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 June 27, 2004

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

Commission File Number 0-14864

LINEAR TECHNOLOGY CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**94-2778785**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

1630 McCarthy Boulevard, Milpitas, California 95035 (408) 432-1900
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE AND TELEPHONE NUMBER)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 Par Value

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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. [ ]

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $10,349,500,000 as of December 26, 2003 based upon the closing sale price on the Nasdaq National Market System reported for such date. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 307,504,014 shares of the Registrant's common stock issued and outstanding as of August 20, 2004.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Items 10, 11, 12 and 14 of Part III incorporate information by reference from the definitive proxy statement (the "2004 Proxy Statement") for the 2004 Annual Meeting of Stockholders.

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PART I

ITEM 1. BUSINESS

Except for historical information contained in this Form 10-K, certain statements set forth herein, including statements regarding future revenues and profits; future conditions in the Company's markets; availability of resources and manufacturing capacity; and the anticipated impact of current and future lawsuits are forward-looking statements that are dependent on certain risks and uncertainties including such factors, among others, as the timing, volume and pricing of new orders for the Company's products, timely ramp-up of new facilities, the timely introduction of new processes and products, general conditions in the world economy and financial markets and other factors described below. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking statements. See "Risks and Competition" in the "Business" section of this Annual Report on Form 10-K for a more thorough list of potential risks and uncertainties.

General

Linear Technology Corporation (together with its consolidated subsidiaries, "Linear Technology" or the "Company") designs, manufactures and markets a broad line of standard high performance linear integrated circuits. Applications for the Company's products include telecommunications, cellular telephones, networking products, notebook computers, computer peripherals, video/multimedia, industrial instrumentation, security monitoring devices, high-end consumer products such as digital cameras and MP3 players, complex medical devices, automotive electronics, factory automation, process control, and military and space systems. The Company was organized and incorporated in 1981. The Company competes primarily on the basis of performance, functional value, quality, reliability and service.

Available Information

We make available free of charge through our website, *www.linear.com*, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to those reports as soon as reasonably practicable after such materials are electronically filed with the Securities and Exchange Commission ("SEC"). These reports may also be requested by contacting Paul Coghlan, 1630 McCarthy Blvd., Milpitas, CA 95035. Our Internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K. In addition, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549 or may obtain information by calling the SEC at 1-800-SEC-0330. Moreover, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding reports that we file electronically with them at *http://www.sec.gov*.

The linear circuit industry

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 integrated circuits (in which a number of transistors and other elements are combined to form a more complicated electronic circuit). Integrated circuits ("ICs") may be divided into two general categories, digital and linear (or analog). Digital circuits, such as memory devices and microprocessors, generally process on-off electrical signals, represented by binary digits, "1" and "0." In contrast, linear circuits monitor, condition, amplify or transform continuous analog signals associated with physical properties, such as temperature, pressure, weight, light, sound or speed, and play an important role in bridging between real world phenomena and a variety of electronic systems. Linear circuits also provide voltage regulation and power control to electronic systems, especially in hand-held battery powered systems.

The Company believes that several factors generally distinguish the linear integrated circuit business from the digital circuit business, including:

Importance of Individual Design Contribution. The Company believes that the creativity of individual design engineers is of particular importance in the linear circuit industry. The design of a linear integrated circuit generally involves a greater variety and less repetition of circuit elements than digital design. In addition, the interaction of linear circuit elements is complex, and the exact placement of these elements in the circuit is critical to the circuit's precision and performance. Computer-aided engineering and design tools for linear circuits are not as accurate in modeling circuits as those tools used for designing digital circuits. As a result, the contributions of a relatively small number of individual design engineers are generally of greater importance in the design of linear circuits than in the design of digital circuits.

Smaller Capital Requirements. Digital circuit design attempts to minimize device size and maximize speed by increasing circuit densities. The process technology necessary for increased density requires very expensive wafer fabrication equipment. In contrast, linear circuit design focuses on precise matching and placement of circuit elements, and linear circuits often require large feature sizes to achieve precision and high voltage operation. Accordingly, the linear circuit manufacturing process generally requires smaller initial capital expenditures, particularly for photomasking equipment and clean room facilities, and less frequent replacement of manufacturing equipment because the equipment has, to date, been less vulnerable to technological obsolescence.

Market Diversity; Relative Pricing Stability. Because of the varied applications for linear circuits, manufacturers typically offer a greater variety of device types to a more diverse group of customers, who typically have smaller volume requirements per device. As a result, linear circuit manufacturers are often less dependent upon particular products or customers; linear circuit markets are generally more fragmented; and competition within those markets tends to be more diffused.

The Company believes that competition in the linear circuit market is particularly dependent upon performance, functional value, quality, reliability and service. As a result, linear circuit pricing has generally been more stable than most digital circuit pricing. In the past two years the average selling price of the Company's products in total has declined. This is primarily a result of an increase in sales of smaller package products as a percentage of total units sold, which have lower average selling prices and lower manufacturing costs.

Less Japanese And Other Asian Competition. To date, Japanese and other Asian firms have concentrated their efforts on the high volume digital and consumer linear markets, as opposed to the high performance end of the linear circuit market served by the Company.

Products and markets

Linear Technology produces a wide range of products for a variety of customers and markets. The Company emphasizes standard products to address larger markets and to reduce the risk of dependency upon a single customer's requirements. The Company targets the high performance segment of the linear circuit market. "High performance" is characterized by higher precision, higher efficiency, lower noise, higher speed, more subsystem integration on a single chip and many other special features. The Company focuses virtually all of its design efforts on proprietary products, which at the time of introduction are original designs by the Company offering unique characteristics differentiating them from those offered by competitors.

Although the types and mix of linear products vary by application, the principal product categories are as follows:

Amplifiers — These circuits amplify the output voltage or current of a device. The amplification represents the ratio of the output voltage or current to the input voltage or current. The most widely used device is the operational amplifier due to its versatility and precision.

High Speed Amplifiers — These amplifiers are used to amplify signals from 5-megahertz to several hundred megahertz for applications such as video, fast data acquisition and data communication.

Voltage Regulators — Voltage regulators deliver a tightly controlled voltage to power electronic systems. This category of product consists primarily of two types, the linear regulator and the switch mode regulator. Switch mode regulators are also used to convert voltage up or down within an electronic system for power management and battery charging.

Voltage References — These circuits serve as electronic benchmarks providing a constant voltage for measurement systems usage. Precision references have a constant output independent of input, temperature changes or time.

Interface — Interface circuits act as an intermediary to transfer digital signals between or within electronic systems. These circuits are used in computers, modems, instruments and remote data acquisition systems.

Data Converters — These circuits change linear (analog) signals into digital signals, or vica versa, and are often referred to as data acquisition subsystems, A/D converters and D/A converters. The accuracy and speed with which the analog signal is converted to its digital counterpart (and visa versa) is considered a key characteristic for these devices. Low speed data converters may have resolution up to 24 bits, while high speed converters may operate in the region of 100-megahertz sample rate.

Radio Frequency Circuits — These circuits include mixers, modulators, demodulators, amplifiers, drivers, and power detectors and controllers. They are used in wireless and cable infrastructure, cellphones, and wireless data communications.

Other — Other linear circuits include buffers, battery monitors, motor controllers, hot swap circuits, comparators, sample-and-hold devices, drivers and filters, both switched capacitor and continuous time, which are used to limit and/or manipulate signals in such applications as cellular telephones, base stations, navigation systems and industrial applications.

Linear circuits are used in various applications including telecommunications, cellular telephones, networking products such as power over Ethernet switches, notebook computers, computer peripherals, video/multimedia, industrial instrumentation, security monitoring devices, high-end consumer products such as digital cameras and MP3 players, complex medical devices, automotive electronics, factory automation, process control, and military and space systems. The Company focuses its product development and marketing efforts on high performance applications where the Company believes it can position itself competitively with respect to product performance and functional value.

The following table sets forth examples of product families by end-market application and end-market:

Market	End Applications/Products	Example Product Families
Industrial	Flow or rate metering	
	Position/pressure/ temperature sensing and controls	
	Robotics	
	Energy management	
	Process control data communication	
	Network and factory automation	
	Security and surveillance systems	
	Curve tracers	Data acquisition products
	Logic analyzers	High performance operational amplifiers
	Multimeters	
	Oscilloscopes	Interface (RS 485/232) products
	Test equipment	Instrumentation amplifiers
	Voltmeters	Line drivers
	Network analyzers	Line receivers
	Scales	Precision comparators
	Analytic instruments	Precision voltage references
	Gas chromatic graphs	Monolithic filters
	EKG, CAT scanners	Switching voltage regulators
	DNA analysis	Voltage references
	Blood analyzers	Hot swap circuits
		DC-DC converters
Space/Military	Communications	
	Satellites	
	Guidance and navigation systems	
	Displays	
	Firing controls	
	Ground support equipment	
	Radar systems	
	Sonar systems	
	Surveillance equipment	
	GPS	
Automotive	Entertainment	
	Navigation systems	
	Daytime running lights	
	Dashboard instrumentation	
	Emission controls	
	Safety systems	
	Collision avoidance systems	
Communications	Cellular phones (CDMA/WCDMA/ GPRS/3G)	DC — DC converters
	Cellular basestations	V.35 transceivers
	Pagers	High-speed amplifiers
	Modems/fax machines	Line drivers
	PBX switches	Line receivers
	Optical networking	Low noise operational amplifiers
	ADSL modems	Micropower products

Market	End Applications/Products	Example Product Families
	Channel service unit/data service units	Power management products
	Cable modems	Switched capacitor filters
	Internet appliances	Voltage references
	Servers	Voltage regulators
	Routers	Data acquisition products
	Switches	Hot Swap controllers
	Power over Ethernet	Multi-protocol circuits
		Thermal electric coolers
		Power amplifier controllers
		Modulators/Demodulators
		Battery chargers
		Power over Ethernet controllers
		Multi-Phase switching regulators
Computer/High-End Consumer	Communications/interface modems	Battery chargers
	Disk drives	DC — DC converters
	Notebook computers	Data acquisition products
	Desktop computers	Hot Swap controllers
	Workstations	Line drivers
	LCD monitors	Line receivers
	Plotters/printers	Low drop out linear regulators
	Digital still cameras	Micropower products
	High Definition TVs	Multi-Phase switching regulators
	Handheld PCs	PCMCIA power switching
	Battery chargers	Power management
	Electronic Toys	Power sequencing/monitoring
	Video/multimedia systems	
	MP3 players	
	Digital video recorders	
	Set top boxes/ Satellite receivers	
	Plasma display TVs	
	PDAs	

Marketing and customers

The Company markets its products worldwide, through a direct sales staff, electronics distributors and a small network of independent sales representatives, to a broad range of customers in diverse industries. The Company sells to over 15,000 Original Equipment Manufacturer (OEM) customers directly and/or through the sales distributor channel. Distributor and direct customers generally buy on an individual purchase order basis, rather than pursuant to long-term agreements. The Company's primary domestic distributor, Arrow Electronics, accounted for 15% of net sales during fiscal 2004 and 20% of accounts receivable as of fiscal 2004 year-end; 15% of net sales during fiscal 2003 and 18% of accounts receivable as of fiscal 2003 year-end; and 16% of net sales for fiscal 2002 and 17% of accounts receivable as of fiscal 2002 year-end. Distributors are not end customers, but rather serve as a channel of sale to many end users of the Company's products. No other distributor or customer accounted for 10% or more of net sales for fiscal 2004, 2003 or 2002.

The Company's sales organization is divided into domestic and international regions. The Company's sales offices located in the United States are in the following metropolitan areas: Seattle, Baltimore, Denver, Philadelphia, Raleigh, Chicago, Dallas, Austin, Houston, San Jose, Los Angeles, Irvine, San Diego, Huntsville, Minneapolis, Cleveland and Portland. Internationally, the Company has sales offices in: London, Stockholm, Helsinki, Dusseldorf, Munich, Stuttgart, Paris, Lyon, Milan, Tokyo, Nagoya, Osaka, Taipei, Singapore, Seoul, Hong Kong, Bejing, Shanghai and Shenzhen. The Company's products typically require a sophisticated technical sales effort.

