



THE **NEW ELECTRONIC AGE** OF AUTOMOTIVE AND INDUSTRIAL PRODUCTS

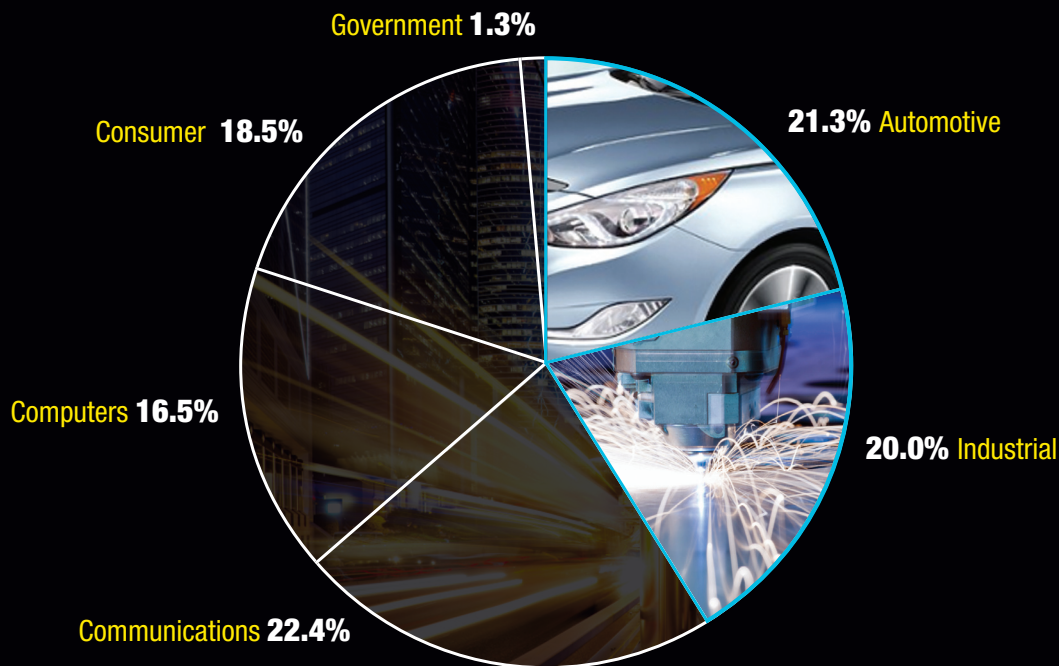


Linear Technology Corporation
2013 Annual Report

Enabling a New Electronic Age

ANALOG MARKET

41% Automotive and Industrial



THE AUTOMOTIVE AND INDUSTRIAL MARKET SEGMENTS CONSTITUTE A LARGE PORTION OF THE OVERALL ANALOG MARKET. We have plenty of opportunity for future growth.

HIGHLIGHTS

Year ended June 30, 2013

Profitability:	Diluted Earnings per Share	\$ 1.71
	Operating Margin	44.7%
	Return on Assets	20.6%
	Return on Sales	31.7%
Liquidity:	Quick Ratio	1.6
	Current Ratio	1.7
Asset Turns:	Inventory Turns	3.9
	Fixed Assets (ROI)	4.2

44.7%
Operating Margin

20.6%
Return on Assets

31.7%
Return on Sales

REVENUES (in millions)

09	968
10	1170
11	1484
12	1267
13	1282

OPERATING INCOME (in millions)

09	412
10	563
11	767
12	582
13	573

DILUTED EARNINGS PER SHARE (dollars)

09	1.28
10	1.58
11	2.50
12	1.70
13	1.71

(in thousands, except per share amounts)

	2013	2012	2011	2010	2009
Net Revenues	\$ 1,282,236	\$ 1,266,621	\$ 1,483,962	\$ 1,169,988	\$ 968,498
Operating Income	573,154	582,036	767,310	563,411	412,076
Net Income	406,925	398,111	580,782	361,341	289,207
Return on Sales	31.7%	31.4%	39.1%	30.9%	29.9%
Diluted Earnings per Share	1.71	1.70	2.50	1.58	1.28
Cash and Short-Term Investments	1,524,741	1,203,059	922,537	958,069	868,711
Working Capital	768,010	1,334,829	1,063,484	681,791	963,910
Total Assets	2,098,341	1,851,068	1,594,066	1,590,718	1,421,529
Debt	826,629	805,599	785,732	1,159,886	1,280,617
Stockholder Equity (Deficit)	981,908	736,508	505,611	39,785	(186,337)

