is based upon valuation models using current market information such as strike price, spot rate, maturity date and volatility.

Contingent consideration — The fair value of the contingent consideration was estimated utilizing the income approach and is based upon significant inputs not observable in the market. The income approach is based on two steps. The first step involves a projection of the cash flows that is based on the Company's estimates of the timing and probability of achieving the defined milestones. The second step involves converting the cash flows into a present value equivalent through discounting. The discount rate reflects the Baa costs of debt plus the relevant risk associated with the asset and the time value of money.

The fair value measurement of the contingent consideration encompasses the following significant unobservable inputs:

Unobservable Inputs	Range
Estimated contingent consideration payments	$5,000
Discount rate	0% - 10%
Timing of cash flows	1 - 2 years
Probability of achievement	95% - 100%

Changes in the fair value of the contingent consideration subsequent to the acquisition date that are primarily driven by assumptions pertaining to the achievement of the defined milestones will be recognized in operating income in the period of the estimated fair value change. Significant increases or decreases in any of the inputs in isolation may result in a fluctuation in the fair value measurement.

The following table summarizes the change in the fair value of the contingent consideration measured using significant unobservable inputs (Level 3) from November 3, 2012 to November 1, 2014:

	Contingent Consideration
Balance as of November 3, 2012	$ 12,219
Payment made (1)	(6,000)
Fair value adjustment (2)	260
Balance as of November 2, 2013	$ 6,479
Contingent consideration liability recorded	1,888
Payment made (1)	(4,000)
Fair value adjustment (2)	439
Balance as of November 1, 2014	$ 4,806

(1) The payment is reflected in the statements of cash flows as cash used in financing activities related to the liability recognized at fair value as of the acquisition date and as cash provided by operating activities related to the fair value adjustments previously recognized in earnings.

(2) Recorded in research and development expense in the consolidated statements of income.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

On April 4, 2011, the Company issued $375.0 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 2016 Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. Based on quotes received from third-party banks, the fair value of the 2016 Notes as of November 1, 2014 and November 2, 2013 was $386.3 million and $392.8 million, respectively and is classified as a Level 1 measurement according to the fair value hierarchy.

On June 3, 2013, the Company issued $500.0 million aggregate principal amount of 2.875% senior unsecured notes due June 1, 2023 (the 2023 Notes) with semi-annual fixed interest payments due on June 1 and December 1 of each year, commencing December 1, 2013. Based on quotes received from third-party banks, the fair value of the 2023 Notes as of November 1, 2014 and November 2, 2013 was $483.5 million and $466.0 million and is classified as a Level 1 measurement according to the fair value hierarchy.

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets and identified intangible assets, allowances for doubtful accounts and customer returns, the net realizable value of inventory, potential reserves relating to litigation matters, accrued liabilities, accrued taxes, deferred tax valuation allowances, assumptions pertaining to share-based payments and other reserves. Actual results could differ from those estimates and such differences may be material to the financial statements.

l. Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments and trade accounts receivable.

The Company maintains cash, cash equivalents and short-term and long-term investments with high credit quality counterparties, continuously monitors the amount of credit exposure to any one issuer and diversifies its investments in order to minimize its credit risk.

The Company sells its products to distributors and original equipment manufacturers involved in a variety of industries including industrial process automation, instrumentation, defense/aerospace, automotive, communications, computers and computer peripherals and consumer electronics. The Company has adopted credit policies and standards to accommodate growth in these markets. The Company performs continuing credit evaluations of its customers' financial condition and although the Company generally does not require collateral, the Company may require letters of credit from customers in certain circumstances. The Company provides reserves for estimated amounts of accounts receivable that may not be collected.

m. Concentration of Other Risks

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. The Company's financial results are affected by a wide variety of factors, including general economic conditions worldwide, economic conditions specific to the semiconductor industry, the timely implementation of new manufacturing technologies, the ability to safeguard patents and intellectual property in a rapidly evolving market and reliance on assembly and test subcontractors, third-party wafer fabricators and independent distributors. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. The Company is exposed to the risk of obsolescence of its inventory depending on the mix of future business. Additionally, a large portion of the Company's purchases of external wafer and foundry services are from a limited number of suppliers, primarily Taiwan Semiconductor Manufacturing Company (TSMC). If TSMC or any of the Company's other key suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components, on the time schedule and of the quality that the Company requires, the Company may be forced to engage additional or replacement suppliers, which could result in significant expenses and disruptions or delays in manufacturing, product development and shipment of product to the Company's customers. Although the Company has experienced shortages of components, materials and external foundry services from time to time, these items have generally been available to the Company as needed.

n. Revenue Recognition

Revenue from product sales to customers is generally recognized when title passes, which is upon shipment in the U.S. and for certain foreign counties. Shipments to other foreign countries is subsequent to product shipment. Title for these shipments to these other foreign countries ordinarily passes within a week of shipment. Accordingly, we defer the revenue recognized relating to these other foreign countries until title has passed. For multiple element arrangements, the Company allocates arrangement consideration among the elements based on the relative fair values of those elements as determined using vendor-specific objective evidence or third-party evidence. The Company uses its best estimate of selling price to allocate arrangement consideration between the deliverables in cases where neither vendor-specific objective evidence nor third-party evidence is available. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve.

Revenue from contracts with the United States government, government prime contractors and some commercial customers is generally recorded on a percentage of completion basis using either units delivered or costs incurred as the measurement basis for progress towards completion. The output measure is used to measure results directly and is generally the best measure of progress toward completion in circumstances in which a reliable measure of output can be established. Estimated revenue in excess of amounts billed is reported as unbilled receivables. Contract accounting requires judgment in estimating costs and assumptions related to technical issues and delivery schedule. Contract costs include material, subcontract costs, labor and an allocation of indirect costs. The estimation of costs at completion of a contract is subject to numerous variables involving contract costs and estimates as to the length of time to complete the contract. Changes in contract performance, estimated gross margin, including the impact of final contract settlements, and estimated losses are recognized in the period in which the changes or losses are determined.

In all regions of the world, the Company defers revenue and the related cost of sales on shipments to distributors until the distributors resell the products to their customers. As a result, the Company's revenue fully reflects end customer purchases and is not impacted by distributor inventory levels. Sales to distributors are made under agreements that allow distributors to receive price-adjustment credits, as discussed below, and to return qualifying products for credit, as determined by the Company, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. These agreements limit such returns to a certain percentage of the value of the Company's shipments to that distributor during the prior quarter. In addition, distributors are allowed to return unsold products if the Company terminates the relationship with the distributor.

Distributors are granted price-adjustment credits for sales to their customers when the distributor's standard cost (i.e., the Company's sales price to the distributor) does not provide the distributor with an appropriate margin on its sales to its customers. As distributors negotiate selling prices with their customers, the final sales price agreed upon with the customer will be influenced by many factors, including the particular product being sold, the quantity ordered, the particular customer, the geographic location of the distributor and the competitive landscape. As a result, the distributor may request and receive a price-adjustment credit from the Company to allow the distributor to earn an appropriate margin on the transaction.

Distributors are also granted price-adjustment credits in the event of a price decrease subsequent to the date the product was shipped and billed to the distributor. Generally, the Company will provide a credit equal to the difference between the price paid by the distributor (less any prior credits on such products) and the new price for the product multiplied by the quantity of the specific product in the distributor's inventory at the time of the price decrease.

Given the uncertainties associated with the levels of price-adjustment credits to be granted to distributors, the sales price to the distributor is not fixed or determinable until the distributor resells the products to their customers. Therefore, the Company defers revenue recognition from sales to distributors until the distributors have sold the products to their customers.

Title to the inventory transfers to the distributor at the time of shipment or delivery to the distributor, and payment from the distributor is due in accordance with the Company's standard payment terms. These payment terms are not contingent upon the distributors' sale of the products to their customers. Upon title transfer to distributors, inventory is reduced for the cost of goods shipped, the margin (sales less cost of sales) is recorded as "deferred income on shipments to distributors, net" and an account receivable is recorded. Shipping costs are charged to cost of sales as incurred.

The deferred costs of sales to distributors have historically had very little risk of impairment due to the margins the Company earns on sales of its products and the relatively long life-cycle of the Company's products. Product returns from distributors that are ultimately scrapped have historically been immaterial. In addition, price protection and price-adjustment credits granted to distributors historically have not exceeded the margins the Company earns on sales of its products. The Company continuously monitors the level and nature of product returns and is in frequent contact with the distributors to ensure reserves are established for all known material issues.

As of November 1, 2014 and November 2, 2013, the Company had gross deferred revenue of $349.7 million and $309.2 million, respectively, and gross deferred cost of sales of $71.3 million and $61.8 million, respectively. Deferred income on shipments to distributors increased in fiscal 2014 primarily as a result of higher demand for products, as well as the Acquisition and, to a lesser extent, a mix shift in favor of higher margin products sold into the channel.

The Company generally offers a twelve-month warranty for its products. The Company's warranty policy provides for replacement of defective products. Specific accruals are recorded for known product warranty issues. Product warranty expenses during fiscal 2014, 2013 and 2012 were not material.

o. Accumulated Other Comprehensive (Loss) Income

Other comprehensive (loss) income includes certain transactions that have generally been reported in the consolidated statement of shareholders' equity. The components of accumulated other comprehensive loss at November 1, 2014 and November 2, 2013 consisted of the following, net of tax:

	Foreign currency translation adjustment	Unrealized holding gains on available for sale securities classified as short-term investments	Unrealized holding (losses) on available for sale securities classified as short-term investments	Unrealized holding Gains on Derivatives	Pension Plans	Total
November 2, 2013	$ 483	$ 953	$ (435)	$ 9,097	$ (90,644)	$ (80,546)
Other comprehensive income before reclassifications	(3,236)	(596)	104	(10,266)	(90,025)	(104,019)
Amounts reclassified out of other comprehensive income	—	—	—	764	4,323	5,087
Tax effects	(2,379)	161	25	1,064	12,081	10,952
Other comprehensive income	(5,615)	(435)	129	(8,438)	(73,621)	(87,980)
November 1, 2014	$ (5,132)	$ 518	$ (306)	$ 659	$ (164,265)	$ (168,526)

The amounts reclassified out of accumulated other comprehensive income into the consolidated statement of income, with presentation location during each period were as follows:

Comprehensive Income Component	2014	**Location**
Unrealized holding (losses) gains on derivatives		
Currency forwards	$ 1,134	Cost of sales
	(209)	Research and development
	934	Selling, marketing, general and administrative
Treasury rate lock	(1,095)	Interest, expense
	764	Total before tax
	148	Tax
	$ 912	Net of tax
Amortization of pension components		
Transition obligation	$ 19	a
Prior service credit	(240)	a
Actuarial losses	4,544	a
	4,323	Total before tax
	(645)	Tax
	$ 3,678	Net of tax
Total amounts reclassified out of accumulated other comprehensive income, net of tax	$ 4,590	

a) The amortization of pension components is included in the computation of net periodic pension cost. For further information see Note 13, *Retirement Plans.*

p. Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was approximately $3.2 million in fiscal 2014, $3.3 million in fiscal 2013 and $3.9 million in fiscal 2012.

q. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. Additionally, deferred tax assets and liabilities are separated into current and non-current amounts based on the classification of the related assets and liabilities for financial reporting purposes.