The Company has agreements with 3 independent sales representatives in the United States and 2 in Canada. Commissions are paid to sales representatives upon shipments either directly from the Company or through distributors. The Company has agreements with 3 independent distributors in North America, 5 in Europe, 2 each in China, Japan and Taiwan, and 1 each in Korea, Singapore, Malaysia, Thailand, South Africa, Philippines, India, Israel, Brazil, Australia, and New Zealand. The Company's distributors purchase the Company's products for resale to customers. Additionally, domestic distributors often sell competitors' products. Under certain agreements, the Company's domestic distributors are entitled to price protection on inventory if the Company lowers the prices of its products. The agreements also generally permit distributors to exchange up to 3% of purchases on a semi-annual basis.

The Company's sales to international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. The agreements generally permit distributors to exchange up to 5% of purchases on a semi-annual basis. See Critical Accounting Policies and Note 1 of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, which contains information regarding the Company's revenue recognition policy.

During fiscal 2004, 2003 and 2002, export sales which were primarily to Europe, Japan and Rest of the World ("ROW"), which is primarily Asia excluding Japan, represented approximately 71%, 68% and 64% of net sales, respectively. Because most of the Company's export sales are billed and payable in United States dollars, export sales are generally not directly subject to fluctuating currency exchange rates. Although export sales are subject to certain control restrictions, including approval by the Office of Export Administration of the United States Department of Commerce, the Company has not experienced any material difficulties relating to such restrictions.

The Company's backlog of released and firm orders was approximately $151.2 million at June 27, 2004 as compared with $57.2 million at June 29, 2003. In addition to its backlog, the Company had $28.9 million of products sold to and held by domestic distributors at June 27, 2004 as compared to $30.5 million at June 29, 2003. Generally, shipments to domestic distributors are not recognized as sales until the distributor has sold the products to its customers. The Company defines backlog as consisting of distributor stocking orders and OEM orders for which a delivery schedule has been specified by the OEM customer for product shipment within six months. Although the Company receives volume purchase orders, most of these purchase orders are cancelable, generally outside of thirty days of delivery, by the customer without significant penalty. Lead-time for the release of purchase orders depends upon the scheduling practices of the individual customer and the availability of individual products, so the rate of booking new orders varies from month to month. The ordering practices of many semiconductor customers has shifted from a practice of placing orders with delivery dates extending over several months to the practice of placing orders with shorter delivery dates in concert with the Company's lead times. Also, the Company's agreements with certain distributors provide for price protection. Consequently, the Company does not believe that its backlog at any time is necessarily representative of actual sales for any succeeding period.

In the operating history of the Company, seasonality of business has not been a material factor, although the results of operations for the first fiscal quarter of each year are impacted slightly by customary summer holidays, particularly in Europe.

The Company warrants that its products, until they are incorporated in other products, are free from defects in workmanship and materials and conform to the Company's published specifications. Warranty expense has been nominal to date. Refer to Note 1 of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, which contains information regarding the Company's warranty policy.

Manufacturing

The Company's wafer fabrication and manufacturing facilities are located in Camas, Washington ("Camas") and Milpitas, California ("Hillview"). Each facility was built to Company specifications to support a number of sophisticated process technologies and to satisfy rigorous quality assurance and reliability requirements of United States military specifications and major worldwide OEM customers. All of the Company's manufacturing facilities have received ISO 9001/ISO 9002, QS9000 and ISO 14001 certifications. In addition, the Company's Milpitas and Singapore manufacturing facilities are certified to TS 16949.

The Company's wafer fabrication facility located in Camas, Washington commenced manufacturing operations during fiscal 1997. The facility is used to produce six-inch diameter wafers for use in the production of the

Company's devices. During fiscal 2001, the Company purchased an additional 16.5 acres adjacent to its Camas facility for future expansion. The Company's Hillview facility was completed in fiscal 2001. Production at the Hillview six-inch wafer fabrication plant commenced in the third quarter of fiscal 2001. The Company currently uses similar manufacturing processes in both its Hillview and Camas facilities. During fiscal 2002, the Company discontinued production in its oldest four-inch wafer fabrication plant located at its Milpitas, California headquarters. During the fourth quarter of fiscal 2004, the Company commenced projects to add wafer fabrication capacity at Camas and Hillview.

The Company's basic process technologies include high-speed bipolar, high gain low noise bipolar, radio frequency bipolar, silicon gate complementary metal-oxide semiconductor ("CMOS") and BiCMOS processes. The Company also has two proprietary complementary bipolar processes. The Company's bipolar processes are typically used in linear circuits where high voltages, high power, high frequency, low noise or effective component matching is necessary. The Company's proprietary silicon gate CMOS processes provide switch characteristics required for many linear circuit functions, as well as an efficient mechanism for combining linear and digital circuits on the same chip. The Company's CMOS processes were developed to address the specific requirements of linear circuit functions. The complementary bipolar processes were developed to address higher speed analog functions. The Company's basic processes can be combined with a number of adjunct processes to create a diversity of IC components. A minor portion of the Company's wafer manufacturing, particularly very small feature size CMOS products, is done at an independent foundry. The accompanying chart provides a brief overview of the Company's IC process capabilities:

Process Families	Benefit/Market Advantage	Product Application
P-Well SiGate CMOS	General purpose, stability	Switches, filters, data conversion, chopper amplifiers
N-Well SiGate CMOS	Speed, density, stability	Switches, data conversion
BiCMOS	Speed, density, stability, flexibility	Data conversion
High Power Bipolar	Power (100 watts), high current (10 amps)	Linear and smart power products, switching regulators
Low Noise Bipolar	Precision, low current, low noise, high gain	Op amps, voltage references
High Speed Bipolar	Fast, wideband, video high data rate	Op amps, video, comparators, switching regulators
JFETS	Speed, precision, low current	Op amps, switches, sample and hold
Rad—Hard	Total dose radiation hardened	All space products
Complementary Bipolar	Speed, low distortion, precision	Op amps, video amps, converters
CMOS/ Thin Films	Stability, precision	Filters, data conversion
High Voltage CMOS	High voltage general-purpose, compatible with Bipolar	Switches, chopper amplifiers
Bipolar/Thin Films	Precision, stability, matching	Converters, amplifiers
RF Bipolar	High speed, low power	RF wireless, high speed data communications

The Company emphasizes quality and reliability from initial product design through manufacturing, packaging and testing. The Company's design team focuses on fault tolerant design and optimum location of circuit elements to enhance reliability. Linear Technology's wafer fabrication facilities have been designed to minimize wafer handling and the impact of operator error through the use of microprocessor-controlled equipment. The Company has obtained Defense Supply Center, Columbus (DSCC) qualification to participate in high reliability JAN38510 (class B) military business. The Company has also received Jan Class S Microcircuit Certification, which enables the Company to manufacture products intended for use in space or for critical applications where replacement

is extremely difficult or impossible and where reliability is imperative. The Company has also received MIL-PRF-38535 Qualified Manufacturers Listing (QML) certification for military products from DSCC.

Processed wafers are sent to either the Company's assembly facility in Penang, Malaysia or to offshore independent assembly contractors where the wafers are separated into individual circuits and packaged. The Penang facility opened in October 1994 and services approximately 60% to 90% of the Company's assembly requirements for plastic packages. The Company's primary subcontractors are Carsem Sdn, located in Malaysia; and NSE located in Thailand. The Company also maintains domestic assembly operations to satisfy particular customer requirements, especially those for military applications, and to provide rapid turnaround for new product development.

After assembly, most products are sent to the Company's Singapore facility for final testing, inspection and packaging as required. In addition, the Company's Singapore facility serves as a major warehouse and distribution center with the bulk of the Company's shipments to end customers originating from this facility. Some products are returned to Milpitas for the same back-end processing. During the fourth quarter of fiscal 2004, the Company commenced development of a new building at its Singapore facility. The new building will be used primarily to increase its capacity for test and distribution operations.

Linear Technology from time to time has experienced competition for assembly services from other manufacturers seeking assembly of circuits by independent contractors. The Company currently believes that alternative foreign assembly sources could be obtained without significant interruption. Foreign assembly is subject to risks normally associated with foreign operations, including changes in local governmental policies, currency fluctuations, transportation delays and the imposition of export controls or increased import tariffs.

From time to time certain materials, including silicon wafers and plastic molding compounds, have been in short supply. To date the Company has experienced no delays in obtaining raw materials which could have adversely affected production. As is typical in the industry, the Company must allow for significant lead times in delivery of certain materials.

Manufacturing of individual products, from wafer fabrication through final testing, may take from eight to sixteen weeks. Since the Company sells a wide variety of device types, and customers typically expect delivery of products within a short period of time following order, the Company maintains a substantial work-in-process and finished goods inventory.

Based on its anticipated production requirements, the Company believes it will have sufficient available resources and manufacturing capacity for fiscal 2005.

Patents, licenses and trademarks

The Company has been awarded 264 United States and International patents and has filed 94 additional patent applications. Although the Company believes that these patents and patent applications may have value, the Company's future success will depend primarily upon the technical abilities and creative skills of its personnel, rather than on its patents.

As is common in the semiconductor industry, the Company has at times been notified of claims that it may be infringing patents issued to others. If it appears necessary or desirable, the Company may seek licenses under such patents, although there can be no assurance that all necessary licenses can be obtained by the Company on acceptable terms. In addition, from time to time the Company may negotiate with other companies to license patents, products or process technology for use in its business. On March 7, 2003 the Company entered into a ten-year patent portfolio cross license agreement with Texas Instruments, Inc.

Research and development

The Company's ability to compete depends in part upon its continued introduction of technologically innovative products on a timely basis. To facilitate this need, the Company has organized its product development efforts into four groups: power management, signal conditioning, mixed signal and high frequency. Linear Technology's product development strategy emphasizes a broad line of standard products to address a diversity of customer applications. The Company's research and development ("R&D") efforts are directed primarily at designing and introducing new products and to a lesser extent developing new processes and advanced packaging.

As of June 27, 2004, the Company had 752 employees involved in research, development and engineering related functions of which 390 employees are engaged in new product design. The Company had 226 employees engaged in new product design at its Milpitas headquarters as well as 14 employees at its Singapore design center, 63 employees at its Boston design center, 29 employees at its Colorado design center, 19 employees at its New Hampshire design center, 10 employees at its Raleigh design center, 10 employees at its Santa Barbara design center, 12 employees at its Burlington design center and 7 employees at its design center in Grass Valley, California which opened in August of fiscal 2004.

For the fiscal years 2004, 2003, and 2002, the Company spent approximately $104.6 million, $91.4 million and $79.8 million, respectively, on R&D. The increase in R&D expenses in 2004 over 2003 was primarily due to an increase in labor expenses caused by increases to profit sharing and an increase in headcount. Headcount in R&D personnel increased to 752 in fiscal 2004 from 689 in fiscal 2003.

Government sales

The Company currently has no material U.S. Government contracts.

Risks and Competition

In addition to the risks discussed below and elsewhere in this "Business" section, see "Factors Affecting Future Operating Results" included in "Management's Discussion and Analysis" for further discussion of other risks and uncertainties that may affect the Company.

Semiconductor Industry. The semiconductor market has historically been cyclical and subject to significant economic downturns at various times, including the recent decline in demand experienced during fiscal 2002 and 2003. The cyclical nature of the semiconductor industry may cause the Company to experience substantial period-to-period fluctuations in its results of operations.

Typically, the Company's ability to meet its revenue goals and projections is dependent to a large extent on the orders it receives from its customers within the period. Historically, the Company has maintained low lead times, which have enabled customers to place orders close to their true needs for product. In defining its financial goals and projections, the Company considers inventory on hand, backlog, production cycles and expected order patterns from customers. If the Company's estimates in these areas become inaccurate, it may not be able to meet its revenue goals and projections. In addition, some customers require the Company 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 some, of the product.

The semiconductor industry is characterized by rapid technological change, price erosion, occasional shortages of materials, capacity constraints, variations in manufacturing efficiencies, and significant expenditures for capital equipment and product development. New product introductions are a critical factor for future sales growth and sustained profitability. Although the Company believes that the high performance segment of the linear circuit market is generally less affected by price erosion or by significant expenditures for capital equipment and product development than other semiconductor market sectors, future operating results may reflect substantial period to period fluctuations due to these or other factors.