QUARTERLY REVENUE AND OPERATING INCOME (in millions)

Q1	335	155
Q2	305	133
Q3	315	138
Q4	327	147

Linear Industrial Markets

Medical Equipment
Factory Automation
Industrial Process Control
Manufacturing Equipment
Inventory Control Systems
Industrial Wireless Sensor Networks
Security
Instrumentation
Test & Measurement
Renewable Energy Generation



To Our Stockholders Electronics, that have been pervasive in our individual consumer lives, are now evolving to dominance in the industrial and automotive end-markets. This is great for Linear. We are now in a new electronics age in these markets. Industrial output that was a cottage industry in the 1800s evolved to the industrial revolution with the concentration of human labor in factories. Mechanization overtook many of the tasks previously done by workers and now this same mechanization is giving way to electronics implementation such as wireless transmission of sensor measurements, electronically activated valves, digital x-ray machines and all forms of robotics. In addition, “smart manufacturing” and energy efficiency are becoming prevalent in modern industrial factories.

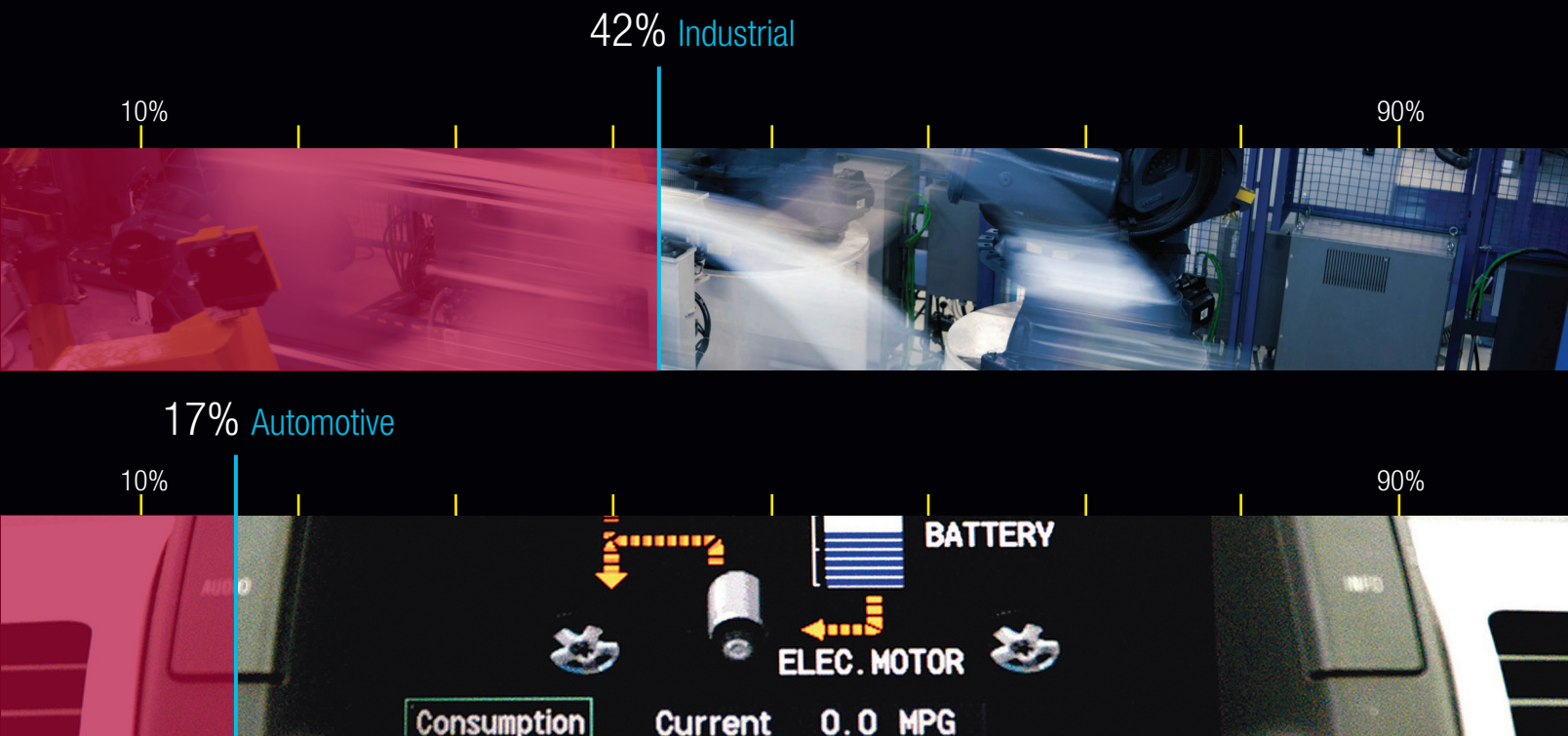
This new dominance of electronics is even more evident in automobiles. Previous mechanical operations such as braking and steering can now be performed electronically. And valuable safety features such as collision avoidance, lane departure and parking assistance are now a reality. Stored, alternatively sourced energy now assists

