SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended April 3, 2005

☐ **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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

There were 305,993,167 shares of the Registrant’s Common Stock issued and outstanding as of April 29, 2005.

LINEAR TECHNOLOGY CORPORATION
FORM 10-Q
THREE AND NINE MONTHS ENDED APRIL 3, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LINEAR TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	April 3, 2005	March 28, 2004	April 3, 2005	March 28, 2004
Net sales	$ 250,734	$ 209,133	$ 753,883	$ 569,231
Royalty revenue	40,000	--	40,000	--
Total revenue	290,734	209,133	793,883	569,231
Cost of sales	56,600	47,596	165,329	132,782
Gross profit	234,134	161,537	628,554	436,449
Expenses:				
Research and development	36,002	26,633	99,049	75,960
Selling, general and administrative	32,172	20,553	81,551	57,364
	68,174	47,186	180,600	133,324
Operating income	165,960	114,351	447,954	303,125
Interest income, net	7,802	6,140	20,514	19,909
Income before income taxes	173,762	120,491	468,468	323,034
Provision for income taxes	52,129	34,942	140,541	93,679
Net income	$ 121,633	$ 85,549	$ 327,927	$ 229,355
Basic earnings per share	$ 0.39	$ 0.27	$ 1.07	$ 0.73
Shares used in the calculation of basic earnings per share	307,960	311,993	307,811	312,924
Diluted earnings per share	$ 0.39	$ 0.27	$ 1.04	$ 0.71
Shares used in the calculation of diluted earnings per share	315,617	321,507	316,452	322,614
Cash dividends per share	$ 0.10	$ 0.08	$ 0.26	$ 0.20

See accompanying notes

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

	April 3, 2005 (unaudited)	June 27, 2004 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 183,910	$ 203,542
Short-term investments	1,553,219	1,452,998
Accounts receivable, net of allowance for doubtful accounts of $1,713 ($1,762 at June 27, 2004)	112,485	79,142
Inventories:		
Raw materials	3,685	3,353
Work-in-process	21,919	22,217
Finished goods	7,041	7,134
Total inventories	32,645	32,704
Deferred tax assets	43,627	44,912
Prepaid expenses and other current assets	60,468	18,797
Total current assets	1,986,354	1,832,095
Property, plant and equipment, at cost:		
Land, buildings and improvements	163,392	143,077
Manufacturing and test equipment	365,863	338,208
Office furniture and equipment	3,399	3,399
	532,654	484,684
Accumulated depreciation and amortization	(314,317)	(283,604)
Net property, plant and equipment	218,337	201,080
Other non current assets	53,035	54,528
Total assets	$ 2,257,726	$ 2,087,703
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,293	$ 14,410
Accrued payroll and related benefits	46,311	54,339
Deferred income on shipments to distributors	43,607	41,862
Income taxes payable	69,547	71,985
Other accrued liabilities	20,681	20,018
Total current liabilities	192,439	202,614
Deferred tax and other long-term liabilities	70,826	74,484
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; 308,195 shares issued and outstanding at April 3, 2005 (308,548 shares at June 27, 2004)	308	309
Additional paid-in capital	907,561	815,163
Accumulated other comprehensive income, net of tax	(3,309)	(2,460)
Retained earnings	1,089,901	997,593
Total stockholders' equity	1,994,461	1,810,605
Total liabilities and stockholders' equity	$ 2,257,726	$ 2,087,703