r. Earnings Per Share of Common Stock

Basic earnings per share is computed based only on 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 using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of stock options that are in-the-money and restricted stock units. This results in the "assumed" buyback of additional shares, thereby reducing the dilutive impact of in-the-money stock options. Potential shares related to certain of the Company's outstanding stock options were excluded because they were anti-dilutive. Those potential shares, determined based on the weighted average exercise prices during the respective years, 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:

	2014	2013	2012
Net Income	$ 629,320	$ 673,487	$ 651,236
Basic shares:			
Weighted average shares outstanding	313,195	307,763	298,761
Earnings per share basic	$ 2.01	$ 2.19	$ 2.18
Diluted shares:			
Weighted average shares outstanding	313,195	307,763	298,761
Assumed exercise of common stock equivalents	4,832	6,278	7,430
Weighted average common and common equivalent shares	318,027	314,041	306,191
Earnings per share diluted	$ 1.98	$ 2.14	$ 2.13
Anti-dilutive shares related to:			
Outstanding stock options	2,911	4,116	7,209

s. Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the grant-date fair value of the awards ultimately expected to vest, and is recognized as an expense on a straight-line basis over the vesting period, which is generally five years for stock options and three years for restricted stock units. In addition to restricted stock units with a service condition, the Company grants restricted stock units with both a market condition and a service condition (market-based restricted stock units). The number of shares of the Company's common stock to be issued upon vesting of market-based restricted stock units will range from 0% to 200% of the target amount, based on the comparison of the Company's total shareholder return (TSR) to the median TSR of a specified peer group over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid during the performance period. Determining the amount of stock-based compensation to be recorded for stock options and market-based restricted stock units requires the Company to develop estimates used in calculating the grant-date fair value of awards. The Company uses the Black-Scholes valuation model to calculate the grant-date fair value of stock option awards and the Monte Carlo simulation model to calculate the grant-date fair value of market-based restricted stock units. The use of these valuation models requires the Company to make estimates and assumptions, such as expected volatility, expected term, risk-free interest rate, expected dividend yield and forfeiture rates. The grant-date fair value of restricted stock units with only a service condition represents the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting.

See Note 3 for additional information relating to stock-based compensation.

t. New Accounting Pronouncements

Standards Implemented

Comprehensive Income

In January 2013, the Financial Accounting Standards Board (FASB) issued ASU No. 2013-02, *Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income* (ASU No. 2013-02), which seeks to improve the reporting of reclassifications out of accumulated other comprehensive income by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments in ASU No. 2013-02 supersede the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU No. 2011-05, *Presentation of Comprehensive Income*, and ASU No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. The adoption of ASU No. 2013-02 in the first quarter of fiscal 2014 required additional disclosures related to comprehensive income but did not impact the Company's financial condition or results of operations.

Balance Sheet

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* (ASU No. 2011-11). ASU No. 2011-11 amended ASC 210, *Balance Sheet,* to converge the presentation of offsetting assets and liabilities between U.S. GAAP and IFRS. ASU No. 2011-11 requires that entities disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The Company adopted ASU No. 2011-11 in the first quarter of fiscal 2014. Subsequently, in January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about offsetting Assets and Liabilities*, which clarifies that the scope of ASU No. 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The adoption of ASU No. 2011-11 and ASU No. 2013-01 in the first quarter of fiscal 2014 required additional disclosures related to offsetting assets and liabilities but did not impact the Company's financial condition or results of operations.

Standards to be Implemented

Stock Compensation

In June 2014, the FASB issued ASU No. 2014-12 (ASU 2014-12), *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, which is the Company's first quarter of fiscal 2017. Early adoption is permitted. The adoption of ASU 2014-12 in the first quarter of fiscal 2017 is not expected to have a material impact on the Company's financial condition or results of operations.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers,* which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, which is the Company's first quarter of fiscal 2018. Early application is not permitted. The guidance allows for the amendment to be applied either retrospectively to each prior reporting period presented or retrospectively as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of adoption on its consolidated financial statements.

Discontinued Operations

In April 2014, the FASB issued ASU No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which raises the threshold for disposals to qualify as discontinued operations. Under the new guidance, a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale, should be reported as discontinued operations. ASU 2014-08 also expands the disclosure requirements for discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014, which is the Company's first quarter of fiscal 2016. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in the financial statements previously issued or available for issuance. As of November 1, 2014, there have been no disposals or classifications as held for sale that would be subject to ASU 2014-08. As such, the Company will consider the adoption of this standard upon the earlier of a disposal or classification as held for sale.

Income Taxes

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU No. 2013-11). ASU No. 2013-11 requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, with certain exceptions. ASU No. 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, which is the Company's first quarter of fiscal 2015. Early adoption is permitted. The adoption of ASU No. 2013-11 in the first quarter of fiscal 2015 will affect the presentation of the Company's unrecognized tax benefits but will not impact the Company's financial condition or results of operations.

3. Stock-Based Compensation and Shareholders' Equity

Equity Compensation Plans

The Company grants, or has granted, stock options and other stock and stock-based awards under the Company's Amended and Restated 2006 Stock Incentive Plan (2006 Plan). This plan was originally approved by shareholders on March 14, 2006 and subsequently shareholders approved the amended and restated 2006 Plan in March 2014. The 2006 Plan provides for the grant of up to 34 million shares of the Company's common stock, plus such number of additional shares that were subject to outstanding options under the Company's previous plans that are not issued because the applicable option award subsequently terminates or expires without being exercised. The 2006 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. Employees, officers, directors, consultants and advisors of the Company and its subsidiaries are eligible to be granted awards under the 2006 Plan. No award may be made under the 2006 Plan after March 12, 2021, but awards previously granted may extend beyond that date. The Company will not grant further equity awards under any previous plans.

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 over five years and become exercisable in annual installments of 20% on each of the first, second, third, fourth and fifth anniversaries of the date of grant; 33.3% on each of the third, fourth, and fifth anniversaries of the date of grant; or in annual installments of 25% on each of the second, third, fourth and fifth anniversaries of the date of grant. The maximum contractual term of all options is ten years. In addition, the Company has granted to employees restricted stock units that generally vest in one installment on the third anniversary of the grant date.

As of November 1, 2014, a total of 19.4 million common shares were available for future grant under the 2006 Plan and 36.7 million common shares were reserved for issuance under the 2006 Plan and the Company's previous plans.

Stock-based compensation is measured at the grant date based on the grant-date fair value of the awards ultimately expected to vest, and is recognized as an expense on a straight-line basis over the vesting period, which is generally five years for stock options and three years for restricted stock units. Determining the amount of stock-based compensation to be recorded requires the Company to develop estimates used in calculating the grant-date fair value of stock options.

Hittite Replacement Awards

In connection with the Acquisition, the Company issued equity awards to certain Hittite employees in replacement of Hittite equity awards that were canceled at closing. The replacement awards consisted of approximately 0.7 million restricted stock units with a weighted average grant date fair value of $48.20. The terms and intrinsic value of these awards were substantially the same as the canceled Hittite awards. The fair value of the replaced awards associated with services rendered through the date of Acquisition was recognized as a component of the total preliminary estimated acquisition consideration, and the remaining fair value of the replaced awards associated with post Acquisition services will be recognized as an expense on a straight-line basis over the remaining vesting period.

Modification of Awards

The Company has from time to time modified the terms of its equity awards to employees and directors. The modifications made to the Company's equity awards in fiscal 2014, 2013 and 2012 did not result in significant incremental compensation costs, either individually or in the aggregate.

Grant-Date Fair Value

The Company uses the Black-Scholes valuation model to calculate the grant-date fair value of stock option awards and the Monte Carlo simulation model to calculate the grant-date fair value of market-based restricted stock units. The use of these valuation models requires the Company to make estimates and assumptions, such as expected volatility, expected term, risk-free interest rate, expected dividend yield and forfeiture rates. The grant-date fair value of restricted stock units with only a service condition represents the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting.

Information pertaining to the Company's stock option awards and the related estimated weighted-average assumptions to calculate the fair value of stock options using the Black-Scholes valuation model granted is as follows:

Stock Options	2014	2013	2012
Options granted (in thousands)	2,240	2,407	2,456
Weighted-average exercise price	$51.52	$46.40	$39.58
Weighted-average grant-date fair value	$8.74	$7.38	$7.37
Assumptions:			
Weighted-average expected volatility	24.9%	24.6%	28.4%
Weighted-average expected term (in years)	5.3	5.4	5.3
Weighted-average risk-free interest rate	1.7%	1.0%	1.1%
Weighted-average expected dividend yield	2.9%	2.9%	3.0%

As it relates to our market-based restricted stock units, the Company utilizes the Monte Carlo simulation valuation model to value these awards. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the performance conditions stipulated in the award grant and calculates the fair market value for the market-based restricted stock units granted. The Monte Carlo simulation model also uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions, including the possibility that the market condition may not be satisfied, and the resulting fair value of the award. Information pertaining to the Company's market-based restricted stock units and the related estimated assumptions used to calculate the fair value of market-based restricted stock units granted using the Monte Carlo simulation model is as follows:

Market-based Restricted Stock Units	2014
Units granted (in thousands)	86
Grant-date fair value	$50.79
Assumptions:	
Historical stock price volatility	23.2%
Risk-free interest rate	0.8%
Expected dividend yield	2.8%

Market-based restricted stock units were not granted during fiscal 2013 or 2012.

Expected volatility — The Company is responsible for estimating volatility and has considered a number of factors, including third-party estimates. The Company currently believes that the exclusive use of implied volatility results in the best estimate of the grant-date fair value of employee stock options because it reflects the market’s current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility, the Company concluded that: (1) options in the Company’s common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the remaining maturities of the traded options used to estimate volatility are at least one year.

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 its 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. Cash dividends are not paid on options, restricted stock or restricted stock units.

Stock-Based Compensation Expense

The amount of stock-based compensation expense recognized during a period is based on the value of the awards that are ultimately expected to vest. Forfeitures are 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 stock-based award. Based on an analysis of its historical forfeitures, the Company has applied an annual forfeiture rate of 4.4% to all unvested stock-based awards as of November 1, 2014. 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 options that vest.

Additional paid-in-capital (APIC) Pool

The APIC pool represents the excess tax benefits related to share-based compensation that are available to absorb future tax deficiencies. If the amount of future tax deficiencies is greater than the available APIC pool, the Company records the excess as income tax expense in its consolidated statements of income. For fiscal 2014, the Company had a sufficient APIC pool to cover any tax deficiencies recorded and as a result, these deficiencies did not affect its results of operations. During fiscal years 2013 and 2012, the Company recognized an immaterial amount of income tax expense resulting from tax shortfalls related to share-based compensation in its consolidated statements of income.

Stock-Based Compensation Activity

A summary of the activity under the Company’s stock option plans as of November 1, 2014 and changes during the fiscal year then ended is presented below:

	Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding November 2, 2013	18,992	$33.56		
Options granted	2,240	$51.52		
Options exercised	(6,456)	$30.99		
Options forfeited	(550)	$42.62		
Options expired	(42)	$42.10		
Options outstanding at November 1, 2014	14,184	$37.20	5.8	$180,554
Options exercisable at November 1, 2014	8,214	$31.39	4.1	$149,773
Options vested or expected to vest at November 1, 2014 (1)	13,758	$36.89	5.7	$179,084

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

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) during fiscal 2014, 2013 and 2012 was $130.6 million, $128.4 million and $105.4 million, respectively, and the total amount of proceeds received by the Company from exercise of these options during fiscal 2014, 2013 and 2012 was $200.1 million, $306.3 million and $191.8 million, respectively.