automotive acceleration, even in race cars. Soon battery efficiency will be more discussed than horsepower!

This new age of electronics in industrial and automotive markets comes with very high requirements for performance, quality, reliability and repeatability. Much of the electronics is analog, as signal clarity and power efficiency are as critical as digital processing power and data storage. Cell phones, computers and consumer electronic products can tolerate low levels of failure that are totally unacceptable in the industrial or automotive markets. These demands for innovation and reliability, basically analog excellence, are an ideal match for Linear Technology's skill set. Linear has been effective in enabling the new electronic age for the industrial and automotive markets.

Linear has historically been the leader in high performance analog. This year we won several product awards, including the prestigious *EE Times/EDN* ACE product of the year award for our LTC6804 battery management system employed in hybrid and all electric vehicles. Success has required not only innovation and first to market unique solutions, but also vertically integrated manufacturing and the

LINEAR SALES

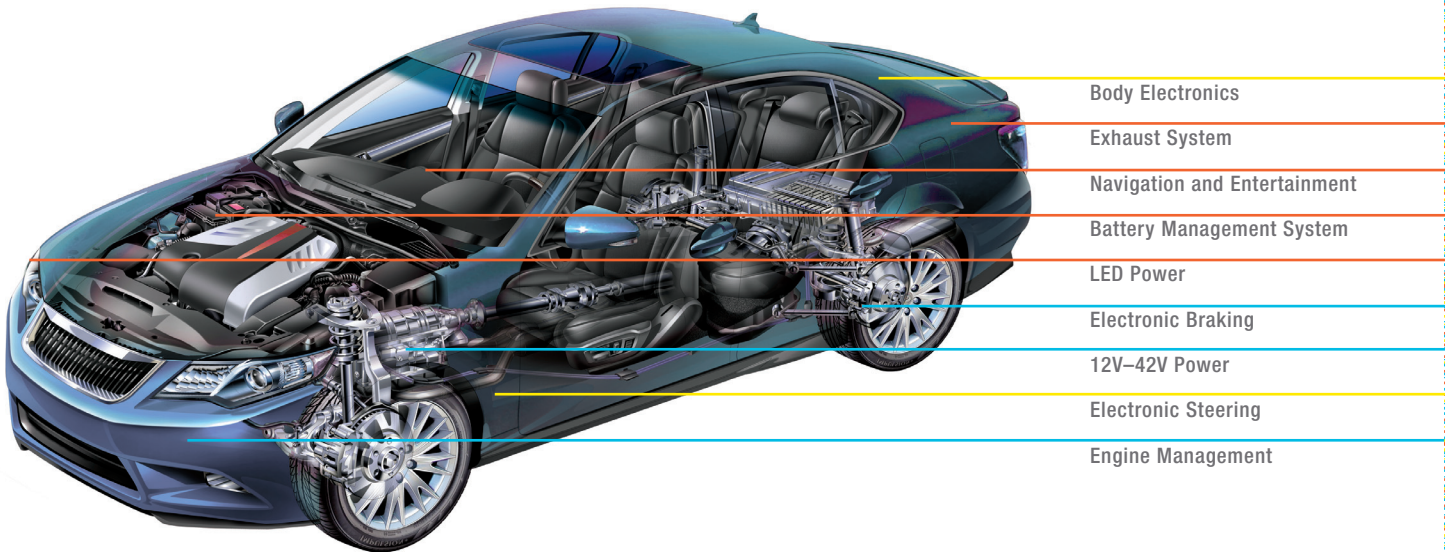


A LARGE AND GROWING PORTION OF LINEAR TECHNOLOGY SALES ARE IN THE INDUSTRIAL AND AUTOMOTIVE MARKETS. We're focused on the right markets.