See accompanying notes

LINEAR TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended	
	April 3, 2005	March 28, 2004
Cash flow from operating activities:		
Net income	$ 327,927	$ 229,355
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,718	36,725
Tax benefit from stock option transactions	31,543	29,466
Stock-based compensation	15,139	--
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(33,343)	(18,325)
Decrease (increase) in inventories	59	(962)
Decrease (increase) in prepaid expenses and other current assets and deferred tax assets	(40,386)	2,865
Decrease (increase) in other non current assets	--	(1,875)
Increase (decrease) in accounts payable, accrued payroll and other accrued liabilities	(12,559)	(6,852)
Increase (decrease) in deferred income on shipments to distributors	1,745	1,500
Increase (decrease) in income taxes payable and deferred tax liabilities	(2,488)	20,682
Cash provided by operating activities	324,355	292,579
Cash flow from investing activities:		
Purchase of short-term investments	(899,576)	(687,291)
Proceeds from sales and maturities of short-term investments	794,225	704,078
Purchase of property, plant and equipment	(48,732)	(8,057)
Cash provided by (used in) investing activities	(154,083)	8,730
Cash flow from financing activities:		
Issuance of common shares under employee stock plans	58,085	44,212
Purchase of common stock	(167,066)	(204,906)
Payment of cash dividends	(80,923)	(62,707)
Cash provided by (used in) financing activities	(189,904)	(223,401)
Increase (decrease) in cash and cash equivalents	(19,632)	77,908
Cash and cash equivalents, beginning of period	203,542	136,276
Cash and cash equivalents, end of period	$ 183,910	$ 214,184

See accompanying notes

LINEAR TECHNOLOGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim financial statements and information are unaudited; however, in the opinion of management all adjustments necessary for a fair and accurate presentation of the interim results have been made. All such adjustments were of a normal recurring nature. The results for the three and nine month periods ended April 3, 2005 are not necessarily an indication of results to be expected for the entire fiscal year. All information reported in this Form 10-Q should be read in conjunction with the Company's annual consolidated financial statements for the fiscal year ended June 27, 2004 included in the Company's Annual Report on Form 10-K. The accompanying balance sheet at June 27, 2004 has been derived from audited financial statements as of that date. Because the Company is viewed as a single operating segment for management purposes, no segment information has been disclosed.

2. The Company operates on a 52/53-week work year, ending on the Sunday nearest June 30. Fiscal year 2005 is a 53-week work year, with the additional week falling in the three month period ended January 2, 2005, the Company's second-quarter. Fiscal 2004 was a 52-week year. The three months ended April 3, 2005 and March 28, 2004 are 13-week periods.

3. 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 following table sets forth the reconciliation of weighted average common shares outstanding used in the computation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	April 3, 2005	March 28, 2004	April 3, 2005	March 28, 2004
Numerator - Net income	$ 121,633	$ 85,549	$ 327,927	$ 229,355
Denominator for basic earnings per share – weighted average shares	307,960	311,993	307,811	312,924
Effect of dilutive securities – employee stock options	7,657	9,514	8,641	9,690
Denominator for diluted earnings per share	315,617	321,507	316,452	322,614
Basic earnings per share	$ 0.39	$ 0.27	$ 1.07	$ 0.73
Diluted earnings per share	$ 0.39	$ 0.27	$ 1.04	$ 0.71

4. 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. Compensation expense is recorded if on the date of grant the current fair value per share of the underlying stock exceeds the exercise price per share.

During the first quarter of fiscal 2005, the Company issued restricted stock to certain officers and employees who have been with the Company at least three years to encourage employee retention. Under this program, the Company issued 1,578,440 restricted shares with an exercise price of $0.001 per share and a grant date fair value of $37.05 per share. The right to sell the shares vests annually at the rate of 1/3 per year based upon continued employment; upon employee termination the Company has the right to buy back unvested shares at the exercise price. Pursuant to APB 25, the Company records

compensation expense for the difference between the grant date fair value and the exercise price on a straight-line basis over the vesting period.

During the third quarter of fiscal 2005, the Company accelerated the vesting of unvested stock options awarded more than one year prior to employees and officers under its stock option plans that had exercise prices greater than $37.04, the closing price of the stock on January 18, 2005. Unvested options to purchase approximately 4.5 million shares became exercisable as a result of the vesting acceleration. Typically, the Company grants stock options that vest equally over a five-year period. The purpose of the accelerated vesting was to enable the Company to avoid recognizing in its income statement, compensation expense associated with these options in future periods, upon adoption of SFAS 123R (Share-Based Payment) in July 2005. The pretax charge to the income statement that will be avoided for fiscal 2006 onwards amounts to approximately $75 million over the course of the original vesting period, of which $36 million would have occurred in fiscal 2006. The accumulated effect of the acceleration from January 18, 2005 onwards caused proforma stock-based compensation expense to increase for the three-month period ended April 3, 2005 over the corresponding period in fiscal 2004 by approximately $88 million pretax, ($55 million net of tax) which had a significant one-time impact on the quarterly proforma stock-based compensation expense disclosed in the chart below.