Manufacturing. The Company relies on its internal manufacturing facilities located in California and Washington to fabricate most of its wafers; however, the Company is dependent on outside silicon foundries for a small portion of its wafer fabrication. The Company could be adversely affected in the event of a major earthquake, which could cause temporary loss of capacity, loss of raw materials, and damage to manufacturing equipment. Additionally, the Company relies on its internal and external assembly and testing facilities located in Singapore and Malaysia. The Company is subject to economic and political risks inherent to international operations, including changes in local governmental policies, currency fluctuations, transportation delays and the imposition of export controls or increased import tariffs. The Company could be adversely affected if any such changes are applicable to the Company's foreign operations.

The Company's manufacturing yields are a function of product design and process technology, both of which are developed by the Company. The manufacture and design of integrated circuits is highly complex. To the extent the Company does not achieve acceptable manufacturing yields or there are delays in wafer fabrication, its results of operations could be adversely affected.

Litigation. The Company is subject to various legal proceedings arising out of a wide range of matters, including, among others, patent suits and employment claims. From time to time, as is typical in the semiconductor industry, the Company receives notice from third parties alleging that the Company's products or processes infringe the third parties' intellectual property rights. If the Company is unable to obtain a necessary license, and one or more of its products or processes is determined to infringe intellectual property rights of others, a court might enjoin the Company from further manufacture and/or sale of the affected products. In that case, the Company would need to re-engineer the affected products or processes in such a way as to avoid the alleged infringement, which may or may not be possible. An adverse result in litigation arising from such a claim could involve an injunction to prevent the sales of a portion of the Company's products, a reduction or the elimination of the value of related inventories, and/or the assessment of a substantial monetary award for damages related to past sales. The Company does not believe that its current lawsuits will have a material impact on its business or financial condition. However, current lawsuits and any future lawsuits will divert resources and could result in the payment of substantial damages. In addition, the Company may incur significant legal costs to assert its intellectual property rights when the Company believes its products or processes have been infringed by third parties

Key Personnel. The Company's performance is substantially dependent on the performance of its executive officers and key employees. The loss of the services of key officers, technical personnel or other key employees could harm the business. The success of the Company depends on its ability to identify, hire, train, develop and retain highly qualified technical and managerial personnel. Failure to attract and retain the necessary technical and managerial personnel could harm the Company.

Competition. Linear Technology competes in the high performance segment of the linear market. The Company's competitors include among others, Analog Devices, Inc., Maxim Integrated Products, Inc., National Semiconductor Corporation and Texas Instruments, Inc. Competition among manufacturers of linear integrated circuits is intense, and certain of the Company's competitors may have significantly greater financial, technical, manufacturing and marketing resources than the Company. The principal elements of competition include product performance, functional value, quality and reliability, technical service and support, price, diversity of product line and delivery capabilities. The Company believes it competes favorably with respect to these factors, although it may be at a disadvantage in comparison to larger companies with broader product lines and greater technical service and support capabilities.

Environmental regulations. Federal, state and local regulations impose various environmental controls on the storage, use, discharge and disposal of certain chemicals and gases used in semiconductor processing. The Company's facilities have been designed to comply with these regulations, and the Company believes that its activities conform to present environmental regulations. Increasing public attention has, however, been focused on the environmental impact of electronics manufacturing operations. While the Company to date has not experienced any materially adverse business effects from environmental regulations, there can be no assurance that changes in such regulations will not require the Company to acquire costly remediation equipment or to incur substantial expenses to comply with such regulations. Any failure by the Company to control the storage, use or disposal of, or adequately restrict the discharge of hazardous substances could subject it to significant liabilities.

Although the Company believes that it has the product lines, manufacturing facilities and technical and financial resources for its current operations, sales and profitability can be significantly affected by the above and other factors. Additionally, the Company's common stock could be subject to significant price volatility should sales and/or earnings fail to meet the expectations of the investment community. Furthermore, stocks of high technology companies are subject to extreme price and volume fluctuations that are often unrelated or disproportionate to the operating performance of these companies.

Employees

As of June 27, 2004, the Company had 3,050 employees, including 291 in marketing and sales, 752 in research, development and engineering related functions, 1,916 in manufacturing and production, and 91 in management, administration and finance. The Company has never had a work stoppage, no employees are represented by a labor organization, and the Company considers its employee relations to be good.

Executive Officers of the Registrant

The executive officers of the Company, and their ages as of September 3, 2004, are as follows:

Name	Age	Position
Robert H. Swanson, Jr.	66	Chairman and Chief Executive Officer
David B. Bell.	48	President
Paul Chantalat	54	Vice President Quality and Reliability
Paul Coghlan	59	Vice President of Finance and Chief Financial Officer
Robert C. Dobkin	60	Vice President of Engineering and Chief Technical Officer
Lothar Maier.	49	Vice President and Chief Operating Officer
Alexander R. McCann	38	Vice President of Operations
Richard Nickson	54	Vice President of North American Sales
David A. Quarles	38	Vice President of International Sales
Donald Paulus	47	Vice President and General Manager, Power Products
William Gross	55	Vice President and General Manager, Signal Conditioning Products
Robert Reay	43	Vice President and General Manager, Mixed Signal Products

Mr. Swanson, a founder of the Company, has served as Chairman of the Board of Directors and Chief Executive Officer since April 1999, and prior to that time as President, Chief Executive Officer and a director of the Company since its incorporation in September 1981. From August 1968 to July 1981, he was employed in various positions at National Semiconductor Corporation ("National"), a manufacturer of integrated circuits, including Vice President and General Manager of the Linear Integrated Circuit Operation and Managing Director in Europe. Mr. Swanson has a B.S. degree in Industrial Engineering from Northeastern University.

Mr. Bell has served as President since June 2003. Prior to becoming President, Mr. Bell served as Vice President and General Manager of Power Products from January 2002 to June 2003 and as General Manager of Power Products from February 1999. From June 1994 to January 1999, he held the position of Manager of Strategic Product Development. From July 1991 to May 1994, he was employed as Director of Electrical Engineering at IDEO Product Development. Prior to July 1991, Mr. Bell was employed in various management and engineering positions at Bell Associates, Inc., Sydis, Inc., and Hewlett Packard, Inc. Mr. Bell has a B.S. degree in Electrical Engineering from the Massachusetts Institute of Technology.

Mr. Chantalat has served as Vice President of Quality and Reliability since July 1991. From January 1989 to July 1991, he held the position of Director of Quality and Reliability. From July 1983 to January 1989 he held the position of Manager of Quality and Reliability. From February 1976 to July 1983, he was employed in various positions at National, where his most recent position was Group Manager of Manufacturing Quality Engineering. Mr. Chantalat received a B.S. and an M.S. in Electrical Engineering from Stanford University in 1970 and 1972, respectively.

Mr. Coghlan has served as Vice President of Finance and Chief Financial Officer of the Company since December 1986. From October 1981 until joining the Company, he was employed in various positions at GenRad, Inc., a manufacturer of automated test equipment, including Corporate Controller, Vice President of Corporate Quality and most recently Vice President and General Manager of the Structural Test Products Division. Before joining GenRad, Inc., Mr. Coghlan was associated with Price Waterhouse & Company in the United States and Paris, France for twelve years. Mr. Coghlan received a B.A. from Boston College in 1966 and an MBA from Babson College in 1968.

Mr. Dobkin, a founder of the Company, has served as Vice President of Engineering and Chief Technical Officer since April 1999, and as Vice President of Engineering from September 1981 to April 1999. From January 1969 to July 1981, he was employed in various positions at National, where his most recent position was Director of Advanced Circuit Development. Mr. Dobkin has extensive experience in linear circuit design. Mr. Dobkin attended the Massachusetts Institute of Technology.

Mr. Maier joined the Company as Vice President and Chief Operating Officer in April 1999. From 1983 to 1999, he was employed at Cypress Semiconductor Corporation in various management positions, mostly recently

as Senior Vice President and Executive Vice President of Worldwide Operations. Mr. Maier received a B.S. in Chemical Engineering in 1978 from the University of California at Berkeley.

Mr. McCann has served as Vice President of Operations since January 2004. Prior to joining Linear, he was Vice President of Operations at NanoOpto Corporation in Somerset, NJ (2002-2003), Vice President of Worldwide Operations at Anadigics Inc. in Warren, NJ (1998-2002) and held various management positions at National Semiconductor UK Ltd. (1985-1998). Mr. McCann received a B.S. (equivalent) in Electrical and Electronic Engineering in 1985 from James Watt College and an MBA in 1998 from the University of Glasgow Business School.

Mr. Nickson has served as Vice President of North American Sales since October 2001. From July 2001 until October 2001 he was Director of USA Sales. From February 1998 until July 2001, he was European Sales Director. From August 1993 until January 1998, he held the position of Northwest Area Sales Manager. From April 1991 to August 1993, he was President and Co-founder of Focus Technical Sales. From August 1983 to April 1991, he served with National in various positions where his most recent position was Vice President of North American Sales. Mr. Nickson was Founder and President of Micro-Tex, Inc. from June 1980 to August 1983. Prior to 1980, Mr. Nickson spent seven years in semiconductor sales, including four years with Texas Instruments. He received a B.S. in Mathematics from Illinois Institute of Technology in 1971.

Mr. Quarles has served as Vice President of International Sales since August 2001. From October 2000 to August 2001 he held the position of Director of Marketing. From July 1996 to September 2000 he held the position of Director of Asia-Pacific Sales stationed in Singapore. From June 1991 to July 1996 he worked as a Sales Engineer and later as District Sales Manager for the Bay Area sales team. Prior to Linear, Mr. Quarles worked two years as a Sales Engineer at National. Mr. Quarles received a B.S. in Electrical Engineering in 1988 from Cornell University.

Mr. Paulus has served as Vice President and General Manager of Power Products since June 2003. He joined the Company in October 2001 as Director, Satellite Design Centers. Prior to joining the Company, he was a founder of Integrated Sensor Solutions, Inc. (ISS) serving as Vice President of Engineering and Chief Operating Officer from 1990 to 1999. ISS was acquired by Texas Instruments, Inc. (TI) in 1999, and Mr. Paulus served as TI's General Manager, Automotive Sensors and Controls in San Jose until October 2001. Prior to ISS, Mr. Paulus served in various engineering and management positions with Sierra Semiconductor (1989-1991), Honeywell Signal Processing Technologies (1984-1989) and Bell Laboratories (1979-1984). Mr. Paulus received a B.S. in Electrical Engineering from Lehigh University, an M.S. in Electrical Engineering from Stanford University and an MBA from the University of Colorado.

Mr. Gross has served as Vice President and General Manager of Signal Conditioning Products since January 2002 and as General Manager of Signal Conditioning Products since February 1999. He held the position of Design Manager from July 1989 to February 1999, responsible for amplifiers, comparators and voltage references. Previously, he was Design Manager at Elantec from January 1984 to June 1989. From January 1973 to December 1983 he held several positions at National, including Design Engineer and Design Manager of the Japan Design Center. Mr. Gross received a B.S. in electronics engineering from California Polytechnic University in 1971 and a M.S. in electrical engineering from University of Arizona in 1973.

Mr. Reay has served as Vice President and General Manager of Mixed Signal Products since January 2002 and as General Manager of Mixed Signal Products since November 2000. From January 1992 to October 2000 he was the Design Engineering Manager responsible for a variety of product families including interface, supervisors, battery chargers and hot swap controllers. Mr. Reay joined Linear Technology in April 1988 as a design engineer after spending four years at GE Intersil. Mr. Reay received a B.S. and M.S. in electrical engineering from Stanford University in 1984.

ITEM 2. PROPERTIES

At the Company's headquarter campus in Milpitas, California, the Company owns land and 3 buildings of approximately 41,000, 42,000 and 70,000 square feet. These buildings are used for support engineering services, prototype testing of new products and worldwide headquarters. Additionally, in the same campus the Company leases 165,000 square feet of buildings used primarily for circuit design activities and future expansion. The Company also owns a 96,000 square foot building located near its headquarter campus in Milpitas, California ("Hillview".) The Hillview facility is the Company's newest six-inch wafer fabrication plant. Production at the Hillview facility commenced during fiscal 2001. During the fourth quarter of fiscal 2004, the Company commenced projects to add wafer fabrication capacity at Hillview, primarily through equipment additions.