A summary of the Company’s restricted stock unit award activity as of November 1, 2014 and changes during the fiscal year then ended is presented below:

	Restricted Stock Units Outstanding (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock units outstanding at November 2, 2013	2,493	$37.62
Units granted	1,876	$47.38
Restrictions lapsed	(920)	$36.02
Forfeited	(261)	$42.10
Restricted stock units outstanding at November 1, 2014	3,188	$43.46

As of November 1, 2014, there was $121.2 million of total unrecognized compensation cost related to unvested share-based awards comprised of stock options and restricted stock units. That cost is expected to be recognized over a weighted-average period of 1.4 years. The total grant-date fair value of shares that vested during fiscal 2014, 2013 and 2012 was approximately $57.4 million, $63.9 million and $48.6 million, respectively.

Common Stock Repurchase Program

The Company's common stock repurchase program has been in place since August 2004. In the aggregate, the Board of Directors have authorized the Company to repurchase $5.6 billion of the Company's common stock under the program. Under the 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. As of November 1, 2014, the Company had repurchased a total of approximately 137.0 million shares of its common stock for approximately $4.8 billion under this program. An additional $748.2 million remains available for repurchase of shares under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. The Company also, from time to time, repurchases shares in settlement of employee minimum tax withholding obligations due upon the vesting of restricted stock units or the exercise of stock options. The withholding amount is based on the employees minimum statutory withholding requirement. Any future common stock repurchases will be dependent upon several factors, including the Company's financial performance, outlook, liquidity and the amount of cash the Company has available in the United States.

Preferred Stock

The Company has 471,934 authorized shares of $1.00 par value preferred stock, none of which is issued or outstanding. The Board of Directors are authorized to fix designations, relative rights, preferences and limitations on the preferred stock at the time of issuance.

4. Industry, Segment and Geographic Information

The Company operates and tracks its results in one reportable segment based on the aggregation of six operating segments, one of which was added as a result of the Acquisition. The Company designs, develops, manufactures and markets a broad range of integrated circuits (ICs). The Chief Executive Officer has been identified as the Company's Chief Operating Decision Maker. The Company has determined that all of the Company's operating segments share the following similar economic characteristics, and therefore meet the criteria established for operating segments to be aggregated into one reportable segment, namely:

- The primary source of revenue for each operating segment is the sale of integrated circuits.
- The integrated circuits sold by each of the Company's operating segments are manufactured using similar semiconductor manufacturing processes and raw materials in either the Company's own production facilities or by third-party wafer fabricators using proprietary processes.
- The Company sells its products to tens of thousands of customers worldwide. Many of these customers use products spanning all operating segments in a wide range of applications.
- The integrated circuits marketed by each of the Company's operating segments are sold globally through a direct sales force, third-party distributors, independent sales representatives and via our website to the same types of customers.

All of the Company's operating segments share a similar long-term financial model as they have similar economic characteristics. The causes for variation in operating and financial performance are the same among the Company's operating segments and include factors such as (i) life cycle and price and cost fluctuations, (ii) number of competitors, (iii) product differentiation and (iv) size of market opportunity. Additionally, each operating segment is subject to the overall cyclical nature of the semiconductor industry. Lastly, the number and composition of employees and the amounts and types of tools and materials required for production of products are similar for each operating segment.

Revenue Trends by End Market

The following table summarizes revenue by end market. 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 the Company's 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, the Company reclassifies 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.

	2014			2013		2012	
	Revenue	% of Total Product Revenue	Y/Y%	Revenue	% of Total Product Revenue*	Revenue	% of Total Product Revenue
Industrial	$ 1,333,694	47%	10 %	$ 1,215,829	46%	$ 1,244,608	46%
Automotive	524,867	18%	9 %	483,445	18%	464,553	17%
Consumer	325,222	11%	(20)%	404,548	15%	464,179	17%
Communications	680,990	24%	29 %	529,867	20%	527,802	20%
Total Revenue	**$ 2,864,773**	100%	9 %	**$ 2,633,689**	100%	**$ 2,701,142**	100%

* The sum of the individual percentages does not equal the total due to rounding.

Revenue Trends by Product Type

The following table summarizes revenue by product categories. The categorization of the Company's products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories, the Company reclassifies the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

	2014			2013		2012	
	Revenue	% of Total Product Revenue*	Y/Y%	Revenue	% of Total Product Revenue*	Revenue	% of Total Product Revenue*
Converters	$ 1,285,368	45%	9 %	$ 1,180,072	45%	$ 1,192,064	44%
Amplifiers/Radio frequency	806,975	28%	18 %	682,759	26%	697,687	26%
Other analog	356,406	12%	(4)%	372,281	14%	397,376	15%
Subtotal analog signal processing	2,448,749	85%	10 %	2,235,112	85%	2,287,127	85%
Power management & reference	174,483	6%	1 %	172,920	7%	182,134	7%
Total analog products	**$ 2,623,232**	92%	9 %	**$ 2,408,032**	91%	**$ 2,469,261**	91%
Digital signal processing	241,541	8%	7 %	225,657	9%	231,881	9%
Total Revenue	**$ 2,864,773**	100%	9 %	**$ 2,633,689**	100%	**$ 2,701,142**	100%

* The sum of the individual percentages does not equal the total due to rounding.

Geographic Information

Revenue by geographic region is based upon the primary location of the Company's customers' design activity for its products. In fiscal years 2014, 2013 and 2012, the predominant countries comprising “Rest of North and South America” are Canada and Mexico; the predominant countries comprising “Europe” are Germany, Sweden, France and the United Kingdom; and the predominant countries comprising “Rest of Asia” are Taiwan and South Korea.

	2014	2013	2012
Revenue			
United States	$ 821,554	$ 821,269	$ 818,653
Rest of North and South America	96,957	99,215	114,133
Europe	924,477	840,585	852,668
Japan	308,054	292,804	333,558
China	459,260	349,575	341,196
Rest of Asia	254,471	230,241	240,934
Subtotal all foreign countries	2,043,219	1,812,420	1,882,489
Total revenue	$ 2,864,773	$ 2,633,689	$ 2,701,142
Property, plant and equipment			
United States	$ 255,473	$ 201,957	$ 194,937
Ireland	167,359	124,227	127,669
Philippines	180,586	165,815	164,727
All other countries	19,004	16,172	13,534
Subtotal all foreign countries	366,949	306,214	305,930
Total property, plant and equipment	$ 622,422	$ 508,171	$ 500,867

5. Special Charges

The Company monitors global macroeconomic conditions on an ongoing basis and continues to assess opportunities for improved operational effectiveness and efficiency, as well as a better alignment of expenses with revenues. As a result of these assessments, the Company has undertaken various restructuring actions over the past several years. These actions are described below.

The following tables display the special charges taken for ongoing actions and a roll-forward from October 29, 2011 to November 1, 2014 of the employee separation and exit cost accruals established related to these actions.

Statement of Income	Reduction of Operating Costs
Workforce reductions	7,966
Facility closure costs	186
Non-cash impairment charge	219
Other items	60
Total Fiscal 2012 Charges	$ 8,431
Workforce reductions	29,848
Total Fiscal 2013 Charges	$ 29,848
Workforce reductions	37,873
Facility closure costs	459
Non-cash impairment charge	433
Change in estimate	(1,443)
Total Fiscal 2014 Charges	$ 37,322

Accrued Restructuring	Reduction of Operating Costs
Balance at October 29, 2011	$ 3,876
Fiscal 2012 special charges	8,431
Severance payments	(8,931)
Facility closure costs	(186)
Non-cash impairment charge	(219)
Effect of foreign currency on accrual	22
Balance at November 3, 2012	$ 2,993
Fiscal 2013 special charges	29,848
Severance payments	(12,907)
Effect of foreign currency on accrual	21
Balance at November 2, 2013	$ 19,955
Fiscal 2014 special charges	37,322
Severance payments	(16,790)
Effect of foreign currency on accrual	16
Balance at November 1, 2014	$ 40,503

During fiscal 2008 through fiscal 2011, the Company recorded special charges of approximately $45.5 million. These special charges included: $41.3 million for severance and fringe benefit costs in accordance with its ongoing benefit plan or statutory requirements at foreign locations for 245 manufacturing employees and 495 engineering and SMG&A employees; $2.1 million for lease obligation costs for facilities that the Company ceased using during the first quarter of fiscal 2009; $0.8 million for the write-off of property, plant and equipment; $0.5 million for contract termination costs and $0.3 million for clean-up and closure costs that were expensed as incurred; and $0.5 million related to the impairment of intellectual property. The Company terminated the employment of all employees associated with these actions.

During fiscal 2012, the Company recorded special charges of approximately $8.4 million. These special charges included: $7.9 million for severance and fringe benefit costs in accordance with the Company's ongoing benefit plan or statutory requirements at foreign locations for 95 manufacturing, engineering and SMG&A employees; $0.2 million for lease obligation costs for facilities that the Company ceased using during the third quarter of fiscal 2012; $0.1 million for contract termination costs; and $0.2 million for the write-off of property, plant and equipment.

During fiscal 2013, the Company recorded special charges of approximately $29.8 million for severance and fringe benefit costs in accordance with its ongoing benefit plan or statutory requirements at foreign locations for 235 engineering and SMG&A employees. As of November 1, 2014, the Company still employed 2 of the 235 employees included in this cost reduction action. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

During fiscal 2014, the Company recorded special charges of approximately $37.3 million. These special charges included $37.9 million for severance and fringe benefit costs in accordance with the Company's ongoing benefit plan or statutory requirements at foreign locations for 341 manufacturing, engineering and SMG&A employees; $0.5 million for lease obligations costs for facilities that the Company ceased using during the fourth quarter of fiscal 2014; and $0.4 million for the impairment of assets that have no future use located at closed facilities. In addition, the Company reversed approximately $1.4 million of its severance accrual related to charges taken in fiscal 2013 primarily due to severance costs being lower than the Company's estimates. As of November 1, 2014, the Company still employed 311 of the 341 employees included in these cost reduction actions. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

6. Acquisitions

Hittite Microwave Corporation

On July 22, 2014, the Company completed its acquisition of Hittite, a company that designs and develops high performance integrated circuits, modules, subsystems and instrumentation for radio frequency, microwave and millimeterwave applications. The total consideration paid to acquire Hittite was approximately $2.4 billion, financed through a combination of existing cash on hand and a 90-day term loan facility of $2.0 billion. The Acquisition is expected to expand the Company’s technology position in high performance signal processing solutions and drive growth in key markets. The Company completed the Acquisition through a cash tender offer (the Offer) by BBAC Corp., a wholly-owned subsidiary of the Company, for all of the outstanding shares of common stock, par value $0.01 per share, of Hittite at a purchase price of $78.00 per share, net to the seller in cash, without interest, less any applicable withholding taxes. After completion of the Offer, BBAC Corp. merged with and into Hittite, with Hittite continuing as the surviving corporation and a wholly-owned subsidiary of the Company. The results of operations of Hittite from July 22, 2014 (the Acquisition Date) are included in the Company’s consolidated statements of income for fiscal 2014. The amount revenue and earnings attributable to Hittite included in the Company's consolidated statements of income for fiscal 2014 was immaterial.