Had expense been recognized for stock options granted with a grant price equal to the current fair market value of the stock at the date of grant 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:

	Three Months Ended		Nine Months Ended	
	April 3, 2005	March 28, 2004	April 3, 2005	March 28, 2004
Net income, as reported	$ 121,633	$ 85,549	$ 327,927	$ 229,355
Add: Stock based employee compensation expense included in reported net income, net of related tax effects	4,929	--	10,613	--
Deduct: Total stock-based compensation expense determined under the fair value method, net of tax	(78,693)	(19,238)	(124,800)	(56,800)
Pro forma net income	$ 47,869	$ 66,311	$ 213,740	$ 172,555
Earning per share:				
Basic-as reported	$ 0.39	$ 0.27	$ 1.07	$ 0.73
Basic-pro forma	$ 0.16	$ 0.21	$ 0.69	$ 0.55
Diluted-as reported	$ 0.39	$ 0.27	$ 1.04	$ 0.71
Diluted-pro forma	$ 0.15	$ 0.21	$ 0.68	$ 0.53

5. Accumulated Other Comprehensive Income

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

	Three Months Ended		Nine Months Ended	
	April 3, 2005	March 28, 2004	April 3, 2005	March 28, 2004
Net income	$ 121,633	$ 85,549	327,927	$ 229,355
Increase (decrease) in unrealized gains and losses on available-for-sale securities	(2,731)	123	(849)	(3,875)
Total comprehensive income	$ 118,902	$ 85,672	$ 327,078	$ 225,480

6. 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.

7. Recent Accounting Pronouncements

In October 2004, the Financial Accounting Standards Board (FASB) released FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 ("Jobs Act")" which provides guidance under FASB Statement No. 109, "Accounting for Income Taxes," with respect to recording the potential impact of the repatriation provisions of the Jobs Act on enterprises' income tax expense and deferred tax liability. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying FASB Statement No. 109. The Company has not yet completed evaluating the impact of the repatriation provisions. Accordingly, as provided for in FSP No. 109-2, the Company has not adjusted its tax expense or deferred tax liability to reflect the effect of the repatriation provisions of the Jobs Act.

In December 2004, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standard 123 (SFAS 123R), "Share-Based Payment." SFAS 123R addresses the requirements that an entity measure the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the award. The cost of such award will be recognized over the period during which an employee is required to provide services in exchange for the award. The Company will be required to adopt this Statement during the first quarter of fiscal year 2006.

As permitted by SFAS 123, the Company currently accounts for share-based payments by applying the accounting provisions of APB 25's intrinsic value method and, as such, the Company generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R's fair value method will have a significant impact on the Company's results of operations due to the amortization of the outstanding unvested share-based awards through their vesting period, although it will have no added impact on its overall financial position. The financial impact in future periods will depend on the level of share-based awards granted in the future. However, had the Company adopted SFAS 123R in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro-forma net income and earnings per share in Note 4.

Item 2. 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 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. The Company arrives at the estimate for newly released parts by analyzing sales and customer backlog against ending inventory on hand. The Company reviews the assumptions on a quarterly basis and makes decisions with regard to the reserve based on the current business climate. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required that could adversely affect operating results. If actual market conditions are more favorable, the Company may have higher gross margins when products are sold. Sales to date of such products have not had a significant impact on gross margin. In addition to writedowns based on newly introduced parts, statistical and judgmental assessments are calculated for the remaining inventory based on salability, obsolescence, historical experience and current business conditions.

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 generally 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 has reserves to cover expected product returns. If product returns for a particular fiscal period exceed or are below expectations, the Company may determine that additional or less sales return allowances are required to properly reflect its estimated exposure for product returns. Generally, changes to sales return allowances have not had a significant impact on operating margin.