The Company owns a six-inch wafer fabrication facility totaling 100,000 square feet located in Camas, Washington. Manufacturing operations commenced at this facility in fiscal 1997. The Company also owns 16.5 acres of land adjacent to its Camas facility, which may be used for expansion in the future. During the fourth quarter of fiscal 2004, the Company commenced projects to expand clean room space to increase wafer fabrication capacity at Camas.

The Company occupies a 72,000 square foot manufacturing facility in Singapore. Test and packaging operations are performed at this facility along with certain design and major warehousing and distribution activity. The Company has a 30-year lease on the land where the plant is located that commenced in 1994, with an option to extend for an additional 30 years. During fiscal 2001, the Company entered into an additional lease for 6 acres of land adjacent to its Singapore facility for a term of 20 years with an option to extend for an additional 30 years. During the fourth quarter of fiscal 2004, the Company commenced development of the most recently acquired lease. The new building will be used primarily to increase its capacity for test and distribution operations.

In 1994, the Company opened a 55,000 square foot assembly plant in Penang, Malaysia. The Company has a 60-year lease on the land where the plant was constructed. In fiscal 1999, the Company purchased a 23,400 square foot building adjacent to its existing facility. The Company demolished the acquired building, and built a 75,000 square foot extension to its existing facility on the site.

The Company leases design facilities located in: Bedford, New Hampshire; Raleigh, North Carolina; Burlington, Vermont; Santa Barbara, California; and Grass Valley, California. In fiscal 2002, the Company purchased land in Colorado Springs, Colorado and constructed a new 20,000 square foot design center. In fiscal 1999, the Company purchased land in the Boston metropolitan area and constructed a new 20,000 square foot design and sales office. In fiscal 2002, the Company added 10,000 square feet to this facility. The Company leases sales offices in the United States in the areas of Bellevue, Baltimore, Denver, Milpitas, Philadelphia, Raleigh, Chicago, Dallas, Austin, Houston, Los Angeles, Irvine, San Diego, Huntsville, Minneapolis, Cleveland and Portland; and internationally in London, Stockholm, Helsinki, Dusseldorf, Munich, Stuttgart, Paris, Lyon, Milan, Tokyo, Nagoya, Osaka, Taipei, Singapore, Seoul, Hong Kong, Bejing, Shanghai and Shenzhen. See Note 4 of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business which consist of a wide range of matters, including, among others, patent suits and employment claims. The Company does not believe that any of the current suits will have a material impact on its business or financial condition. However, current lawsuits and any future lawsuits will divert resources and could result in the payment of substantial damages.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2004.

PART II

ITEM 5. MARKET FOR THE REGISTRANTS COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The information regarding market, market price range and dividend information may be found in Note 7 of Notes to Consolidated Financial Statements on this Annual Report on Form 10-K.

The information required by this item regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of this Annual Report on Form 10-K.

The following table sets forth certain information with respect to common stock purchased by the Company for the three-month period ended June 27, 2004. In addition to the shares purchased in the table below, the Company also purchased a total of 5,005,000 shares in the first, second and third quarter of fiscal 2004. During fiscal 2004, the Company purchased a total of 8,411,200 shares of common stock for $331.9 million.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
Month #1 (March 29, 2004 – April 25, 2004)	1,750,000	$38.36	1,750,000	3,315,152
Month #2 (April 26, 2004 – May 23, 2004)	1,656,200	$36.17	1,656,200	1,658,952
Month #3 (May 24, 2004 – June 27, 2004)	—	—	—	—
Total	3,406,200	$37.30	3,406,200	1,658,952

(1) On July 20, 2004, the Company's Board of Directors authorized the Company to purchase up to an additional 10,000,000 shares of its outstanding common stock in the open market over a two year time period.

ITEM 6. SELECTED FINANCIAL DATA

FIVE FISCAL YEARS ENDED JUNE 27, 2004	2004	2003	2002	2001	2000
In thousands, except per share amounts					
Income statement information					
Net sales	$ 807,281	$ 606,573	$ 512,282	$ 972,625	$ 705,917
Net income	328,171	236,591	197,629	427,456	287,906
Basic earnings per share	1.05	0.76	0.62	1.35	0.93
Diluted earnings per share	1.02	0.74	0.60	1.29	0.88
Weighted average shares outstanding — Basic	312,063	313,115	317,215	316,924	310,953
Weighted average shares outstanding — Diluted	321,456	321,375	328,538	332,527	328,002
Balance sheet information					
Cash, cash equivalents and short-term investments	$1,656,540	$1,593,567	$1,552,030	$1,549,002	$1,175,558
Total assets	2,087,703	2,056,879	1,988,433	2,017,074	1,507,256
Long-term debt	—	—	—	—	—
Cash dividends per share	$ 0.28	$ 0.21	$ 0.17	$ 0.13	$ 0.09

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require it to make estimates and judgments that significantly affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company regularly evaluates these estimates, including those related to inventory valuation and revenue recognition. These estimates are based on historical experience and on assumptions that are believed by management to be reasonable under the circumstances. Actual results may differ from these estimates, which may impact the carrying values of assets and liabilities.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of consolidated financial statements.

Inventory Valuation

The Company values inventories at the lower of cost or market. The Company records charges to write down inventories for unsalable, excess or obsolete raw materials, work-in-process and finished goods. Newly introduced parts are generally not valued until success in the market place has been determined by a consistent pattern of sales and backlog among other factors. In addition to writedowns based on newly introduced parts, statistical and judgmental assessments are calculated for the remaining inventory based on salability and obsolescence.

Revenue Recognition

Revenue from product sales made directly to customers is recognized upon the transfer of title, which generally occurs at the time of shipment. Revenue from the Company's sales to domestic distributors is recognized under agreements which provide for certain sales price rebates and limited product return privileges. As a result, the Company defers recognition of such sales until the domestic distributors sell the merchandise. The Company relieves inventory and records a receivable on the initial sale to the distributor as title has passed to the distributor and payment is collected on the receivable within normal trade terms. The income to be derived from distributor sales is recorded under current liabilities on the balance sheet as "Deferred income on shipments to distributors" until such time as the distributor confirms a final sale to its end customer.

The Company's sales to international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. Revenue on these sales is recognized upon shipment at which time title passes. The Company estimates international distributor returns based on historical data and current business expectations and defers a portion of international distributor sales and profits based on these estimated returns. Such amounts are classified in "Deferred income on shipments to distributors" on the accompanying balance sheet.

Results of Operations

The table below states the income statement items as a percentage of net sales and provides the percentage change of such items compared to the prior fiscal year amount.

	Fiscal Year Ended			Percentage Change	
	June 27, 2004	June 29, 2003	June 30, 2002	2004 Over 2003	2003 Over 2002
Net sales	100.0%	100.0%	100.0%	33%	18%
Cost of sales	23.0	25.6	28.2	20	7
Gross profit	77.0	74.4	71.8	38	23
Expenses:					
Research & development	13.0	15.1	15.6	14	14
Selling, general & administrative	9.9	10.8	12.2	22	5
	22.9	25.9	27.8	18	10
Operating income	54.1	48.5	44.0	48	31
Interest income, net	3.2	6.4	10.3	(34)	(27)
Income before income taxes	57.3%	54.9%	54.3%	39	20
Effective tax rates	29.0%	29.0%	29.0%		

Net sales for the twelve months ended June 27, 2004 were $807.3 million, an increase of $200.7 million or 33% over net sales of $606.6 million for the same period of the previous fiscal year. The increase in net sales for the twelve-month period was due to a significant increase in unit volume as demand increased for the Company's products in each of its major end-markets, particularly in the industrial and communication markets. This increase in unit volume was enhanced by significant growth in sales of smaller packaged products that go into a wide variety of hand-held products such as cellular phones and MP3 players. The significant increase in unit volume was offset partially by a reduction in average selling price, which decreased to $1.40 in fiscal 2004 from $1.57 in fiscal 2003, primarily as a result of the change in sales mix towards smaller packages which carry lower average selling prices.

Geographically, international sales were $569.7 million or 71% of net sales for the twelve months ended June 27, 2004, an increase of $156.3 million as compared to international sales of $413.4 million or 68% of net sales for the same period in fiscal 2003. Internationally, sales to Rest of the World ("ROW"), which is primarily Asia excluding Japan, represented $309.1 million or 38% of net sales, while sales to Europe and Japan were $140.4 million or 18% of net sales and $120.2 million or 15% of net sales, respectively. Domestic sales were $237.6 million or 29% of net sales for the twelve months ended June 27, 2004, an increase of $44.4 million as compared to domestic sales of $193.2 million or 32% of net sales in the same period in fiscal 2003. Sales increased in absolute dollars both internationally and domestically, however the decline in domestic sales as a percentage of net sales and the respective increase in international sales as a percentage of net sales primarily resulted from the Company's domestic customers shifting more of their manufacturing operations overseas.

Net sales for the year ended June 29, 2003 were $606.6 million, an increase of $94.3 million or 18% over net sales of $512.3 million in fiscal 2002. The increase in net sales was primarily due to an increase in unit shipments, which was partially offset by a decrease in the average selling price primarily due to a change in sales mix to smaller packaged products. The average selling price fell from $1.85 per unit in fiscal 2002 to $1.57 per unit in fiscal 2003. In fiscal 2003 international sales represented $413.4 or 68% of net sales, an increase of $87.2 million as compared to international sales of $326.2 million or 64% of net sales for the same period in fiscal 2002. In fiscal 2003 sales to ROW represented $203.5 million or 34% of net sales, while sales to Europe and Japan were $111.1 million or 18% of net sales and $98.8 million or 16% of net sales, respectively. Domestic sales were $193.2 million or 32% of net sales for the twelve months ended June 29, 2003 compared to $186.1 million or 36% of net sales in the same period in fiscal 2002.

Gross profit for the year ended June 27, 2004 was $621.3 million, an increase of $169.8 million or 38% over gross profit of $451.5 million in fiscal 2003. Gross profit as a percentage of net sales increased to 77% of net sales in fiscal 2004 as compared to 74.4% of net sales in fiscal 2003. The increase in gross profit as a percentage of net sales in fiscal 2004 was primarily due to the favorable effect of fixed costs allocated across higher net sales. Net

sales increased 33% in fiscal 2004. The decrease in average selling price referred to above did not have a commensurate effect on gross margin. Most of the reduction in average selling price was due to a change in product mix as the Company has had increased sales of products with smaller die and package types, which have a smaller average selling price, but also lower costs.

Gross profit for the year ended June 29, 2003 was $451.5 million, an increase of $83.9 million or 23% over gross profit of $367.6 million in fiscal 2002. Gross profit was 74.4% of net sales in fiscal 2003 as compared to 71.8% in fiscal 2002. The increase in gross profit as a percentage of net sales in fiscal 2003 was primarily due to the favorable effect of fixed costs allocated across higher net sales. Net sales increased 18% in fiscal 2003 over fiscal 2002. This effect was offset by increases to the employee profit sharing accrual and fewer weekly plant shutdowns in fiscal 2003 when compared to fiscal 2002.

Research and development ("R&D") expense for the year ended June 27, 2004 was $104.6 million, an increase of $13.2 million or 14% over R&D expense of $91.4 million in fiscal 2003. The increase in R&D was primarily due to a $10.6 million increase in compensation costs. Compensation costs increased as the result of increases to the profit sharing accrual, employee headcount, annual merit increases, and the related fringe on these increases. Since the Company had better operating results, R&D profit sharing grew $5.5 million while compensation related to headcount, annual merit increases and the related fringe on these increases together totaled $5.1 million. In addition, the Company had a $2.6 million increase in non-compensation costs, primarily software maintenance amortization, supplies and depreciation.