LINEAR GROWTH RATE



THE AUTOMOTIVE AND INDUSTRIAL ANALOG MARKETS ARE FAST GROWING, AND LINEAR IS GROWING FASTER THAN THE OVERALL ANALOG MARKET. Linear's products are enabling innovations in automotive and industrial systems.

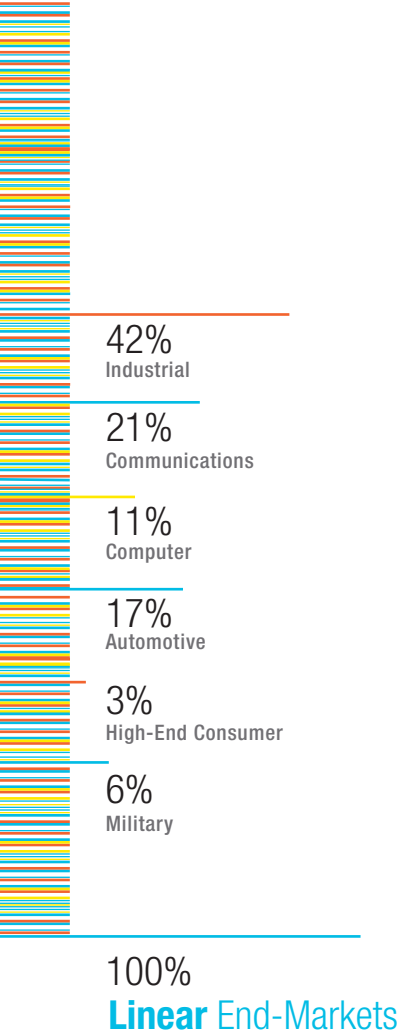


highest levels of quality, reliability and support. Linear's objective has been analog excellence: design novel, needed functionality; enlighten the customer in employing this innovation; and, deliver products on time, flawlessly manufactured.

The efforts of Linear to bring more analog innovation into the industrial and automotive markets have been well timed. Within the **analog market**, industrial and automotive are the fastest growing and two of the three largest end-markets. For the three calendar year period 2010 through 2012, WSTS reported that the compound annual growth rate (CAGR) for analog ICs was 7%. However, within analog, the CAGR for products sold into the industrial market was 12.8% and 22.6% for the automotive market. This trend favorably impacted **Linear's sales**. During this same three calendar year period, **Linear's CAGR** was 12.5%; its industrial CAGR was 19.2% and its automotive, 32.3%. These are also large markets within analog. Industrial now represents 20% of the overall analog market and automotive 21%, surpassed only by the communications end-market, which includes cell phones and accounts for 22% of the overall

analog market. Within Linear, industrial is 42% of bookings in FY13, up from 35% in 2009, automotive is 17%, up from 8% in 2009 and communications is 21%, down from 29% in 2009, with most of the reduction resulting from exiting the cell phone handset market as it requires few high performance analog solutions.

This transition over the past several years to more emphasis on industrial and automotive customers was a multi-discipline effort within Linear. Products were designed that can operate at lower power and higher voltages, and perform in harsh environmental situations. Linear innovations brought to market include: Power Systems Management solutions that provide control and monitoring of power usage, voltages, sequencing, margining and fault logging; low power ultra-precise SAR analog-to-digital converters that permit more accurate product testing; Power over Ethernet++ solutions that enable the delivery of up to 90 watts of power through traditional Ethernet cables; Micromodule solutions that combine several analog functions in one integrated circuit format; and Wireless Sensor Network solutions that transmit sensor output from low power sources and operate in rugged, harsh



ambient environments. Additional efforts were made in the manufacturing process to bring failure rates down to nearly 1 part per million (PPM). Finally, the sales force was directed towards customers with longer design-in cycles and commensurately longer product life.

Some of these changes in market and customer focus also benefited our positioning in other end-markets. Opportunities have arisen for us in server and solid state drives in the computer end-market. Within communications, networking and cellular infrastructure markets require complex, system level, analog solutions.

For fiscal 2013 this positive end-market positioning was somewhat offset by a choppy macroeconomic environment. Our sales tapered off in the middle of the fiscal year as concerns over the election and sequester in the USA, a change of government in China, sovereign debt issues in Europe and stagnation in Japan weighed on business confidence. However, sales improved in the third and fourth quarters and throughout the year we maintained high levels of profitability.