The Acquisition-date fair value of the consideration transferred in the Acquisition consisted of the following:

(in thousands)		
Cash consideration	$	2,424,446
Fair value of replacement share-based awards		6,541
Total estimated purchase price	$	2,430,987

Hittite Replacement Awards — In connection with the Acquisition, the Company issued equity awards to certain Hittite employees in replacement of Hittite equity awards that were canceled at closing. The replacement awards consisted of approximately 0.7 million restricted stock units with a weighted average grant date fair value of $48.20. The grant-date fair value of the restricted stock units represents the value of the Company’s common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company’s common stock prior to vesting. The terms and the intrinsic value of these awards were substantially the same as the canceled Hittite awards. The $6.5 million noted in the table above represents the portion of the fair value of the replacement awards associated with services rendered though the Acquisition Date and have been included as a component of the total estimated purchase price.

The preliminary fair values of assets acquired and liabilities assumed as of the Acquisition Date is set forth in the table below. The excess of the purchase price over the aggregate fair value of identifiable net assets acquired was recorded as goodwill. None of the goodwill is expected to be deductible for tax purposes. These preliminary fair values were determined through established and generally accepted valuation techniques and are subject to change during the measurement period as valuations are finalized. As a result, the Acquisition accounting is not complete and additional information that existed at the Acquisition Date may become known to the Company during the remainder of the measurement period. As of the filing date of this Annual Report on Form 10-K, the Company is still in the process of valuing the assets acquired of Hittite's business, including inventory, fixed assets, deferred taxes and intangible assets.

(in thousands)		
Cash and cash equivalents	$	480,742
Marketable securities		28,008
Accounts receivable (a)		36,991
Inventories		115,377
Prepaid expenses and other assets		24,088
Property, plant and equipment		50,726
Deferred tax assets		3,531
Intangible assets (Note 2f)		666,400
Goodwill (Note 2f)		1,357,077
Total assets	$	2,762,940
Assumed liabilities		53,924
Deferred tax liabilities		278,029
Total estimated purchase price	$	2,430,987

(a) The fair value of accounts receivable was $37.0 million, with the gross contractual amount being $37.3 million, of which the Company estimates that $0.3 million is uncollectible.

Of the $666.4 million of acquired intangible assets, $0.9 million was recorded as in-process research and development (IPR&D) assets at estimated fair value on the Acquisition Date. The IPR&D assets acquired are being capitalized until the technology is commercially available for their intended uses at which point the assets will be amortized over their estimated useful lives. The amortizable intangible assets acquired consisted of the following, which are being amortized on a straight-line basis over their estimated useful lives.

		Fair Value (in thousands)	Weighted Average Useful Lives (in Years)
Technology-based	$	15,100	4
Backlog		25,500	1
Customer relationships		624,900	9
Total amortizable intangible assets	$	665,500	9

The goodwill recognized is attributable to synergies which are expected to enhance and expand the Company's overall product portfolio and opportunities in new markets, future technologies that have yet to be determined and Hittite's assembled workforce. Future technologies do not meet the criteria for recognition separately from goodwill because they are part of future development and growth of the business. This acquisition resulted in the creation of a new operating segment. The Company continues to operate and track its results in one reportable segment based on the aggregation of six operating segments. See Note 4, *Industry, Segment and Geographic Information*.

There were no significant contingencies assumed as part of the Acquisition.

The Company recognized $41.2 million of transaction-related costs, including legal, accounting, severance, debt financing, interest and other related fees that were expensed in fiscal 2014. Approximately $33.3 million of these costs are included in the consolidated statements of income in operating expenses within SMG&A expenses and approximately $7.9 million are in the consolidated statements of income within nonoperating expenses. The Company may incur additional transaction-related costs within the next twelve months related to the Acquisition that will be expensed as incurred.

The following unaudited pro forma consolidated financial information presents the Company's combined results of operations after giving effect to the Acquisition and assumes that the Acquisition, which closed on July 22, 2014, was completed on November 4, 2012 (the first day of the Company's 2013 fiscal year). The pro forma consolidated financial information has been calculated after applying the Company's accounting policies and includes adjustments for amortization expense of acquired intangible assets, transaction-related costs, a step-up in the value of acquired inventory and property, plant and equipment, and interest expense for the debt incurred to fund the Acquisition, together with the consequential tax effects.

These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the operating results of the Company that would have been achieved had the Acquisition actually taken place on November 4, 2012. In addition, these results are not intended to be a projection of future results and do not reflect events that may occur after the Acquisition, including but not limited to revenue enhancements, cost savings or operating synergies that the combined Company may achieve as a result of the Acquisition.

(thousands, except per share data)	Pro Forma Fiscal Year			
	2014		2013	
Revenue	$	3,075,468	$	2,907,504
Net income	$	778,049	$	641,217
Basic net income per common share	$	2.48	$	2.08
Diluted net income per common share	$	2.44	$	2.04

Metroic Limited

On September 19, 2014, the Company, through Analog Devices Limited (ADL), its wholly-owned subsidiary, completed the acquisition of all the outstanding share capital of Metroic Limited (Metroic), a developing-stage start-up company with five employees located in Edinburgh, UK. The acquisition of Metroic is expected to help the Company to expand its energy-metering product portfolio to offer system health capabilities such as measurement accuracy, self-monitoring and enhanced tamper detection. The acquisition-date fair value of the consideration transferred totaled $4.7 million, which consisted of $2.3 million in initial cash payments at closing, an additional $0.5 million holdback for post-closing working capital adjustment and other items and the estimated fair value of contingent consideration of $1.9 million. The contingent consideration arrangement requires additional cash payments to the former equity holders of Metroic upon the achievement of certain technological and product development milestones through December 31, 2018. As of November 1, 2014, the Company had not made any contingent consideration payments. In addition, the Company may be obligated to pay up to an additional $2.2 million in deferred compensation expense relating to future product development and sales through December 31, 2018. The Company's assessment of the fair value of the tangible and intangible assets acquired and liabilities assumed was based on their estimated fair values at the date of acquisition as well as consideration for a pre-existing license arrangement with Metroic, resulting in the recognition of $4.4 million of IPR&D, $1.3 million of goodwill, $0.8 million of net deferred tax liabilities and other immaterial net working capital balances. The goodwill recognized is attributable to future technologies that have yet to be determined as well as the assembled workforce of Metroic. Future technologies do not meet the criteria for recognition separately from goodwill because they are a part of future development and growth of the business. None of the goodwill is expected to be deductible for tax purposes. The Company recognized approximately $0.2 million of acquisition-related costs that were expensed in fiscal 2014, which were included in operating expenses in the consolidated statement of income.

Multigig, Inc.

On March 30, 2012, the Company acquired privately-held Multigig, Inc. (Multigig) of San Jose, California in order to help enhance the Company's clocking capabilities in stand-alone and embedded applications and strengthen the Company's high speed signal processing solutions. The acquisition-date fair value of the consideration transferred totaled $26.8 million, which consisted of $24.2 million in initial cash payments at closing and an additional $2.6 million subject to an indemnification holdback that was payable within 15 months of the transaction date. During the third quarter of fiscal 2012, the Company reduced this holdback amount by $0.1 million as a result of indemnification claims. During the third quarter of fiscal 2013, the Company paid the remaining $2.5 million due under the holdback. The Company's assessment of fair value of the tangible and intangible assets acquired and liabilities assumed was based on their estimated fair values at the date of acquisition, resulting in the recognition of $15.6 million of IPR&D, $1.1 million of developed technology, $7.0 million of goodwill and $3.1 million of net deferred tax assets. The goodwill recognized is attributable to future technologies that have yet to be determined as well as the assembled workforce of Multigig. Future technologies do not meet the criteria for recognition separately from goodwill because they are a part of future development and growth of the business. None of the goodwill is expected to be deductible for tax purposes. During the fourth quarter of fiscal 2012, the Company finalized its purchase accounting for Multigig which resulted in adjustments of $0.4 million to deferred taxes and goodwill. In addition, the Company will be obligated to pay royalties to the Multigig employees on revenue recognized from the sale of certain Multigig products through the earlier of 5 years or the aggregate maximum payment of $1.0 million. Royalty payments to Multigig employees require post-acquisition services to be rendered and, as such, the Company will record these amounts as compensation expense in the related periods. As of November 1, 2014, no royalty payments have been made. The Company recognized $0.5 million of acquisition-related costs that were expensed in fiscal 2012, which were included in operating expenses in the consolidated statement of income.

Lyric Semiconductor, Inc.

On June 9, 2011, the Company acquired privately-held Lyric Semiconductor, Inc. (Lyric) of Cambridge, Massachusetts. in order to help the Company achieve significant improvement in power efficiency in mixed signal processing. The acquisition-date fair value of the consideration transferred totaled $27.8 million, which consisted of $14.0 million in initial cash payments at closing and contingent consideration of up to $13.8 million. The contingent consideration arrangement requires additional cash payments to the former equity holders of Lyric upon the achievement of certain technological and product development milestones payable during the period from June 2011 through June 2016. The Company estimated the fair value of the contingent consideration arrangement utilizing the income approach. Changes in the fair value of the contingent consideration subsequent to the acquisition date primarily driven by assumptions pertaining to the achievement of the defined milestones will be recognized in operating income in the period of the estimated fair value change. As of November 1, 2014, the Company had paid $12.0 million in contingent consideration. These payments are reflected in the statements of cash flows as cash used in financing activities related to the liability recognized at fair value as of the acquisition date and cash provided by operating activities related to the fair value adjustments previously recognized in earnings. The Company's assessment of the fair value of the tangible and intangible assets acquired and liabilities assumed was based on their estimated fair values at the date of acquisition, resulting in the recognition of $12.2 million of IPR&D, $18.9 million of goodwill and $3.3 million of net deferred tax liabilities. The goodwill recognized is attributable to future technologies that have yet to be determined as well as the assembled workforce of Lyric. Future technologies do not meet the criteria for recognition separately from goodwill because they are a part of future development and growth of the business. None of the goodwill is expected to be deductible for tax purposes. The fair value of the remaining contingent consideration was approximately $2.9 million as of November 1, 2014, all of which is included in accrued liabilities consolidated balance sheet. In addition, the Company will be obligated to pay royalties to the former equity holders of Lyric on revenue recognized from the sale of Lyric products and licenses through the earlier of 20 years or the accrual of a maximum of $25.0 million. Royalty payments to Lyric employees require post-acquisition services to be rendered and, as such, the Company will record these amounts as compensation expense in the related periods. As of November 1, 2014, an immaterial amount of royalty payments have been made. The Company recognized $0.2 million of acquisition-related costs that were expensed in fiscal 2011, which were included in operating expenses in the consolidated statement of income.

The Company has not provided pro forma results of operations for Metroic, Multigig and Lyric herein as they were not material to the Company on either an individual or an aggregate basis. The Company included the results of operations of each acquisition in its consolidated statement of income from the date of each acquisition.

7. Deferred Compensation Plan Investments

Investments in The Analog Devices, Inc. Deferred Compensation Plan (the Deferred Compensation Plan) are classified as trading. The components of the investments as of November 1, 2014 and November 2, 2013 were as follows:

	2014	2013
Money market funds	$ 2,567	$ 3,462
Mutual funds	18,826	13,969
Total Deferred Compensation Plan investments	$ 21,393	$ 17,431

The fair values of these investments are based on published market quotes on November 1, 2014 and November 2, 2013, respectively. Adjustments to the fair value of, and income pertaining to, Deferred Compensation Plan investments are recorded in operating expenses. Gross realized and unrealized gains and losses from trading securities were not material in fiscal 2014, 2013 or 2012.