R&D expense for the year ended June 29, 2003 was $91.4 million, an increase of $11.6 million or 14% over R&D expense of $79.8 million in fiscal 2002. The increase in R&D in fiscal 2003 as compared to fiscal 2002 was due to increases in compensation costs caused by higher profit sharing, increased headcount, merit increases and fewer weekly plant shutdowns. Since the Company had better operating results in fiscal 2003 over fiscal 2002, R&D profit sharing grew $2.1 million while compensation related to headcount, fewer weekly plant shutdowns, annual merit increases and the related fringe on these increases together totaled $6.7 million. In addition, the Company had a $2.8 million increase in non-compensation costs, primarily software maintenance amortization and depreciation.

Selling, general and administrative ("SG&A") expense for the year ended June 27, 2004 was $80.0 million, an increase of $14.4 million or 22% over SG&A expense of $65.6 million in fiscal 2003. The increase in SG&A was due to a $10.5 million increase in compensation costs. Compensation costs grew as the result of increases to the profit sharing accrual, employee headcount, annual merit increases and commissions. Since the Company had better operating results, SG&A profit sharing grew $4.0 million while compensation related to headcount, annual merit increases and commissions together totaled $6.5 million. In addition to compensation costs, the Company had a $3.9 million increase in SG&A related expenses for advertising, outside services and travel costs.

SG&A expense for the year ended June 29, 2003 was $65.6 million, an increase of $3.0 million or 5% over SG&A expense of $62.6 million in fiscal 2002. The increase in SG&A in fiscal 2003 as compared to fiscal 2002 was due to increases in compensation costs caused by higher profit sharing, increased headcount, merit increases and fewer weekly plant shutdowns. Since the Company had better operating results in fiscal 2003 over fiscal 2002, SG&A profit sharing grew $1.5 million while compensation related to headcount, fewer weekly plant shutdowns, annual merit increases and the related fringe on these increases together totaled $3.0 million. The increases in compensation costs were offset by a $1.5 million decrease in outside service costs and legal expenses.

Interest income, net decreased 34% in fiscal 2004 to $25.5 million from $38.7 million in fiscal 2003. Interest income, net decreased in fiscal 2004 when compared to fiscal 2003 due to the decline in average interest rates earned on the Company's cash, cash equivalent and short-term investment balance which was partially offset by the interest earned on the $63.0 million increase in cash, cash equivalents and short-term investment balance. Also contributing to the decline in interest income, net was the increase in interest expense on the Company's long-term royalty agreement. Interest expense for the year ended June 27, 2004 was $2.1 million, an increase of $1.6 million over interest expense of $0.5 million in fiscal 2003.

Interest income, net decreased 27% in fiscal 2003 to $38.7 million from $53.3 million in fiscal 2002. Interest income, net decreased in fiscal 2003 when compared to fiscal 2002 due to the decline in average interest rates earned

on the Company's cash, cash equivalent and short-term investment balance which was partially offset by the interest earned on the $41.5 million increase in cash, cash equivalent and short-term investment balance. Also contributing to the decline in interest income, net was the addition of interest expense in fiscal 2003 relating to the Company's long-term royalty agreement.

The Company's effective tax rate was 29%, in fiscal 2004, 2003 and 2002. The tax rate is lower than the federal statutory rate primarily due to business activity in foreign jurisdictions with lower tax rates, tax-exempt interest income and the tax credits received by the Company for qualified R&D expenditures. During the third quarter of fiscal 2004 the Singapore government agreed to extend the Company's tax holiday for seven years, through August 2011 provided that the Company fulfills certain investment requirements in qualifying activities. The tax holiday may be extended through August 2014 provided that the Company fulfills additional investment requirements in qualifying activities.

Factors Affecting Future Operating Results

Except for historical information contained herein, the matters set forth in this Annual Report on Form 10-K, including the statements in the following paragraphs, are forward-looking statements that are dependent on certain risks and uncertainties including such factors, among others, as the timing, volume and pricing of new orders received and shipped during the quarter, timely ramp-up of new facilities, the timely introduction of new processes and products, general conditions in the world economy and financial markets and other factors described below and in "Risks and Competition" located in the "Business" section of this Annual Report on Form 10-K.

The Company experienced strong yearly growth in fiscal 2004 by growing sales and profits 33% and 39% respectively. The Company grew sales in each geographic market area and in each of its end-markets: industrial communication, computer, automotive, high-end consumer and space level/military. The Semiconductor Industry Assn. (SIA) forecasts are projecting robust growth for 2004 through 2007 with analog growing from $26.8 billion at the start of 2004 to $42.7 billion at the end of 2007. In light of the business outlook and the Company's anticipated growth, the Company is developing its leasehold property located in Singapore adjacent to its existing facility. The new building will be used primarily to increase its capacity for test and distribution operations. The Company anticipates that the building will be completed by the end of fiscal 2005. In addition to this expansion, the Company is also adding to wafer fabrication capacity in both Camas and Hillview.

The Company continues to have a positive book to bill ratio, backlog of $151.2 million at June 27, 2004 is up significantly from last year's backlog of $57.2 million. The Company's inventory is well positioned and the Company continues to have responsive lead times. Consequently, should these positive trends continue, the Company expects to have a seasonally strong start to the new fiscal year with sales growing roughly 5%–7% sequentially in the September fiscal 2005 quarter from the June quarter just completed.

The Company anticipates that the effective tax rate will increase from 29% to 31% in the first part of fiscal 2005 as a result of the expiration of the tax credit legislation for R&D expenses on June 30, 2004. Although its not assured, the Company expects that Congress may extend the tax credit legislation. Until such time however, the Company expects that its effective tax rate will increase by 2 percentage points to 31% until the R&D credit is extended. If the R&D credit is extended without interruption, the effective tax rate will return to a 29% annual rate for fiscal 2005.

Estimates of future performance are uncertain, and past performance of the Company may not be a good indicator of future performance due to factors affecting the Company, its competitors, the semiconductor industry and the overall economy. The semiconductor industry is characterized by rapid technological change, price erosion, cyclical market patterns, periodic oversupply conditions, occasional shortages of materials, capacity constraints, variations in manufacturing efficiencies and significant expenditures for capital equipment and product development. Furthermore, new product introductions and patent protection of existing products, as well as exposure related to patent infringement suits if brought against the Company, are factors that can influence future sales growth and sustained profitability. The Company's headquarters and a portion of its manufacturing facilities and research and development activities and certain other critical business operations are located near major earthquake fault lines in California, consequently, the Company could be adversely affected in the event of a major earthquake.

Although the Company believes that it has the product lines, manufacturing facilities and technical and financial resources for its current operations, sales and profitability could be significantly affected by factors described above and other factors. Additionally, the Company's common stock could be subject to significant price volatility should sales and/or earnings fail to meet expectations of the investment community. Furthermore, stocks of high technology companies are subject to extreme price and volume fluctuations that are often unrelated or disproportionate to the operating performance of these companies.

Liquidity and Capital Resources

At June 27, 2004, cash, cash equivalents and short-term investments totaled $1.7 billion and working capital was $1.6 billion. During fiscal 2004 the Company repurchased 8.4 million shares of its common stock for $331.9 million and distributed $87.5 million in dividends. After taking into consideration the cash used for these purchases and dividend payments the Company generated additional cash and short-term investments of $63.0 million.

During fiscal 2004, the Company generated $457.8 million of cash from operating activities and $60.6 million in proceeds from common stock issued under employee stock plans. During fiscal 2004, significant cash expenditures included repurchasing $331.9 million of common stock, payments of $87.5 million in cash dividends to stockholders, representing $0.06 per share per quarter for the first and second quarters and $0.08 per share per quarter for the third and fourth quarters, $20.7 million for the purchase of capital assets and net purchases of short-term investments of $11.0 million. In July, the Company's Board of Directors declared a quarterly cash dividend of $0.08 per share to be paid during the September quarter of fiscal 2005. The payment of future dividends will be based on quarterly financial performance.

During fiscal 2005 the Company anticipates roughly $75.0 million in capital expenditures that will be used primarily to expand its wafer fabrication facilities and its test and distribution operation noted above.

The Company has no debt and has historically satisfied its liquidity needs through cash generated from operations and the initial placement of equity securities. Given its strong financial condition and performance, the Company believes that current capital resources and cash generated from operating activities will be sufficient to meet its liquidity and capital expenditures requirements for the foreseeable future.

As of June 27, 2004, the Company had no off-balance sheet financing arrangements or activities outside of operating leases as disclosed in Note 4 of Notes to Consolidated Financial Statements on this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's cash equivalents and short-term investments are subject to market risk, primarily interest rate and credit risk. The Company's investments are managed by outside professional managers within investment guidelines set by the Company. Such guidelines include security type, credit quality and maturity and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities. The Company does not use derivative financial instruments in its investment portfolio. Based upon the weighted average duration of the Company's investments at June 27, 2004, a hypothetical 100 basis point increase in short-term interest rates would result in an unrealized loss in market value of the Company's investments totaling approximately $10.2 million. However, because the Company's debt securities are classified as available-for-sale, no gains or losses are recognized by the Company in its results of operations due to changes in interest rates unless such securities are sold prior to maturity. These investments are reported at fair value with the related unrealized gains being included in accumulated other comprehensive income, a component of stockholders' equity. The Company generally holds securities until maturity.

The Company's sales outside the United States are transacted in U.S. dollars; accordingly the Company's sales are not generally impacted by foreign currency rate changes. To date, fluctuations in foreign currency exchange rates have not had a material impact on the results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

THREE YEARS ENDED JUNE 27, 2004	2004	2003	2002
Net sales	$807,281	$606,573	$512,282
Cost of sales	185,960	155,066	144,719
Gross profit	621,321	451,507	367,563
Expenses:			
Research and development	104,620	91,410	79,839
Selling, general and administrative	79,971	65,586	62,625
	184,591	156,996	142,464
Operating income	436,730	294,511	225,099
Interest income, net	25,483	38,715	53,251
Income before income taxes	462,213	333,226	278,350
Provision for income taxes	134,042	96,635	80,721
Net income	$328,171	$236,591	$197,629
Basic earnings per share	$ 1.05	$ 0.76	$ 0.62
Shares used in the calculation of basic earnings per share	312,063	313,115	317,215
Diluted earnings per share	$ 1.02	$ 0.74	$ 0.60
Shares used in the calculation of diluted earnings per share	321,456	321,375	328,538
Cash dividends per share	$ 0.28	$ 0.21	$ 0.17

See accompanying notes.

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

JUNE 27, 2004 AND JUNE 29, 2003	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 203,542	$ 136,276
Short-term investments	1,452,998	1,457,291
Accounts receivable, net of allowance for doubtful accounts of $1,762 ($1,762 in 2003)	79,142	80,094
Inventories:		
Raw materials	3,353	3,196
Work-in-process	22,217	25,471
Finished goods	7,134	3,427
Total inventories	32,704	32,094
Deferred tax assets	44,912	51,181
Prepaid expenses and other current assets	18,797	19,064
Total current assets	1,832,095	1,776,000
Property, plant and equipment, at cost:		
Land, buildings and improvements	143,077	142,361
Manufacturing and test equipment	338,208	324,314
Office furniture and equipment	3,399	3,399
	484,684	470,074
Accumulated depreciation and amortization	(283,604)	(246,630)
Net property, plant and equipment	201,080	223,444
Other non current assets	54,528	57,435
Total assets	$2,087,703	$2,056,879
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 14,410	$ 7,480
Accrued payroll and related benefits	54,339	39,471
Deferred income on shipments to distributors	41,862	44,678
Income taxes payable	71,985	53,279
Other accrued liabilities	20,018	17,121
Total current liabilities	202,614	162,029
Deferred tax and other long-term liabilities	74,484	79,921
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, 2,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.001 par value, 2,000,000 shares authorized; 308,548 shares issued and outstanding at June 27, 2004 (312,706 shares at June 29, 2003)	309	313
Additional paid-in capital	815,163	740,084
Accumulated other comprehensive income, net of tax	(2,460)	6,950
Retained earnings	997,593	1,067,582
Total stockholders' equity	1,810,605	1,814,929
Total liabilities and stockholders' equity	$2,087,703	$2,056,879

See accompanying notes.