As a result our fiscal 2013 was similar to fiscal 2012. Revenues of \$1.28 billion increased 1.2%, or \$15.6 million from the previous year. Net income of \$406.9 million increased 2.2% or \$8.8 million and was a respectable 31.7% of sales. Diluted earnings per share were \$1.71, similar to the \$1.70 reported in the prior year. Cash, cash equivalents and marketable securities

increased by \$321.7 million from the prior year after paying dividends of \$241.3 million and purchasing \$85.7 million of our common stock. As has been consistently demonstrated by our business model, this was good cash flow generation and return to stockholders in a relatively flat revenue year. For the year the Company returned 25% of its revenue to stockholders in the form of dividends and common stock purchases.

In summary, this is an exciting time for Linear. Our major end-markets are undergoing significant changes as their products become, in many ways, predominantly electronic. The tough electronics problems are analog. We welcome the challenges. We are grateful to our employees for their resolve and talent; to customers who share their challenges with us; and to our stockholders who support our business strategies.

As always we continue to strive for analog excellence.

Thank you for your support.

Sincerely,

PAUL COGHLAN
Vice President, Finance and
Chief Financial Officer

LOTHAR MAIER
Chief Executive Officer

ROBERT H. SWANSON, JR.
Executive Chairman



CORPORATE INFORMATION

Board of Directors

Robert H. Swanson, Jr.

Director since 1981
Executive Chairman
Co-founder and Chief Executive
Officer from 1981 to January 2005
Linear Technology Corporation

Lothar Maier

Director since 2005
Chief Executive Officer
since January 2005
Linear Technology Corporation

Arthur C. Agnos¹

Director since 2010
Former Mayor of San Francisco, California

John J. Gordon^{1,2}

Director since 2010
Former Senior Investment Officer
State Farm Insurance Company

David S. Lee²

Director since 1988
Chairman
eOn Communication Corp.

Richard M. Moley^{1,2}

Chairman of Compensation Committee
Director since 1994
Former President and
Chief Executive Officer
StrataCom, Inc.

Thomas S. Volpe^{1,2}

Chairman of Audit Committee
Director since 1984
Former Chief Executive Officer
Dubai Group LLC

Transfer Agent and Registrar

Computershare Trust Company N.A.

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Providence, Rhode Island 02940-3078

Independent Registered Public Accounting Firm

Ernst & Young LLP

San Jose, California

Legal Counsel

Wilson, Sonsini, Goodrich & Rosati

Professional Corporation

Corporate and Investor Information

Please direct inquiries to:

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Milpitas, California 95035-7417

Officers

Robert H. Swanson, Jr.

Co-founder and Executive Chairman

Lothar Maier

Chief Executive Officer

V. Paul Chantalat

Vice President,
Quality and Reliability

Paul Coghlan

Vice President, Finance,
Chief Financial Officer, and
Secretary

Robert C. Dobkin

Co-founder, Vice President,
Engineering, and
Chief Technical Officer

Alexander R. McCann

Vice President and
Chief Operating Officer

Richard E. Nickson

Vice President,
North American Sales

Donald E. Paulus

Vice President,
Power Management Products

Steve Pietkiewicz

Vice President,
Power Management Products

David A. Quarles

Vice President,
International Sales

Robert L. Reay

Vice President,
Mixed Signal Products

Erik M. Soule

Vice President,
Signal Conditioning Products

Linear Technology Corporation (Nasdaq: LLTC), a member of the S&P 500, has been designing, manufacturing and marketing a broad line of high performance analog integrated circuits for major companies worldwide for over three decades. The Company's products provide an essential bridge between our analog world and the digital electronics in communications, networking, industrial, automotive, computer, medical, instrumentation, consumer, and military and aerospace systems. Linear Technology produces power management, data conversion, signal conditioning, RF and interface ICs, μ Module[®] subsystems and wireless sensor network products.

The Company markets over 7,500 products to more than 15,000 original equipment manufacturers. These products compete in the marketplace

based on their performance, functional value, quality and reliability. Linear Technology products are produced using state-of-the-art silicon gate CMOS, BiCMOS, Complementary Bipolar, High Voltage and RF wafer fabrication process technologies.

Linear Technology, headquartered in Milpitas, California, employs 4,300 people worldwide and has technical sales and support locations throughout North America, Europe and Asia. In addition to manufacturing, assembly and test facilities in California, Washington, Singapore and Malaysia, the Company has thirteen design centers in Arizona, California (3), Colorado, Vermont, Massachusetts, New Hampshire, North Carolina, Texas, Singapore, Munich, Germany, and Hangzhou, China.

¹ Member of the Compensation Committee ² Member of the Audit Committee



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