The Company has recorded a corresponding liability for amounts owed to the Deferred Compensation Plan participants (see Note 10). These investments are specifically designated as available to the Company solely for the purpose of paying benefits under the Deferred Compensation Plan. However, in the event the Company became insolvent, the investments would be available to all unsecured general creditors.

8. Other Investments

Other investments consist of equity securities, interests in venture capital funds and other long-term investments. Investments are stated at fair value, which is based on market quotes or are accounted for using the equity or cost method of accounting, depending on the nature of the investment, as appropriate. Realized gains and losses from equity method investments are reflected in nonoperating (income) expense based upon the Company's ownership share of the investee's financial results Realized gains or losses on cost-method investments are determined based on the specific identification basis and are recognized in nonoperating (income) expense. Adjustments to the fair value of investments classified as available-for-sale are recorded as an increase or decrease in accumulated other comprehensive (loss) income, unless the adjustment is considered an other-than-temporary impairment, in which case the adjustment is recorded as a charge in the statement of income. There were no other-than-temporary impairments recognized in any of the fiscal periods presented.

Gross realized gains of approximately $1.3 million and gross realized losses of approximately $0.1 million on sales of available-for-sale investments were recognized in fiscal 2012. There were no material net realized gains or losses from other investments during fiscal 2014 and fiscal 2013.

There were no material net unrealized gains or losses on securities classified as other investments as of November 1, 2014 and November 2, 2013.

9. Accrued Liabilities

Accrued liabilities at November 1, 2014 and November 2, 2013 consisted of the following:

	2014	2013
Accrued compensation and benefits	$ 101,307	$ 71,094
Special charges	40,503	19,955
Other	87,074	66,551
Total accrued liabilities	$ 228,884	$ 157,600

10. Deferred Compensation Plan Liability

The deferred compensation plan liability relates to obligations due under the Deferred Compensation Plan. The Deferred Compensation Plan allows certain members of management and other highly-compensated employees and non-employee directors to defer receipt of all or any portion of their compensation. The balance represents Deferred Compensation Plan participant accumulated deferrals and earnings thereon since the inception of the Deferred Compensation Plan net of withdrawals. The Company's liability under the Deferred Compensation Plan is an unsecured general obligation of the Company.

11. Lease Commitments

The Company leases certain facilities, equipment and software under various operating leases that expire at various dates through 2022. The lease agreements frequently include renewal and escalation clauses and require the Company to pay taxes, insurance and maintenance costs. Total rental expense under operating leases was approximately $51.0 million in fiscal 2014, $49.0 million in fiscal 2013 and $48.0 million in fiscal 2012.

The following is a schedule of future minimum rental payments required under long-term operating leases at November 1, 2014:

Fiscal Years	Operating Leases
2015	$ 22,781
2016	13,829
2017	8,449
2018	5,449
2019	1,332
Later Years	453
Total	$ 52,293

12. Commitments and Contingencies

From time to time, in the ordinary course 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 current legal matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

13. Retirement Plans

The Company and its subsidiaries have various savings and retirement plans covering substantially all employees. The Company maintains a defined contribution plan for the benefit of its eligible U.S. employees. This plan provides for Company contributions of up to 5% of each participant's total eligible compensation. In addition, the Company contributes an amount equal to each participant's pre-tax contribution, if any, up to a maximum of 3% of each participant's total eligible compensation. The total expense related to the defined contribution plan for U.S. employees was $24.1 million in fiscal 2014, $23.1 million in fiscal 2013 and $22.8 million in fiscal 2012. The Company also 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 total expense related to the various defined benefit pension and other retirement plans for certain non-U.S. employees was $29.8 million in fiscal 2014, $26.5 million in fiscal 2013 and $18.9 million in fiscal 2012.

Non-U.S. Plan Disclosures

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. The benefit obligations and related assets under these plans have been measured at November 1, 2014 and November 2, 2013.

Components of Net Periodic Benefit Cost

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

	2014	2013	2012
Service cost	$ 13,532	$ 11,323	$ 7,909
Interest cost	14,051	12,528	10,901
Expected return on plan assets	(13,615)	(11,771)	(10,469)
Amortization of prior service cost	(240)	(235)	—
Amortization of transition obligation	19	20	19
Recognized actuarial loss	4,544	2,999	361
Net periodic pension cost	$ 18,291	$ 14,864	$ 8,721

Benefit Obligations and Plan Assets

Obligation and asset data of the Company's non-U.S. plans at each fiscal year end is presented in the following table:

	2014	2013
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 347,665	$ 272,256
Service cost	13,532	11,323
Interest cost	14,051	12,528
Participant contributions	2,466	2,412
Plan Amendments	(1,106)	—
Premiums paid	(381)	(244)
Actuarial loss	112,984	41,808
Benefits paid	(3,195)	(2,693)
Exchange rate adjustment	(30,811)	10,275
Benefit obligation at end of year	$ 455,205	$ 347,665
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 249,329	$ 200,161
Actual return on plan assets	21,596	26,480
Employer contributions	16,045	16,181
Participant contributions	2,466	2,412
Premiums paid	(381)	(244)
Benefits paid	(3,195)	(2,693)
Exchange rate adjustment	(16,489)	7,032
Fair value of plan assets at end of year	$ 269,371	$ 249,329
Reconciliation of Funded Status		
Funded status	$ (185,834)	$ (98,336)
Amounts Recognized in the Balance Sheet		
Current liabilities	(605)	(642)
Non-current liabilities	(185,229)	(97,694)
Net amount recognized	$ (185,834)	$ (98,336)

	2014	2013
Reconciliation of Amounts Recognized in the Statement of Financial Position		
Initial net obligation	$ (63)	$ (85)
Prior service credit	5,121	4,657
Net loss	(197,073)	(110,885)
Accumulated other comprehensive loss	(192,015)	(106,313)
Accumulated contributions in excess of net periodic benefit cost	6,181	7,977
Net amount recognized	$ (185,834)	$ (98,336)
Changes Recognized in Other Comprehensive Income		
Changes in plan assets and benefit obligations recognized in other comprehensive income		
Prior service cost	$ (1,106)	$ —
Net loss arising during the year (includes curtailment gains not recognized as a component of net periodic cost)	$ 105,003	$ 27,099
Effect of exchange rates on amounts included in accumulated other comprehensive income (loss)	(13,872)	3,912
Amounts recognized as a component of net periodic benefit cost		
Amortization, settlement or curtailment recognition of net transition obligation	(19)	(20)
Amortization or curtailment recognition of prior service credit (cost)	240	235
Amortization or settlement recognition of net loss	(4,544)	(2,999)
Total recognized in other comprehensive loss	$ 85,702	$ 28,227
Total recognized in net periodic cost and other comprehensive loss	$ 103,993	$ 43,091
Estimated amounts that will be amortized from accumulated other comprehensive (loss) income over the next fiscal year		
Initial net obligation	$ (19)	$ (20)
Prior service credit	275	240
Net loss	(8,564)	(4,523)
Total	$ (8,308)	$ (4,303)

The accumulated benefit obligation for non-U.S. pension plans was $351.9 million and $272.0 million at November 1, 2014 and November 2, 2013, respectively.

Information relating to the Company's non-U.S. plans with projected benefit obligations in excess of plan assets and accumulated benefit obligations in excess of plan assets at each fiscal year end is presented in the following table:

	2014	2013
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 455,205	$ 347,665
Fair value of plan assets	$ 269,371	$ 249,329
Plans with accumulated benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 384,225	$ 280,958
Accumulated benefit obligation	$ 298,620	$ 221,715
Fair value of plan assets	$ 201,119	$ 185,863

Assumptions

The range of assumptions used for the non-U.S. defined benefit plans reflects the different economic environments within the various countries. The projected benefit obligation was determined using the following weighted-average assumptions:

	2014	2013
Discount rate	2.95%	4.05%
Rate of increase in compensation levels	2.77%	2.84%

Net annual periodic pension cost was determined using the following weighted average assumptions:

	2014	2013
Discount rate	4.05%	4.55%
Expected long-term return on plan assets	5.46%	5.59%
Rate of increase in compensation levels	2.84%	2.85%

The expected long-term rate of return on assets is a weighted-average of the long-term rates of return selected for the various countries where the Company has funded pension plans. The expected long-term rate of return on assets assumption is selected based on the facts and circumstances that exist as of the measurement date and the specific portfolio mix of plan assets. Management, in conjunction with its actuaries, reviewed anticipated future long-term performance of individual asset categories and considered the asset allocation strategy adopted by the Company and/or the trustees of the plans. While the review considered recent fund performance and historical returns, the assumption is primarily a long-term prospective rate.

The Company's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, in order to maximize the return on assets, a majority of assets are invested in equities. Investments within each asset class are diversified to reduce the impact of losses in single investments. The use of derivative instruments is permitted where appropriate and necessary to achieve overall investment policy objectives and asset class targets.

The Company establishes strategic asset allocation percentage targets and appropriate benchmarks for each significant asset class to obtain a prudent balance between return and risk. The interaction between plan assets and benefit obligations is periodically studied by the Company and its actuaries to assist in the establishment of strategic asset allocation targets.

Fair value of plan assets

The following table presents plan assets measured at fair value on a recurring basis by investment categories as of November 1, 2014 and November 2, 2013 using the same three-level hierarchy described in Note 2j:

	November 1, 2014 Fair Value Measurement at Reporting Date Using:				November 2, 2013 Fair Value Measurement at Reporting Date Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Unit trust funds(1)	$ —	$ 201,554	$ —	$ 201,554	$ —	$ 183,062	$ —	$ 183,062
Equities(1)	—	30,113	121	30,234	3,676	29,194	125	32,995
Fixed income securities(2)	—	33,746	—	33,746	—	29,356	—	29,356
Property(3)	—	—	3,029	3,029	—	—	3,146	3,146
Cash and cash equivalents	808	—	—	808	770	—	—	770
Total assets measured at fair value	$ 808	$ 265,413	$ 3,150	$ 269,371	$ 4,446	$ 241,612	$ 3,271	$ 249,329

(1) The majority of the assets in these categories are invested in a mix of equities, including those from North America, Europe and Asia. The funds are valued using the net asset value method in which an average of the market prices for underlying investments is used to value the fund. Due to the nature of the underlying assets of these funds, changes in market conditions and the economic environment may significantly impact the net asset value of these investments and, consequently, the fair value of the investments. These investments are redeemable at net asset value to the extent provided

in the documentation governing the investments. However, these redemption rights may be restricted in accordance with governing documents. Publicly traded securities are valued at the last trade or closing price reported in the active market in which the individual securities are traded. Level 3 securities are valued at book value per share based upon the financial statements of the investment.

(2) The majority of the assets in this category are invested in funds primarily concentrated in non-U.S. debt instruments. The funds are valued using the net asset value method in which an average of the market prices for underlying investments is used to value the fund.

(3) The majority of the assets in this category are invested in properties in Ireland, the United Kingdom, Europe and other established international markets. Investments in properties are stated at estimated fair values based upon valuations by external independent property appraisers.

The table below presents a reconciliation of the plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for fiscal years 2014 and 2013 .