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

THREE YEARS ENDED JUNE 27, 2004	2004	2003	2002
Cash flow from operating activities:			
Net income	$ 328,171	$ 236,591	$ 197,629
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,745	45,903	46,261
Tax benefit from stock option transactions	35,746	37,321	38,091
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	952	1,353	8,389
Decrease (increase) in inventories	(610)	(3,152)	(3,350)
Decrease (increase) in deferred tax assets	7,809	(7,427)	(272)
Decrease (increase) in prepaid expenses and other current assets	267	1,344	(1,472)
Decrease (increase) in long-term assets	(2,750)	(1,750)	—
Increase (decrease) in accounts payable, accrued payroll and other accrued liabilities	21,225	(52)	(46,933)
Increase (decrease) in deferred income on shipments to distributors	(2,816)	(1,490)	1,687
Increase (decrease) in income taxes payable	18,707	(10,075)	12,019
Increase (decrease) in deferred tax liabilities	2,382	(14,333)	5,089
Cash provided by operating activities	457,828	284,233	257,138
Cash flow from investing activities:			
Purchase of short-term investments	(908,557)	(881,284)	(961,041)
Proceeds from sales and maturities of short-term investments	897,550	775,617	848,613
Purchase of property, plant and equipment	(20,724)	(6,609)	(17,887)
Cash used in investing activities	(31,731)	(112,276)	(130,315)
Cash flow from financing activities:			
Issuance of common shares under employee stock plans	60,626	48,422	39,333
Purchase of common stock	(331,937)	(230,005)	(221,551)
Payment of cash dividends	(87,520)	(65,804)	(54,005)
Cash used in financing activities	(358,831)	(247,387)	(236,223)
Increase (decrease) in cash and cash equivalents	67,266	(75,430)	(109,400)
Cash and cash equivalents, beginning of period	136,276	211,706	321,106
Cash and cash equivalents, end of period	$ 203,542	$ 136,276	$ 211,706
Supplemental disclosures of cash flow information:			
Cash paid during the fiscal year for income taxes	$ 68,496	$ 90,637	$ 25,483

See accompanying notes.

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

THREE YEARS ENDED JUNE 27, 2004	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders Equity
Balance at July 1, 2001	318,908	$319	$607,883	$ —	$1,173,755	$1,781,957
Issuance of common stock for cash under employee stock option and stock purchase plans	3,681	3	39,330	—	—	39,333
Tax benefit from stock option transactions	—	—	38,091	—	—	38,091
Purchase and retirement of common stock	(6,439)	(6)	(12,704)	—	(208,841)	(221,551)
Cash dividends — $0.17 per share	—	—	—	—	(54,005)	(54,005)
Net income	—	—	—	—	197,629	197,629
Balance at June 30, 2002	316,150	316	672,600	—	1,108,538	1,781,454
Issuance of common stock for cash under employee stock option and stock purchase plans	4,946	5	48,417	—	—	48,422
Tax benefit from stock option transactions	—	—	37,321	—	—	37,321
Purchase and retirement of common stock	(8,390)	(8)	(18,254)	—	(211,743)	(230,005)
Cash dividends — $0.21 per share	—	—	—	—	(65,804)	(65,804)
Comprehensive income:						
Unrealized gain on available for sale investments, net of tax	—	—	—	6,950	—	6,950
Net income	—	—	—	—	236,591	236,591
Comprehensive income	—	—	—	—	—	243,541
Balance at June 29, 2003	312,706	313	740,084	6,950	1,067,582	1,814,929
Issuance of common stock for cash under employee stock option and stock purchase plans	4,253	4	60,622	—	—	60,626
Tax benefit from stock option transactions	—	—	35,746	—	—	35,746
Purchase and retirement of common stock	(8,411)	(8)	(21,289)	—	(310,640)	(331,937)
Cash dividends — $0.28 per share	—	—	—	—	(87,520)	(87,520)
Comprehensive income:						
Unrealized loss on available for sale investments, net of tax	—	—	—	(9,410)	—	(9,410)
Net income	—	—	—	—	328,171	328,171
Comprehensive income	—	—	—	—	—	318,761
Balance at June 27, 2004	308,548	$309	$815,163	($ 2,460)	$ 997,593	$1,810,605

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Significant Accounting Policies

Description of Business

Linear Technology Corporation (together with its consolidated subsidiaries, "Linear Technology" or the "Company") designs, manufactures and markets a broad line of standard high performance linear integrated circuits. Applications for the Company's products include telecommunications, cellular telephones, networking products, notebook computers, computer peripherals, video/multimedia, industrial instrumentation, security monitoring devices, high-end consumer products such as digital cameras and MP3 players, complex medical devices, automotive electronics, factory automation, process control, and military and space systems. The Company was organized and incorporated in 1981.

Basis of Presentation

The Company's fiscal year ends on the Sunday nearest June 30. Fiscal 2004, 2003, and 2002 were 52 week periods. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all significant inter-company accounts and transactions. Accounts denominated in foreign currencies have been translated using the U.S. dollar as the functional currency.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents and Short-term Investments

Cash equivalents are highly liquid investments with original maturities of three months or less at the time of purchase. Investments with maturities over three months at the time of purchase are classified as short-term investments.

At June 27, 2004 and June 29, 2003, all of the Company's investments in debt securities were classified as available-for-sale, which means that, although the Company principally holds securities until maturity, they may be sold under certain circumstances. The debt securities are carried at fair market value, determined using quoted market prices for these securities. Realized gains and losses from short-term investments were not material for all periods presented.

Concentrations of Credit Risk, Off Balance Sheet Risk and Contingencies

The Company's investment policy restricts investments to high credit quality investments with maturities of three years or less and limits the amount invested with any one issuer. Concentrations of credit risk with respect to accounts receivable are generally not significant due to the diversity of the Company's customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral, primarily letters of credit, as deemed necessary.

No single end customer has accounted for 10% or more of the Company's net sales. The Company's primary domestic distributor, Arrow Electronics, accounted for 15% of net sales during fiscal 2004 and 20% of accounts receivable as of June 27, 2004; 15% of net sales during fiscal 2003 and 18% of accounts receivable as of June 29, 2003. Distributors are not end customers, but rather serve as a channel of sale to many end users of the Company's products. No other distributor or end customer accounted for 10% or more of net sales for fiscal 2004, 2003, and 2002.

The Company's assets, liabilities and cash flows are predominantly U.S. dollar denominated, including those of its foreign operations. However, the Company's foreign subsidiaries have certain assets, liabilities and cash flows that are subject to foreign currency risk. The Company considers this risk to be minor and, for the three years ended June 27, 2004, had not utilized derivative instruments to hedge foreign currency risk or for any other purpose. Gains and losses resulting from foreign currency fluctuations are recognized in income currently and were not material for all periods presented.

Note 1. Description of business and significant accounting policies (Continued)

The Company is subject to contingencies, including legal proceedings arising out of a wide range of matters, including, among others, patent suits and employment claims. While it is impossible to ascertain the ultimate legal and financial liability with respect to these lawsuits, the Company believes that the aggregate amount of such liabilities, if any, will not have a material adverse effect on the consolidated financial position or results of operation of the Company.

Inventories

The Company values inventories at the lower of cost or market on a first-in, first-out basis. The Company records charges to write-down inventories for unsalable, excess or obsolete raw materials, work-in-process and finished goods. Newly introduced parts are generally not valued until success in the market place has been determined by a consistent pattern of sales and backlog among other factors. In addition to write-downs based on newly introduced parts, statistical and judgmental assessments are calculated for the remaining inventory based on salability and obsolescence.

Property, Plant and Equipment and Other Non Current Assets

Depreciation for property plant and equipment is provided using the straight-line method over the estimated useful lives of the assets (3–7 years for equipment and 10–30 years for buildings and building improvements). Leasehold improvements are amortized over the shorter of the asset's useful life or the expected term of the lease. Depreciation expense for fiscal 2004 and fiscal 2003 was $43.1 million and $44 million, respectively. Other assets principally relate to technology agreements that are generally amortized over their contractual periods, primarily 3 to 10 years using the straight-line method of amortization. The Company performs reviews of its long-lived assets to determine whether facts and circumstances exist which indicate that the carrying amount of the assets may not be recoverable or that the useful life is shorter than originally estimated.

Long-lived assets (including property plant and equipment and intangible assets) by geographic area were as follows:

In thousands	2004	2003
United States	$209,795	$239,641
Malaysia	24,549	22,276
Singapore	21,246	18,944
Other	18	18
Total long-lived assets	$255,608	$280,879

Revenue Recognition

Revenue from product sales made directly to customers is recognized upon the transfer of title, which generally occurs at the time of shipment. Revenue from the Company's sales to domestic distributors is recognized under agreements which provide for certain sales price rebates and limited product return privileges. As a result, the Company defers recognition of such sales until the domestic distributors sell the merchandise. The Company relieves inventory and records a receivable on the initial sale to the distributor as title has passed to the distributor and payment is collected on the receivable within normal trade terms. The income to be derived from distributor sales is recorded under current liabilities on the balance sheet as "Deferred income on shipments to distributors" until such time as the distributor confirms a final sale to its end customer.

The Company's sales to international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. Revenue on these sales is recognized upon shipment at which time title passes. The Company estimates international distributor returns based on historical data and current business expectations

Note 1. Description of business and significant accounting policies (Continued)

and defers a portion of international distributor sales and profits based on these estimated returns. Such amounts are classified in "Deferred income on shipments to distributors" on the accompanying balance sheet.

Product Warranty and Indemnification

The Company's warranty policy provides for the replacement of defective parts. In certain large contracts, the Company has agreed to negotiate in good faith a warranty expense in the event that an epidemic failure of its parts were to take place. To date there have been no such occurrences. Warranty expense historically has been negligible.

The Company provides a limited indemnification of customers against intellectual property infringement claims related to the Company's products. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification relating to intellectual property infringement claims. To date, the Company has not incurred any significant indemnification expenses relating to intellectual property infringement claims. The Company cannot estimate the amount of potential future payments, if any, that the Company might be required to make as a result of these agreements, and accordingly, the Company has not accrued any amounts for its indemnification obligations.

Stock Based Compensation

As permitted by SFAS 148 and SFAS 123, the Company continues to apply the accounting provisions of APB 25, and related interpretations, with regard to the measurement of compensation cost for options granted under the Company's equity compensation plans. No employee compensation expense has been recorded as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Had expense been recognized using the fair value method described in SFAS 123, using the Black-Scholes option-pricing model, the Company would have reported the following results of operations:

In thousands	June 27, 2004	June 29, 2003	June 30, 2002
Net income, as reported	$328,171	$236,591	$197,629
Deduct: total stock-based compensation expense determined under the fair value method, net of tax	(75,207)	(75,867)	(65,693)
Pro forma net income	$252,964	$160,724	$131,936
Earnings per share:			
Basic-as reported	$ 1.05	$ 0.76	$ 0.62
Basic-pro forma	$ 0.81	$ 0.51	$ 0.42
Diluted-as reported	$ 1.02	$ 0.74	$ 0.60
Diluted-pro forma	$ 0.79	$ 0.50	$ 0.40

See Note 5 for a discussion on the assumptions used in the option-pricing model and estimated fair value of employee stock options.

Earnings Per Share

Basic earnings per share is calculated using the weighted average shares of common stock outstanding during the period. Diluted earnings per share is calculated using the weighted average shares of common stock outstanding, plus the dilutive effect of stock options, calculated using the treasury stock method. The dilutive effect of stock options was 9,393,000, 8,260,000, and 11,323,000 shares for fiscal 2004, 2003, and 2002, respectively. The weighted average diluted common shares outstanding for fiscal 2004, 2003, and 2002 excludes the dilutive effect of approximately 9,069,000, 14,434,000, and 16,433,000 options, respectively, since such options have an exercise price in excess of the average market value of the Company's common stock during the fiscal year.

Note 1. Description of business and significant accounting policies (Continued)

Comprehensive Income

Accumulated other comprehensive income consists entirely of unrealized gains and losses on available-for-sale securities. The Company, in practice, primarily holds its cash and short-term investments until maturity.

Segment Reporting

The Company competes in a single operating segment, and as a result, no segment information has been disclosed outside of geographical information. Disclosures about products and services, and major customers are included above in Note 1.