	Properties	Equities
Balance as of November 3, 2012	$ 2,881	$ 684
Purchases, sales, and settlements, net	—	(522)
Realized and unrealized return on plan assets	116	—
Exchange rate adjustment	149	(37)
Balance as of November 2, 2013	$ 3,146	$ 125
Purchases, sales, and settlements, net	3	(1)
Realized and unrealized return on plan assets	120	—
Exchange rate adjustment	(240)	(3)
Balance as of November 1, 2014	$ 3,029	$ 121

Estimated future cash flows

Expected fiscal 2015 Company contributions and estimated future benefit payments are as follows:

Expected Company Contributions	
2015	$ 15,763
Expected Benefit Payments	
2015	$ 3,468
2016	$ 4,002
2017	$ 4,047
2018	$ 4,359
2019	$ 4,922
2020 through 2024	$ 37,340

14. Income Taxes

The reconciliation of income tax computed at the U.S. federal statutory rates to income tax expense is as follows:

	2014	2013	2012
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Income tax provision reconciliation:			
Tax at statutory rate:	$ 255,271	$ 285,363	$ 284,737
Net foreign income subject to lower tax rate	(179,329)	(162,286)	(117,679)
State income taxes, net of federal benefit	(6,361)	(2,098)	(2,472)
Valuation allowance	2,846	3,113	3,908
Federal research and development tax credits	(1,165)	(12,914)	(964)
Change in uncertain tax positions	719	37,226	(5,184)
Amortization of purchased intangibles	8,126	—	—
Acquisitions	15,656	—	—
Other, net	4,262	(6,568)	(49)
Total income tax provision	$ 100,025	$ 141,836	$ 162,297

For financial reporting purposes, income before income taxes includes the following components:

	2014	2013	2012
Pretax income:			
Domestic	$ 127,084	$ 124,737	$ 233,478
Foreign	602,261	690,586	580,055
Income before income taxes	$ 729,345	$ 815,323	$ 813,533

The components of the provision for income taxes are as follows:

	2014	2013	2012
Current:			
Federal tax	$ 128,591	$ 88,431	$ 90,303
Foreign	48,829	70,656	80,825
State	316	448	970
Total current	$ 177,736	$ 159,535	$ 172,098
Deferred (prepaid):			
Federal	$ (74,263)	$ (18,182)	$ (9,948)
State	(1,113)	1,982	(551)
Foreign	(2,335)	(1,499)	698
Total (prepaid) deferred	$ (77,711)	$ (17,699)	$ (9,801)

The Company continues to intend to reinvest certain of its foreign earnings indefinitely. Accordingly, no U.S. income taxes have been provided for approximately $4.3 billion of unremitted earnings of international subsidiaries. As of November 1, 2014, the amount of unrecognized deferred tax liability on these earnings was $1.2 billion.

The significant components of the Company's deferred tax assets and liabilities for the fiscal years ended November 1, 2014 and November 2, 2013 are as follows:

	2014	2013
Deferred tax assets:		
Inventory reserves	$ 25,236	$ 23,238
Deferred income on shipments to distributors	38,025	34,882
Reserves for compensation and benefits	50,895	32,473
Tax credit carryovers	59,909	48,920
Stock-based compensation	74,487	89,944
Depreciation	3,490	4,507
Sale of business assets	—	22,564
Capital loss carryover	4,266	—
Acquisition-related intangibles	7,030	—
Other	22,165	24,803
Total gross deferred tax assets	285,503	281,331
Valuation allowance	(52,064)	(43,502)
Total deferred tax assets	233,439	237,829
Deferred tax liabilities:		
Depreciation	(43,337)	(46,636)
Undistributed earnings of foreign subsidiaries	(31,904)	(26,325)
Acquisition-related intangibles	(235,569)	(4,627)
Other	(2,236)	(3,753)
Total gross deferred tax liabilities	(313,046)	(81,341)
Net deferred tax (liabilities) assets	$ (79,607)	$ 156,488

The valuation allowances of $52.1 million and $43.5 million at November 1, 2014 and November 2, 2013, respectively, are valuation allowances for the Company's state credit carryover and capital loss carryover. The state credit carryover of $56.7 million will begin to expire in 2015 and the capital loss carryover of $4.3 million will expire in 2024.

As of November 1, 2014, the Company has foreign tax credit carryforwards of $3.1 million to offset future passive income. If not used, these carryforwards will expire between 2019 and 2023.

The Company has provided for potential tax liabilities due in the various jurisdictions in which the Company operates. Judgment is required in determining the worldwide income tax expense provision. 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 arrangements among related entities. Although the Company believes its 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 the historical income tax provisions and accruals. Such differences could have a material impact on the Company's income tax provision and operating results in the period in which such determination is made.

As of November 1, 2014 and November 2, 2013, the Company had a liability of $63.0 million and $62.3 million, respectively, for unrealized tax benefits, all of which, if settled in the Company's favor, would lower the Company's effective tax rate in the period recorded. In addition, as of November 1, 2014 and November 2, 2013, the Company had a liability of approximately $12.0 million and $10.1 million, respectively, for interest and penalties. The Company includes interest and penalties related to unrecognized tax benefits within the provision for taxes in the consolidated statements of income. The total liability as of November 1, 2014 and November 2, 2013 of $70.6 million and $71.3 million, respectively, for uncertain tax positions is classified as non-current, and is included in other non-current liabilities, because the Company believes that the ultimate payment or settlement of these liabilities may not occur within the next twelve months. The consolidated statements of income for fiscal years 2014, 2013 and 2012 include $1.9 million, $7.1 million and $(7.1) million, respectively, of interest and penalties related to these uncertain tax positions. Over the next fiscal year, the Company anticipates the liability to be reduced by $2.8 million for the possible expiration of an income tax statute of limitations.

The following table summarizes the changes in the total amounts of unrealized tax benefits for fiscal 2012 through fiscal 2014.

	Unrealized Tax Benefits
Balance, November 3, 2012	**$ 7,103**
Additions for tax positions related to current year	22,762
Additions for tax positions related to prior years	41,945
Reductions for tax positions related to prior years	(2,176)
Reductions due to lapse of applicable statute of limitations	(1,495)
Balance, November 2, 2013	**$ 68,139**
Additions for tax positions related to current year	214
Reductions for tax positions related to prior years	(1,321)
Reductions due to lapse of applicable statute of limitations	(1,568)
Balance, November 1, 2014	**$ 65,464**

The Company has filed a petition with the U.S. Tax Court for one open matter for fiscal years 2006 and 2007 that pertains to Section 965 of the Internal Revenue Code related to the beneficial tax treatment of dividends paid from foreign owned companies under The American Jobs Creation Act. The potential liability for this adjustment is $36.5 million. On September 18, 2013, in a matter not involving the Company, the U.S. Tax Court held that accounts receivable created under Rev. Proc. 99-32 may constitute indebtedness for purposes of Section 965 (b)(3) of the Internal Revenue Code and that the IRS was not precluded from reducing the beneficial dividend received deduction because of the increase in related-party indebtedness (BMC Software Inc. v Commissioner, 141 T.C. No. 5 2013). After analyzing the Tax Court's decision, the Company has determined that its tax position with respect to the Section 965(b)(3) no longer meets the more likely than not standard of recognition for accounting purposes. Accordingly, the Company recorded a $36.5 million reserve for this matter in the fourth quarter of 2013.

All of the Company's U.S. federal tax returns prior to fiscal 2011 are no longer subject to examination.

All of the Company's Ireland tax returns prior to fiscal 2010 are no longer subject to examination.

15. Revolving Credit Facility

As of November 1, 2014, the Company had $2.9 billion of cash and cash equivalents and short-term investments, of which $856.5 million was held in the United States. The balance of the Company's cash and cash equivalents and short-term investments was held outside the United States in various foreign subsidiaries. As the Company intends to reinvest its foreign earnings indefinitely, this cash is not available to meet the Company's cash requirements in the United States, including cash dividends and common stock repurchases. During December 2012, the Company terminated its five-year, $165.0 million unsecured revolving credit facility with certain institutional lenders entered into in May 2008. On December 19, 2012, the Company entered into a five-year, $500.0 million senior unsecured revolving credit facility with certain institutional lenders (the Credit Agreement). In June 2014, the Company amended this credit facility to temporarily increase the amount of allowed subsidiary indebtedness related to the financing of the Acquisition. To date, the Company has not borrowed under this credit facility but the Company may borrow in the future and use the proceeds for repayment of existing indebtedness, stock repurchases, acquisitions, capital expenditures, working capital and other lawful corporate purposes. Revolving loans under the Credit Agreement (other than swing line loans) bear interest, at the Company's option, at either a rate equal to (a) the Eurodollar Rate (as defined in the Credit Agreement) plus a margin based on the Company's debt rating or (b) the Base Rate (defined as the highest of (i) the Bank of America prime rate, (ii) the Federal Funds Rate (as defined in the Credit Agreement) plus .50% or (iii) one month Eurodollar Rate plus 1.00%) plus a margin based on the Company's debt rating. The terms of the facility impose restrictions on the Company's ability to undertake certain transactions, to create certain liens on assets and to incur certain subsidiary indebtedness. In addition, the Credit Agreement contains a consolidated leverage ratio covenant of total consolidated funded debt to consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) of not greater than 3.0 to 1.0. As of November 1, 2014, the Company was compliant with these covenants.

16. Debt

On June 30, 2009, the Company issued $375.0 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014 (the 2014 Notes) with semi-annual fixed interest payments due on January 1 and July 1 of each year, commencing January 1, 2010. The sale of the 2014 Notes was made pursuant to the terms of an underwriting agreement dated, June 25, 2009 between the Company and Credit Suisse Securities (USA) LLC, as representative of the several underwriters named therein.

The net proceeds of the offering were $370.4 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which were amortized over the term of the 2014 Notes.

On June 30, 2009, the Company entered into interest rate swap transactions related to its outstanding 2014 Notes where the Company swapped the notional amount of its $375.0 million of fixed rate debt at 5.0% into floating interest rate debt through July 1, 2014. The Company designated these swaps as fair value hedges. The changes in the fair value of the interest rate swaps were reflected in the carrying value of the interest rate swaps in other assets on the balance sheet. The carrying value of the debt on the balance sheet was adjusted by an equal and offsetting amount. In fiscal 2012, the Company terminated the interest rate swap agreement. The Company received $19.8 million in cash proceeds from the swap termination, which included $1.3 million in accrued interest. The proceeds, net of interest received, are disclosed in cash flows from financing activities in the Company's consolidated statements of cash flows. As a result of the termination, the carrying value of the 2014 Notes was adjusted for the change in the fair value of the interest component of the debt up to the date of the termination of the swap in an amount equal to the fair value of the swap, and was amortized into earnings as a reduction of interest expense over the remaining life of the debt. During fiscal 2012, $5.3 million was amortized into earnings as a reduction of interest expense related to the swap termination. During the third quarter of fiscal 2013, in conjunction with the redemption of the 2014 Notes, the Company recognized the remaining $8.6 million in unamortized proceeds received from the termination of the interest rate swap as other, net, within non-operating (income) expense.

During the third quarter of fiscal 2013, the Company redeemed its outstanding 2014 Notes. The redemption price was 104.744% of the principal amount of the 2014 Notes. In accordance with the applicable guidance, the Company concluded that the debt transaction qualified as a debt extinguishment and as a result recognized a net loss on debt extinguishment of approximately $10.2 million recorded in other, net within non-operating (income) expense. This loss was comprised of the make-whole premium of $17.8 million paid to bondholders on the 2014 Notes in accordance with the terms of the notes, the recognition of the remaining $8.6 million of unamortized proceeds received from the termination of the interest rate swap associated with the debt, and the write-off of approximately $1.0 million of debt issuance and discount costs that remained to be amortized. The write-off of the remaining unamortized portion of debt issuance costs, discount and swap proceeds are reflected in the Company's consolidated statements of cash flows within operating activities, and the make-whole premium is reflected within financing activities.