Export sales by geographic area were as follows:

In thousands	2004	2003	2002
Europe	$140,486	$111,149	$102,413
Japan	120,180	98,785	60,759
Rest of the World	309,050	203,484	163,019
Total export sales	$569,716	$413,418	$326,191

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." FIN 46 requires an investor with a majority of the variable interests (primary beneficiary) in a variable interest entity (VIE) to consolidate the entity and also requires majority and significant variable interest investors to provide certain disclosures. A VIE is an entity in which the voting equity investors do not have a controlling interest, or the equity investment at risk is insufficient to finance the entity's activities without receiving additional subordinated financial support from other parties. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 and applies immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after March 15, 2004. The adoption of FIN 46 did not have an impact on the Company's results of operations or financial position.

In March 2004, the Financial Accounting Standards Board (FASB) approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. The accounting provisions of EITF 03-1 are effective for all reporting periods beginning after June 15, 2004, while the disclosure requirements are effective only for annual periods ending after June 15, 2004. The Company has evaluated the impact of the adoption of EITF 03-1 and does not believe the impact will be significant to the Company's overall results of operations or financial position.

Note 2. Short-term Investments

The Company accounts for its investments in marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." All of the Company's cash equivalents and short-term investments are treated as "available-for-sale" under SFAS No. 115. The securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income, a component of stockholder equity, net of tax.

The following is a summary of available-for-sale short-term investments at June 27, 2004:

In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss) (1)	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. government agencies	$ 390,296	$207	$(1,640)	$ 388,863
Municipal bonds	685,036	407	(2,496)	682,947
Corporate debt securities and other	555,898	136	(614)	555,420
Total	$1,631,230	$750	$(4,750)	$1,627,230
Amounts included in:				
Cash equivalents	$ 174,232	$ —	$ —	$ 174,232
Short-term investments	1,456,998	750	(4,750)	1,452,998
Total securities	$1,631,230	$750	$(4,750)	$1,627,230

(1) The Company evaluated the nature of the investments with a loss position at June 27, 2004, which are primarily obligations of the US government and its agencies, municipal bonds and U.S. corporate notes. In evaluating the investments the Company considered the duration of the impairments, and the amount of the impairments relative to the underlying portfolio and concluded that such amounts were not "other-than-temporary" as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In addition, as stated in Note 1. "*Cash equivalents and short-term investments"* the Company principally holds securities until maturity, however they may be sold under certain circumstances. Unrealized losses greater than twelve months old were not significant as of June 27, 2004.

The following is a summary of available-for-sale short-term investments at June 29, 2003:

In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss) (2)	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. government agencies	$ 475,339	$ 4,979	$ —	$ 480,318
Municipal bonds	697,184	5,560	—	702,744
Corporate debt securities and other	350,029	761	—	350,790
Total	$1,522,552	$11,300	$ —	$1,533,852
Amounts included in:				
Cash equivalents	$ 76,561	$ —	$ —	$ 76,561
Short-term investments	1,445,991	11,300	—	1,457,291
Total securities	$1,522,552	$11,300	$ —	$1,533,852

(2) Unrealized losses were not significant at June 29, 2003.

Note 2. Short-term Investments (Continued)

The contractual maturities of short-term investments at June 27, 2004 were as follows: one year or less at the estimated fair value — $745,834; one year to three years at the estimated fair value — $707,164. The contractual maturities of short-term investments at June 29, 2003 were as follows: one year or less at the estimated fair value — $714,118, one year to three years at the estimated fair value — $743,173. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties.

Note 3. Intangible Assets

The Company amortizes its intangible assets with definite lives over periods ranging from 3 to 10 years using the straight-line method of amortization. The weighted remaining amortization period at June 27, 2004 is 8.2 years. The Company's intangible assets consist of technology licenses only. Amortizable intangible assets are classified within other non-current assets on the balance sheet. Amortizable intangible assets at June 27, 2004 and June 29, 2003 are as follows:

In thousands	June 27, 2004	June 29, 2003
Gross Carrying Amount	$61,070	$58,320
Accumulated Amortization	(7,542)	(1,885)
Total intangible assets	$53,528	$56,435

Amortization expense associated with intangible assets for fiscal 2004 and fiscal 2003 were $5.7 million and $1.9 million, respectively. Amortization expense for the net carrying amount of intangible assets at June 27, 2004 is estimated to be $6.4 million in fiscal 2005, $7.2 million in fiscal 2006, $7.2 million in fiscal 2007, $6.4 million in fiscal 2008, and $5.7 million in fiscal 2009.

Note 4. Lease Commitments

The Company leases certain of its facilities under operating leases, some of which have options to extend the lease period. In addition, the Company has entered into long-term land leases for the sites of its Singapore and Malaysia manufacturing facilities.

At June 27, 2004, future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year were as follows: fiscal 2005: $4,259,000; fiscal 2006: $3,368,000; fiscal 2007: $2,971,000; fiscal 2008: $2,756,000; fiscal 2009: $2,479,000; and thereafter: $4,993,000.

Total rent expense was $4,722,000, $4,044,000, and $3,418,000 in fiscal 2004, 2003 and 2002, respectively.

Note 5. Employee Benefit Plans

Stock Option Plans

The Company has stock option plans under which options to purchase shares of the Company's common stock may be granted to employees and directors. At June 27, 2004, the total authorized number of shares under all plans was 184,000,000. At June 27, 2004, 23,000,416 shares were available for grant under all plans. Options become exercisable over a five-year period (generally 10% every six months.) All options expire ten years after the date of the grant.

Note 5. Employee Benefit Plans (Continued)

The following table summarizes the stock option activity under all stock option plans:

	Stock Options Outstanding	Weighted-Average Exercise Price
Outstanding options, July 1, 2001	41,795,320	21.21
Granted	1,838,000	38.96
Forfeited and expired	(1,220,650)	33.19
Exercised	(3,519,710)	9.69
Outstanding options, June 30, 2002	38,892,960	22.72
Granted	8,075,530	25.68
Forfeited and expired	(736,546)	34.85
Exercised	(4,710,476)	9.06
Outstanding options, June 29, 2003	41,521,468	$24.58
Granted	4,360,000	39.66
Forfeited and expired	(824,630)	37.31
Exercised	(4,063,488)	13.49
Outstanding options, June 27, 2004	40,993,350	$27.03
Options exercisable at:		
June 30, 2002	25,647,675	16.19
June 29, 2003	27,474,426	20.17
June 27, 2004	29,134,480	23.46

The following table sets forth certain information with respect to employee stock options outstanding and exercisable at June 27, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Stock Options Exercisable	Weighted Average Exercise Price
$ 5.63 – $12.97	10,713,200	$ 9.66	2.67	10,713,200	$ 9.66
$12.98 – $25.05	10,646,400	21.63	6.38	7,056,275	19.95
$25.06 – $40.90	13,443,400	34.84	7.00	7,492,970	32.61
$40.91 – $55.88	6,190,350	49.42	6.59	3,872,035	50.34
$ 5.63 – $55.88	40,993,350	$27.03	5.64	29,134,480	$23.46

Stock purchase plan

The Company's stock purchase plan ("ESPP") permits eligible employees to purchase common stock through payroll deductions at the lower of 85% of the fair market value of common stock at the beginning or end of each six month offering period. The offering periods commence on approximately May 1 and November 1 of each year. At June 27, 2004, the shares reserved for issuance under this plan totaled 8,400,000 and 7,703,823 shares had been issued under this plan. During fiscal 2004, 189,303 shares were issued at a weighted-average price of $31.27 per share pursuant to this plan.

Note 5. Employee Benefit Plans (Continued)

FAS 123 Assumptions

Pro forma information regarding net income is required by SFAS 123, which also requires that the information be determined as if the Company had accounted for grants subsequent to December 31, 1994 under a method specified by SFAS 123. The pro-forma information is presented in Note 1. Options granted were estimated using the Black-Scholes valuation model. The following assumptions were used for fiscal 2004, 2003 and 2002:

	2004	2003	2002
Expected lives	6.9	6.4	6.1
Expected volatility	67.0%	66.0%	69.0%
Dividend yields	0.7%	0.7%	0.5%
Risk free interest rates	3.1%	3.1%	4.4%

The Black-Scholes option valuation model was developed for use in estimating the fair value of publicly traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of publicly traded options, and because changes in these subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not provide a reliable single measure of the fair value of its stock options.

Using the Black-Scholes option pricing model, the weighted average estimated fair value of employee stock options granted in fiscal 2004, 2003 and 2002 was $26.06, $16.35 and $25.59 per share, respectively. For the purposes of the pro-forma information, the estimated fair values of the employee stock options are amortized to expense using the straight-line method over the vesting period.

Retirement Plan

The Company has established a 401(k) retirement plan for its qualified U.S. employees. Contributions made by the Company to this plan were approximately $7,248,000, $5,718,000 and $8,873,000 in fiscal 2004, 2003 and 2002, respectively.

Note 6. Income Taxes

The components of income before income taxes are as follows:

In thousands	2004	2003	2002
United States operations	$422,786	$299,828	$245,830
Foreign operations	39,427	33,398	32,520
	$462,213	$333,226	$278,350

Note 6. Income Taxes (Continued)

The provision for income taxes consists of the following:

In thousands	2004	2003	2002
United States federal:			
Current	$117,024	$105,972	$66,465
Deferred	8,129	(15,347)	4,751
	125,153	90,625	71,216
State:			
Current	4,718	6,493	5,923
Deferred	2,324	(2,960)	66
	7,042	3,533	5,989
Foreign:			
Current	2,108	1,580	3,516
Deferred	(261)	897	—
	1,847	2,477	3,516
	$134,042	$ 96,635	$80,721

Actual current federal and state tax liabilities are lower than the amounts reflected above by the tax benefit from stock option activity of approximately $35,746,000, $37,321,000, and $38,091,000, for fiscal 2004, 2003 and 2002, respectively. The tax benefit from stock option activity is recorded as a reduction in current income taxes payable and an increase in additional-paid-in-capital.

The provision for income taxes reconciles to the amount computed by applying the statutory U.S. federal rate at 35% to income before income taxes as follows:

In thousands	2004	2003	2002
Tax at U.S. statutory rate	$161,775	$116,629	$ 97,423
State income taxes, net of federal benefit	4,577	2,296	3,894
Earnings of foreign subsidiaries subject to lower rates	(6,676)	(5,007)	(5,069)
Tax-exempt interest income	(5,824)	(8,142)	(10,850)
Export sales benefit	(11,550)	(6,825)	(3,640)
Other	(8,260)	(2,316)	(1,037)
	$134,042	$ 96,635	$ 80,721

Note 6. Income taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities recorded in the balance sheet as of June 27, 2004 and June 29, 2003 are as follows:

In thousands	2004	2003
Deferred tax assets:		
Inventory valuation	$15,225	$19,174
Deferred income on shipments to distributors	15,446	16,485
Taxes of foreign subsidiaries	6,137	6,165
Other	8,104	9,357
Total deferred tax assets	44,912	51,181
Deferred tax liabilities:		
Depreciation and amortization	$10,357	$11,792
Unremitted earnings of foreign subsidiaries	9,537	5,692
Interest income of foreign subsidiaries	6,137	6,165
Unrealized gain on investments	—	4,350
Total deferred tax liabilities	26,031	27,999
Net deferred tax assets	$18,881	$23,182

The Company has a partial tax holiday in Singapore whereby the local statutory rate is significantly reduced. The tax holiday is effective through August 2011 and may be extended through August 2014, if certain conditions are met. The Company's Malaysia tax holiday is effective through July 2005.

The impact of the Singapore and Malaysia tax holidays was to increase net income by approximately $4,271,000 ($0.01 per diluted share) in fiscal 2004, $3,439,000 ($0.01 per diluted share) in fiscal 2003, and $4,328,000 ($0.01 per diluted share) in fiscal 2002. The Company does not provide a residual U.S. tax on a portion of the undistributed earnings of its Singapore and Malaysia subsidiaries, as it is the Company's intention to permanently invest these earnings overseas. Should these earnings be remitted to the U.S. parent, additional U.S. taxable income would be approximately $213,677,000.