On December 22, 2010, Analog Devices Holdings B.V., a wholly owned subsidiary of the Company, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent. The borrower’s obligations were guaranteed by the Company. The credit agreement provided for a term loan facility of $145.0 million, which was set to mature on December 22, 2013. During the first quarter of fiscal 2013, the Company repaid the remaining outstanding principal balance on the loan of $60.1 million and the credit agreement was terminated. The terms of the agreement provided for a three year principal amortization schedule with $3.6 million payable quarterly every March, June, September and December with the balance payable upon the maturity date. During fiscal 2011 and fiscal 2012, the Company made additional principal payments of $17.5 million and $42.0 million, respectively. The loan bore interest at a fluctuating rate for each period equal to the LIBOR rate corresponding with the tenor of the interest period plus a spread of 1.25%. The terms of this facility included limitations on subsidiary indebtedness and on liens against the assets of the Company and its subsidiaries, and also included financial covenants that required the Company to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio.

On April 4, 2011, the Company issued $375.0 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 2016 Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. The sale of the 2016 Notes was made pursuant to the terms of an underwriting agreement, dated March 30, 2011 between the Company and Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as representative of the several underwriters named therein. The net proceeds of the offering were $370.5 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which will be amortized over the term of the 2016 Notes. The indenture governing the 2016 Notes contains covenants that may limit the Company’s ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. As of November 1, 2014, the Company was compliant with these covenants. The 2016 Notes are subordinated to any future secured debt and to the other liabilities of the Company’s subsidiaries.

On June 3, 2013, the Company issued $500.0 million aggregate principal amount of 2.875% senior unsecured notes due June 1, 2023 (the 2023 Notes) with semi-annual fixed interest payments due on June 1 and December 1 of each year, commencing December 1, 2013. Prior to issuing the 2023 Notes, on April 24, 2013, the Company entered into a treasury rate lock agreement with Bank of America. This agreement allowed the Company to lock a 10-year US Treasury rate of 1.7845% through June 14, 2013 for its anticipated issuance of the 2023 Notes. Upon issuing the 2023 Notes, the Company simultaneously terminated the treasury rate lock agreement resulting in a gain of approximately $11.0 million. This gain will be amortized into interest expense over the 10-year term of the 2023 Notes. The sale of the 2023 Notes was made pursuant to the terms of an underwriting agreement, dated as of May 22, 2013, among the Company and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, as the representatives of the several underwriters named therein. The net proceeds of the offering were $493.9 million, after discount and issuance costs. Debt discount and issuance costs will be amortized through interest expense over the term of the 2023 Notes. The indenture governing the 2023 Notes contains covenants that may limit the Company's ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. As of November 1, 2014, the Company was compliant with these covenants. The notes are subordinated to any future secured debt and to the other liabilities of the Company's subsidiaries.

On July 22, 2014, the Company entered into a 90-day term loan facility in an aggregate principal amount of $2.0 billion with Credit Suisse AG, as Administrative Agent, and each lender from time to time party thereto (the Term Loan Agreement) to finance the Acquisition. On August 29, 2014 the outstanding principal balance due under the Term Loan Agreement was repaid. Loans under the Term Loan Agreement bore interest at the Eurodollar Rate (as defined in the Term Loan Agreement) plus 1.00% (1.16% as of August 2, 2014). Payments of the principal amounts of revolving loans under the Term Loan Agreement were due no later than October 20, 2014 and did not require interim amortization. Expenses incurred related to the debt were amortized over the 90-day term. The Term Loan Agreement contained customary representations and warranties and affirmative and negative covenants, including, among others, limitations on liens, indebtedness of subsidiaries, mergers and other fundamental changes, sales and other dispositions of property or assets and transactions with affiliates. The Term Loan Agreement contained a consolidated leverage ratio covenant of total consolidated funded debt to consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) of not greater than 3.0 to 1.0.

The Company’s principal payments related to its debt obligations are as follows: $375.0 million in fiscal 2016 and $500.0 million in fiscal 2023.

17. Gain on Sale of Product Line

On October 31, 2013, the Company completed the sale of the assets and intellectual property related to its microphone product line to InvenSense, Inc. (InvenSense). The Company received $100.0 million in cash for the assets and intellectual property and after providing for the write-off of inventory, fixed assets and other costs incurred to complete the transaction, recorded a net gain of $85.4 million in nonoperating income during fiscal 2013. The Company has agreed to provide InvenSense with various transition services subsequent to the closing. The Company may receive additional cash payments, not to exceed $70.0 million, based on the achievement of certain revenue milestones through the first anniversary of the closing date. As of November 1, 2014 the Company had not received and does not expect to receive any additional cash payments. The sale of the assets and intellectual property related to the microphone product line did not qualify as a discontinued operation as it was not considered to be a component of an the Company.

18. Subsequent Events

On November 24, 2014, the Board of Directors of the Company declared a cash dividend of $0.37 per outstanding share of common stock. The dividend will be paid on December 16, 2014 to all shareholders of record at the close of business on December 5, 2014.

ANALOG DEVICES, INC.

SUPPLEMENTARY FINANCIAL INFORMATION
(Unaudited)

Quarterly financial information for fiscal 2014 and fiscal 2013 (thousands, except per share amounts and as noted) include results of operations of Hittite from July 22, 2014:

	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13
Revenue	814,247	727,752	694,536	628,238	678,133	674,172	659,250	622,134
Cost of sales (a)	328,210	251,462	235,793	219,120	233,263	239,110	237,055	231,850
Gross margin	486,037	476,290	458,743	409,118	444,870	435,062	422,195	390,284
% of Revenue	59.7%	65.4%	66.1%	65.1%	65.6%	64.5%	64.0%	62.7%
Research and development	154,797	140,095	136,203	128,591	130,979	128,892	128,055	125,109
Selling, marketing, general and administrative	121,424	132,989	102,085	98,178	98,197	97,773	102,703	97,560
Special charges	34,637	—	—	2,685	15,777	—	—	14,071
Amortization of intangibles	25,250	660	55	55	55	55	55	55
Total operating expenses	336,108	273,744	238,343	229,509	245,008	226,720	230,813	236,795
Operating income	149,929	202,546	220,400	179,609	199,862	208,342	191,382	153,489
% of Revenue	18%	28%	32%	29%	29%	31%	29%	25%
Nonoperating (income) expenses:								
Interest expense	13,161	8,178	6,874	6,571	6,659	7,672	6,357	6,414
Interest income	(2,046)	(3,442)	(3,401)	(3,284)	(3,351)	(3,125)	(3,044)	(3,233)
Other, net (b)	116	422	(441)	431	(85,958)	8,754	408	199
Total nonoperating (income) expense	11,231	5,158	3,032	3,718	(82,650)	13,301	3,721	3,380
Income before income taxes	138,698	197,388	217,368	175,891	282,512	195,041	187,661	150,109
% of Revenue	17%	27%	31%	28%	42%	29%	28%	24%
Provision for income taxes (c)	30,003	16,782	29,935	23,305	80,958	18,802	23,189	18,887
Net income	108,695	180,606	187,433	152,586	201,554	176,239	164,472	131,222
% of Revenue	13%	25%	27%	24%	30%	26%	25%	21%
Basic earnings per share	0.35	0.57	0.60	0.49	0.65	0.57	0.53	0.43
Diluted earnings per share	0.34	0.57	0.59	0.48	0.64	0.56	0.52	0.42
Shares used to compute earnings per share (in thousands):								
Basic	312,815	314,190	313,488	312,286	311,009	309,117	307,444	303,484
Diluted	316,868	318,876	318,347	318,017	317,216	315,307	313,368	310,275
Dividends declared per share	0.37	0.37	0.37	0.34	0.34	0.34	0.34	0.30

a) Cost of sales in the fourth quarter of fiscal 2014 includes $53.6 million related to the sale of acquired inventory written up to fair value as a result of the Acquisition.
b) Other, net in the fourth quarter of fiscal 2013 includes a gain on the sale of the assets and intellectual property related to the Company's microphone product line of $85.4 million.
c) The provision for income taxes in the fourth quarter of fiscal 2013 includes (i) $36.5 million of additional tax expense recorded in connection with the Company's uncertain tax position related to the beneficial treatment of dividends paid by a foreign subsidiary and (ii) $26.7 million of income tax expense on the sale of the assets and intellectual property related to the Company's microphone product line.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 November 1, 2014. 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 November 1, 2014, 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) *Management's Report on Internal Control Over Financial Reporting.*

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of November 1, 2014. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated 1992 Framework.

Based on this assessment, our management concluded that, as of November 1, 2014, our internal control over financial reporting is effective based on those criteria.

Management excluded from its assessment of the Company's internal control over financial reporting as of November 1, 2014, the internal control over financial reporting of Hittite Microwave Corporation, which was acquired by the Company on July 22, 2014. This exclusion is consistent with guidance issued by the SEC that an assessment of a recently acquired business may be omitted from management's report on internal control over financial reporting in the year of acquisition. Hittite represented $687.9 million and $650.7 million of our consolidated total and net assets, respectively, as of November 1, 2014 and $86.0 million and $14.5 million of our consolidated net revenues and net income, respectively, for the year ended November 1, 2014. See a discussion of this acquisition in the Notes to the Consolidated Financial Statements at Note 6 Acquisitions, of this Annual Report in Form 10-K.

Our independent registered public accounting firm that audited the financial statements included in this annual report has issued an attestation report on our internal control over financial reporting. This report appears below.

(c) *Attestation Report of the Registered Public Accounting Firm*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Analog Devices, Inc.

We have audited Analog Devices, Inc.'s internal control over financial reporting as of November 1, 2014 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Analog Devices, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Hittite Microwave Corporation, which is included in the 2014 consolidated financial statements of Analog Devices, Inc. and constituted $687.9 million and $650.7 million of total and net assets, respectively, as of November 1, 2014 and $86.0 million and $14.5 million of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Analog Devices, Inc. also did not include an evaluation of the internal control over financial reporting of Hittite Microwave Corporation.

In our opinion, Analog Devices, Inc. maintained, in all material respects, effective internal control over financial reporting as of November 1, 2014, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Analog Devices, Inc. as of November 1, 2014 and November 2, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended November 1, 2014 of Analog Devices, Inc. and our report dated December 10, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
December 10, 2014

(d) *Changes in Internal Controls over Financial Reporting.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the fiscal quarter ended November 1, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item relating to our directors and nominees is contained under the caption "Proposal 1 — Election of Directors" contained in our 2015 proxy statement to be filed with the U.S. Securities and Exchange Commission (the SEC) within 120 days after November 1, 2014 and is incorporated herein by reference. Information required by this item relating to our executive officers is contained under the caption "EXECUTIVE OFFICERS OF THE COMPANY" in Part I of this Annual Report on Form 10-K and is incorporated herein by reference. Information required by this item relating to compliance with Section 16(a) of the Securities Exchange Act of 1934 is contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

We have adopted a written code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and have posted it in the Corporate Governance section of our website which is located at www.analog.com. To the extent permitted by NASDAQ and SEC regulations, we intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding any amendments to, or waivers from, our code of business conduct and ethics by posting such information on our website which is located at www.analog.com.

During the fourth quarter of fiscal 2014, we made no material change to the procedures by which shareholders may recommend nominees to our Board of Directors, as described in our 2014 proxy statement.

Information required by this item relating to the audit committee of our Board of Directors is contained under the caption "Corporate Governance — Board of Directors Meetings and Committees — Audit Committee" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is contained under the captions "Corporate Governance — Director Compensation" and "Information About Executive Compensation" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item relating to security ownership of certain beneficial owners and management is contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference. Information required by this item relating to securities authorized for issuance under equity compensation plans is contained under the caption "Information About Executive Compensation — Securities Authorized for Issuance Under Equity Compensation Plans" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item relating to transactions with related persons is contained under the caption "Corporate Governance — Certain Relationships and Related Transactions" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference. Information required by this item relating to director independence is contained under the caption "Corporate Governance — Determination of Independence" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is contained under the caption "Corporate Governance — Independent Registered Public Accounting Firm Fees and Other Matters" in our 2015 proxy statement to be filed with the SEC within 120 days after November 1, 2014 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8 of this Annual Report on Form 10-K:

— Consolidated Statements of Income for the years ended November 1, 2014, November 2, 2013 and November 3, 2012

— Consolidated Statements of Comprehensive Income for the years ended November 1, 2014, November 2, 2013 and November 3, 2012

— Consolidated Balance Sheets as of November 1, 2014 and November 2, 2013

— Consolidated Statements of Shareholders' Equity for the years ended November 1, 2014, November 2, 2013 and November 3, 2012

— Consolidated Statements of Cash Flows for the years ended November 1, 2014, November 2, 2013 and November 3, 2012

(b) Financial Statement Schedules

The following consolidated financial statement schedule is included in Item 15(b) of this Annual Report on Form 10-K:

Schedule II — Valuation and Qualifying Accounts

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements or the Notes thereto.

(c) Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed or furnished with or incorporated by reference in this Annual Report on Form 10-K.

ANALOG DEVICES, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED NOVEMBER 1, 2014
ITEM 15(b)
FINANCIAL STATEMENT SCHEDULE

ANALOG DEVICES, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Years ended November 1, 2014, November 2, 2013 and November 3, 2012

(dollar amounts in thousands)

Description	Balance at Beginning of Period	Additions Charged to Income Statement	Deductions	Balance at End of Period
Accounts Receivable Reserves and Allowances:				
Year ended November 3, 2012	$ 1,465	$ 1,910	$ 654	$ 2,721
Year ended November 2, 2013	$ 2,721	$ 1,789	$ 1,917	$ 2,593
Year ended November 1, 2014	$ 2,593	$ 4,563	$ 4,237	$ 2,919

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ VINCENT T. ROCHE

Vincent T. Roche
President and Chief Executive Officer
(Principal Executive Officer)

Date: December 10, 2014

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Ray Stata Ray Stata	Chairman of the Board	December 10, 2014
/s/ Vincent T. Roche Vincent T. Roche	President and Chief Executive Officer and Director (Principal Executive Officer)	December 10, 2014
/s/ David A. Zinsner David A. Zinsner	Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer)	December 10, 2014
/s/ Eileen Wynne Eileen Wynne	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	December 10, 2014
/s/ Richard M. Beyer Richard M. Beyer	Director	December 10, 2014
/s/ James A. Champy James A. Champy	Director	December 10, 2014
/s/ Edward H. Frank Edward H. Frank	Director	December 10, 2014
/s/ John C. Hodgson John C. Hodgson	Director	December 10, 2014
/s/ Yves-Andre Istel Yves-Andre Istel	Director	December 10, 2014
/s/ Neil Novich Neil Novich	Director	December 10, 2014

Name	Title	Date
/s/ F. Grant Saviers F. Grant Saviers	Director	December 10, 2014
/s/ Kenton J. Sicchitano Kenton J. Sicchitano	Director	December 10, 2014
/s/ Lisa T. Su Lisa T. Su	Director	December 10, 2014

Exhibit Index

Exhibit No.	Description
3.1	Restated Articles of Organization of Analog Devices, Inc., as amended, filed as exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2008 (File No. 1-7819) as filed with the Commission on May 20, 2008 and incorporated herein by reference.
3.2	Amendment to Restated Articles of Organization of Analog Devices, Inc., filed as exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 8, 2008 (File No. 1-7819) and incorporated herein by reference.
3.3	Amended and Restated By-Laws of Analog Devices, Inc., filed as exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on January 28, 2010 (File No. 1-7819) and incorporated herein by reference.
4.1	Indenture, by and between Analog Devices, Inc. and The Bank of New York Mellon Trust Company, N.A. as trustee dated as of June 30, 2009, filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 1, 2009 (File No. 1-7819) as filed with the Commission on August 18, 2009 and incorporated herein by reference.
4.2	Supplemental Indenture, dated April 4, 2011, by and between Analog Devices, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, filed as exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on April 4, 2011 and incorporated herein by reference.
4.3	Form of 3.00% Global Note due April 15, 2016, filed as exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on April 4, 2011 and incorporated herein by reference.
4.4	Indenture, dated as of June 3, 2013, by and between Analog Devices, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, filed as exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on June 3, 2013 and incorporated herein by reference.
4.5	Supplemental Indenture, dated as of June 3, 2013, by and between Analog Devices, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, filed as exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on June 3, 2013 and incorporated herein by reference.
*10.1	Analog Devices, Inc. Amended and Restated Deferred Compensation Plan, filed as exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 8, 2008 (File No. 1-7819) and incorporated herein by reference.
*10.2	First Amendment to the Analog Devices, Inc. Amended and Restated Deferred Compensation Plan, filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 30, 2011 (File No. 1-7819) as filed with the Commission on August 16, 2011 and incorporated herein by reference.
*10.3	Trust Agreement for Deferred Compensation Plan dated as of October 1, 2003 between Analog Devices, Inc. and Fidelity Management Trust Company, filed as exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2003 (File No. 1-7819) as filed with the Commission on December 23, 2003 and incorporated herein by reference.
*10.4	First Amendment to Trust Agreement for Deferred Compensation Plan between Analog Devices, Inc. and Fidelity Management Trust Company dated as of January 1, 2005, filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2006 (File No. 1-7819) as filed with the Commission on November 20, 2006 and incorporated herein by reference.
*10.5	Second Amendment to Trust Agreement for Deferred Compensation Plan between Analog Devices, Inc. and Fidelity Management Trust Company dated as of December 10, 2007, filed as exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2008 (File No. 1-7819) as filed with the Commission on November 25, 2008 and incorporated herein by reference.
*10.6	1998 Stock Option Plan of Analog Devices Inc., as amended, filed as exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference.
*10.7	Analog Devices, Inc. 2001 Broad-Based Stock Option Plan, as amended, filed as exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference.

Exhibit No.	Description
*10.8	Amended and Restated 2006 Stock Incentive Plan of Analog Devices, Inc., filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.9	Form of Global Non-Qualified Stock Option Agreement for Employees for usage under the Company's Amended and Restated 2006 Stock Incentive Plan, filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.10	Form of Non-Qualified Stock Option Agreement for Directors for usage under the Company's Amended and Restated 2006 Stock Incentive Plan, filed as exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.11	Form of Global Restricted Stock Unit Agreement for Employees for usage under the Company's Amended and Restated 2006 Stock Incentive Plan, filed as exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.12	Form of Performance Restricted Stock Unit Agreement for Employees for usage under the Company's Amended and Restated 2006 Stock Incentive Plan, filed as exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.13	Form of Restricted Stock Unit Agreement for Directors for usage under the Company's Amended and Restated 2006 Stock Incentive Plan, filed as exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 1, 2014 (File No. 1-7819) as filed with the Commission on February 18, 2014 and incorporated herein by reference.
*10.14	Analog Devices BV (Ireland) Employee Stock Option Program, as amended, filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 (File No. 1-7819) as filed with the Commission on January 29, 2003 and incorporated herein by reference.
*10.15	2014 Executive Performance Incentive Plan, filed as exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on September 12, 2013 and incorporated herein by reference.
†*10.16	2015 Executive Performance Incentive Plan.
*10.17	Analog Devices, Inc. Executive Section 162(m) plan, as amended, filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 2013 (File No. 1-7819) as filed with the Commission on May 21, 2013 and incorporated herein by reference.
*10.18	Form of Employee Retention Agreement, filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 5, 2012 (File No. 1-7819) as filed with the Commission on May 22, 2012 and incorporated herein by reference.
*10.19	Employee Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference.
*10.20	Senior Management Change in Control Severance Policy of Analog Devices, Inc., as amended, filed as exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference.

Exhibit No.	Description
*10.21	Offer Letter for David A. Zinsner, dated November 18, 2008, filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2009 (File No. 1-7819) as filed with the Commission on February 18, 2009 and incorporated herein by reference.
*10.22	Form of Indemnification Agreement for Directors and Officers, filed as exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2008 (File No. 1-7819) as filed with the Commission on November 25, 2008 and incorporated herein by reference.
10.23	Amended and Restated Lease Agreement dated May 1, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 (File No. 1-7819) as filed with the Commission on January 28, 1998 and incorporated herein by reference.
10.24	Guaranty dated as of May 1, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference.
10.25	Letter Agreement dated as of May 18, 1994 between Analog Devices, Inc. and Metropolitan Life Insurance Company relating to the premises at 3 Technology Way, Norwood, Massachusetts, filed as exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1999 (File No. 1-7819) as filed with the Commission on January 28, 2000 and incorporated herein by reference.
10.26	Reimbursement Agreement dated May 18, 1992 between Analog Devices, Inc. and the trustees of Everett Street Trust, filed as exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 (File No. 1-7819) as filed with the Commission on January 28, 1998 and incorporated herein by reference.
10.27	Credit Agreement, dated as of December 19, 2012, among Analog Devices, Inc., as Borrower, Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer and each lender from time to time party thereto, filed as exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-7819) as filed with the Commission on December 20, 2012 and incorporated herein by reference.
10.28	First Amendment to Credit Agreement, dated as of June 17, 2014, among Analog Devices, Inc., as Borrower, Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer and each lender from time to time party thereto, filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-7819) as filed with the Commission on August 26, 2014 and incorporated herein by reference.
†12.1	Computation of Consolidated Ratios of Earnings to Fixed Charges.
†21	Subsidiaries of the Company.
†23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
†31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the 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 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).
101. INS	XBRL Instance Document.
101. SCH	XBRL Schema Document.
101. CAL	XBRL Calculation Linkbase Document.
101. LAB	XBRL Labels Linkbase Document.
101. PRE	XBRL Presentation Linkbase Document.
101. DEF	XBRL Definition Linkbase Document

† Filed herewith.

* Management contracts and compensatory plan or arrangements required to be filed as an Exhibit pursuant to Item 15 (b) of Form 10-K.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended November 1, 2014, November 2, 2013 and November 3, 2012, (ii) Consolidated Balance Sheets as of November 1, 2014 and November 2, 2013, (iii) Consolidated Statements of Shareholders' Equity for the years ended November 1, 2014, November 2, 2013 and November 3, 2012, (iv) Consolidated

Statements of Comprehensive Income for the years ended November 1, 2014, November 2, 2013 and November 3, 2012, (v) Consolidated Statements of Cash Flows for the years ended November 1, 2014, November 2, 2013 and November 3, 2012, (vi) Notes to Consolidated Financial Statements for the years ended November 1, 2014, November 2, 2013 and November 3, 2012.