The Internal Revenue Service (IRS) has examined the Company's consolidated income tax returns through the fiscal year ending July 1, 2001. As a result of the most recent examination for the five fiscal years ending July 1, 2001, the IRS has proposed certain adjustments to the amounts reflected by the Company as a tax benefit for its export sales. The Company disputes the proposed adjustments and intends to pursue the matter through applicable IRS and judicial procedures as appropriate. Although the final outcome of the proposed adjustments is uncertain, management believes that an adequate amount of taxes and related interest and penalty, if any, have been provided for any adjustment that may result from these years.

The Company has state tax credit carryforwards of $1.2 million, which do not expire.

Note 7. Quarterly Information (Unaudited)

In thousands, except per share amounts **Quarter Ended Fiscal 2004**	June 27, 2004	March 28, 2004	Dec. 28, 2003	Sept. 28, 2003
Net sales	$238,050	$209,133	$186,021	$174,077
Gross profit	184,872	161,537	142,244	132,668
Net income	98,816	85,549	74,335	69,471
Basic earnings per share	0.32	0.27	0.24	0.22
Diluted earnings per share	0.31	0.27	0.23	0.22
Cash dividends per share	0.08	0.08	0.06	0.06
Stock price range per share:				
High	39.78	44.95	44.33	41.94
Low	35.37	35.88	35.93	32.38

In thousands, except per share amounts **Quarter Ended Fiscal 2003**	June 29, 2003	March 30, 2003	Dec. 29, 2002	Sept. 29, 2002
Net sales	$165,767	$153,750	$145,045	$142,011
Gross profit	125,312	114,360	106,392	105,443
Net income	66,004	60,622	56,163	53,802
Basic earnings per share	0.21	0.19	0.18	0.17
Diluted earnings per share	0.21	0.19	0.18	0.17
Cash dividends per share	0.06	0.05	0.05	0.05
Stock price range per share:				
High	36.77	34.91	34.96	33.10
Low	30.48	25.72	19.61	20.10

The stock activity in the above table is based on the high and low closing prices. These prices represent quotations between dealers without adjustment for retail markups, markdowns or commissions, and may not represent actual transactions. The Company's common stock is traded on the NASDAQ National market System under the symbol LLTC.

At June 27, 2004, there were approximately 1,682 stockholders of record.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Linear Technology Corporation

We have audited the accompanying consolidated balance sheets of Linear Technology Corporation as of June 27, 2004 and June 29, 2003, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 27, 2004. Our audits also included the financial statement schedule listed in Item 15(a). 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Linear Technology Corporation at June 27, 2004 and June 29, 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 27, 2004, 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.

/s/ Ernst & Young LLP

San Jose, California
July 20, 2004

ITEM 9. CHANGES IN AND DISAGREEEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

The Company's management evaluated, with the participation of the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information that the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal controls over financial reporting

There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of fiscal 2004 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICER OF THE REGISTRANT

The information required by this item for the Company's directors is incorporated herein by reference to the 2004 Proxy Statement, under the caption "Proposal One — Election of Directors," and for the executive officers of the Company, the information is included in Part I hereof under the caption "Executive Officers of the Registrant." The information required by this item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the 2004 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The Company had adopted a Code of Business Conduct and Ethics that applies to all of its employees, including its Chief Executive Officer, Chief Financial Officer, and its principal accounting officers. The Company's Code of Business Conduct and Ethics is posted on its website at *http://www.linear-tech.com/*. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics by posting such information on its website, at the address specified above.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the 2004 Proxy Statement, under the section titled "Executive Officer Compensation."

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

Incorporated by reference to the 2004 Proxy Statement, under the section titled "Beneficial Security Ownership of Directors, Executive Officers and Certain Other Beneficial Owners: and "Securities Authorized for Issuance Under Equity Compensation Plans."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to the 2004 Proxy Statement, under the section titled "Fees Billed To The Company By Ernst & Young LLP During The Fiscal Year Ended June 27, 2004."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following consolidated financial statements are included in Item 8:

Consolidated Statements of Income for each of the three years in the period ended June 27, 2004
Consolidated Balance Sheets as of June 27, 2004 and June 29, 2003
Consolidated Statements of Cash Flows for each of the three years in the period ended June 27, 2004
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended June 27, 2004
Report of Independent Registered Public Accounting Firm

2. Schedules

VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for doubtful accounts:				
Year ended June 30, 2002	$ 803	$ 800	$301	$1,302
Year ended June 29, 2003	$1,302	$1,000	$540	$1,762
Year ended June 27, 2004	$1,762	$ —	$ —	$1,762

(1) Write-offs of doubtful accounts.

Schedules other than the schedule listed above have been omitted since they are either not required or the information is included elsewhere.

3. Exhibits

The Exhibits which are filed with this report or which are incorporated by reference herein are set forth in the Exhibit Index.

(b) Reports on Form 8-K

During the quarter ended June 27, 2004, the Company filed one report on Form 8-K as follows:

A report on Form 8-K was filed April 13, 2004, furnishing to the Securities and Exchange Commission a press release announcing the Company's third quarter financial results.

(c) Exhibit Index

3.1	Certificate of Incorporation of Registrant.(9)
3.3	Bylaws of Registrant.(9)
10.1	1981 Incentive Stock Option Plan, as amended, and form of Stock Option Agreements, as amended (including Restricted Stock Purchase Agreement).(*) (3)
10.11	Agreement to Build and Lease dated January 8, 1986 between Callahan-Pentz Properties, McCarthy Six and the Registrant.(1)
10.25	1986 Employee Stock Purchase Plan, as amended, and form of Subscription Agreement.(*) (2)
10.35	1988 Stock Option Plan, as amended, form of Incentive Stock Option Agreement, as amended, and form of Non-statutory Stock Option Agreement, as amended.(*) (6)
10.36	Form of Indemnification Agreement.(9)
10.45	Land lease dated March 30, 1993 between the Registrant and the Singapore Housing and Development Board.(4)
10.46	Land lease dated November 20, 1993 between the Registrant and the Penang Development Corporation.(5)
10.47	1996 Incentive Stock Option Plan, form of Incentive Stock Option Agreement and form of Nonstatutory Stock Option Agreement.(*) (7)
10.48	1996 Senior Executive Bonus Plan, as amended July 25, 2000.(*) (8)
10.49	2001 Nonstatutory Stock Option Plan, as amended July 23, 2002, and form of Stock Option Agreement.(*) (11)
10.50	Employment Agreement dated January 15, 2002 between the Registrant and Robert H. Swanson, Jr.(*) (10)
10.51	Employment Agreement dated January 15, 2002 between the Registrant and Paul Coghlan.(*) (10)
10.52	Employment Agreement dated January 15, 2002 between the Registrant and Robert C. Dobkin.(*) (10)
11.1	Computation of earnings per share. (see Consolidated Statements of Income in Item 8).
21.1	Subsidiaries of Registrant.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (see page 40)
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certification of Robert H. Swanson Jr. and Paul Coghlan Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

(*) The item listed is a compensatory plan of the Company.

(1) Incorporated by reference to identically numbered exhibits filed in response to Item 16(a), "Exhibits," of the Registrant's Registration Statement on Form S-1 and Amendment No. 1 and Amendment No. 2 thereto (File No. 33-4766), which became effective on May 28, 1986.

(2) Incorporated by reference to identically numbered exhibit filed in response to Item 6, "Exhibits and Reports on Form 8-K," of the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 28, 1997.

(3) Incorporated by reference to identically numbered exhibit filed in response to Item 6, "Exhibits and Reports on Form 8-K," of the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 30, 1990.

(4) Incorporated by reference to identically numbered exhibit filed in response to Item 14(a)(3) “Exhibits,” of the Registrant’s Annual Report on Form 10-K for the fiscal year ended June 27, 1993.

(5) Incorporated by reference to identically numbered exhibit filed in response to Item 14(a)(3) “Exhibits,” of the Registrant’s Annual Report on Form 10-K for the fiscal year ended July 3, 1994.

(6) Incorporated by reference to identically numbered exhibit filed in response to Item 6, “Exhibits and Reports on Form 8-K,” of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended October 2, 1994.

(7) Incorporated by reference to Exhibits 4.1 and 4.2 of the Registrant’s Registration Statement on Form S-8 filed with the Commission on July 30, 1999.

(8) Incorporated by reference to identically numbered exhibit filed in response to Item 14(a)(3) “Exhibits,” of the Registrant’s Annual Report on Form 10-K for the fiscal year ended July 2, 2000.

(9) Incorporated by reference to identically numbered exhibit filed in response to Item 14(a)(3) “Exhibits,” of the Registrant’s Annual Report on Form 10-K for the fiscal year ended July 1, 2001.

(10) Incorporated by reference to identically numbered exhibit filed in response to Item 6 “Exhibits and reports on Form 8-K,” of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

(11) Incorporate by reference to identically numbered exhibit filed in response to Item 14(a)(3) “Exhibits,” of the Registrants’s Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

LINEAR TECHNOLOGY CORPORATION
(Registrant)

By: /s/ Robert H. Swanson, Jr.
Robert H. Swanson, Jr.
Chairman of the Board and
Chief Executive Officer
September 3, 2004

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Robert H. Swanson, Jr. and Paul Coghlan, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities 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.

/s/ Robert H. Swanson, Jr.
Robert H. Swanson, Jr.
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)
September 3, 2004

/s/ Paul Coghlan
Paul Coghlan
Vice President of Finance and
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
September 3, 2004

/s/ David S. Lee
David S. Lee
Director
September 3, 2004

/s/ Thomas S. Volpe
Thomas S. Volpe
Director
September 3, 2004

/s/ Leo T. McCarthy
Leo T. McCarthy
Director
September 3, 2004

/s/ Richard M. Moley
Richard M. Moley
Director
September 3, 2004

Exhibit 21.1

LINEAR TECHNOLOGY CORPORATION

LIST OF SUBSIDIARIES

1. Linear Technology (U.K.) Limited
2. Linear Technology KK
3. Linear Technology GmbH
4. Linear Technology S.A.R.L.
5. Linear Technology PTE
6. Linear Technology Foreign Sales Corporation
7. Linear Technology (Taiwan) Corporation
8. Linear Technology Korea
9. Linear Semiconductor Sdn Bhd
10. Linear Technology A.B. (Sweden)
11. Linear Technology Corporation Limited (Hong Kong)
12. Linear Technology S.r.l. (Italy)

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP,
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-8306, 33-27367, 33-37432, 333-40595, 33-57330, 33-58745, 333-84149, 333-60946 and 333-102542) pertaining to the 1986 Employee Stock Purchase Plan, 1981 Incentive Stock Option Plan, 1988 Incentive Stock Option Plan, 1996 Incentive Stock Option Plan, and 2001 Nonstatutory Stock Option Plan and Form of Stock Option Agreement of Linear Technology Corporation of our report dated July 20, 2004, with respect to the consolidated financial statements and schedule of Linear Technology Corporation included in this Annual Report (Form 10-K) for the year ended June 27, 2004.

/s/ Ernst & Young LLP

San Jose, California
September 3, 2004

Exhibit 31.1

CERTIFICATION

I, Robert H. Swanson, Jr. certify that:

1. I have reviewed this Annual Report on Form 10-K of Linear Technology Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses, if any, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, if any, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 3, 2004

/s/ Robert H. Swanson, Jr.

Robert H. Swanson, Jr.
Chairman of the Board and Chief Executive

Exhibit 31.2

CERTIFICATION

I, Paul Coghlan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Linear Technology Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses, if any, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, if any, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 3, 2004

/s/ Paul Coghlan

Paul Coghlan
Vice President of Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

I, Robert H. Swanson, Jr., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Linear Technology Corporation on Form 10-K for the fiscal year ended June 27, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Linear Technology Corporation.

By: /s/ Robert H. Swanson,Jr.

Name: Robert H. Swanson, Jr.
Title: Chief Executive Officer

I, Paul Coghlan., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Linear Technology Corporation on Form 10-K for the fiscal year ended June 27, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Linear Technology Corporation.

By: /s/ Paul Coghlan

Name: Paul Coghlan
Title: Chief Financial Officer