Results of Operations

The table below states the income statement items for the three and nine months ended April 3, 2005 and March 28, 2004 as a percentage of total revenue and provides the percentage change in absolute dollars of such items comparing the interim periods ended April 3, 2005 to the corresponding periods from the prior fiscal year:

	Three Months Ended			Nine Months Ended		
	April 3, 2005	March 28, 2004	Increase/ (Decrease)	April 3, 2005	March 28, 2004	Increase/ (Decrease)
Total revenue	100.0%	100.0%	39%	100.0%	100.0%	39%
Cost of sales	19.5	22.8	19	20.8	23.3	25
Gross profit	80.5	77.2	45	79.2	76.7	44
Expenses:						
Research and development	12.4	12.7	35	12.5	13.3	30
Selling, general and administrative	11.0	9.8	57	10.3	10.1	42
	23.4	22.5	44	22.8	23.4	35
Operating income	57.1	54.7	45	56.4	53.3	48
Interest income, net	2.7	2.9	27	2.6	3.5	3
Income before income taxes	59.8%	57.6%	44	59.0%	56.8%	45
Effective tax rates	30.0%	29.0%		30.0%	29.0%	

Net sales for the quarter ended April 3, 2005 were $250.7 million, an increase of $41.6 million or 20% over net sales of $209.1 million for the same quarter of the previous fiscal year. The increase in net sales was primarily due to the Company selling more units into a wide variety of end-markets in response to improving overall demand. The average selling price for the third quarter of fiscal 2005 was unchanged at $1.41 per unit as compared to the third quarter of fiscal 2004. Geographically, international sales were $178.9 million or 71% of net sales, an increase of $35.8 million as compared to international sales of $143.1 million or 69% of net sales for the same period in fiscal 2004. Internationally, sales to Rest of the World (ROW), which is primarily Asia excluding Japan, represented $106.4 million or 42% of net sales, while sales to Europe and Japan were $40.9 million or 16% of net sales and $31.6 million or 13% of net sales, respectively. Domestic sales were $71.8 million or 29% of net sales in the third quarter of fiscal 2005 compared to $66.0 million or 31% of net sales in the same period in fiscal 2004.

During the third quarter of fiscal 2005 the Company entered into a long-term royalty agreement that accounted for $40.0 million of total revenues for the quarter. During the ordinary course of business it is customary for technology companies to enter into such agreements. The $40.0 million represents past royalties under terms of a settlement and license agreement with another company. The Company expects to earn future royalties, which are dependent on sales of licensed products, quarterly from July 2005 through June 2013. Such ongoing quarterly royalty revenue is not expected to be material to each individual quarter's total revenue.

Net sales for the nine months ended April 3, 2005 were $753.9 million, an increase of $184.7 million or 32% over net sales of $569.2 million for the same period of the previous fiscal year. The increase in net sales for the nine-month period was due to similar factors as the three-month period discussed above. The average selling price for the first nine-month period of fiscal 2005 was relatively unchanged at $1.41 per unit as compared to $1.40 per unit in the same period of fiscal 2004. Geographically, international sales were $546.8 million or 73% of net sales for the first nine-month period of fiscal 2005, an increase of $147.0 million as compared to international sales of $399.8 million or 70% of net sales for the same period in fiscal 2004. Internationally, sales to ROW, represented $315.6 million or 42% of net sales, while sales to Europe and Japan were $128.1 million or 17% of net sales and $103.1 million or 14% of net sales, respectively. Domestic sales were $207.1 million or 27% of net sales in the first nine-month period of fiscal 2005 compared to $169.4 million or 30% of net sales in the same period in fiscal 2004. The decline in the percentage of domestic sales and the related increase in the percentage of international sales primarily results from the Company's domestic customers shifting more of their manufacturing operations overseas.

The Company ends every fiscal quarter on the Sunday nearest calendar month-end. Roughly, every five years the Company has a 53-week rather than a 52-week fiscal year. Fiscal 2005 is a 53-week year with the additional week falling in the three-month period ending January 2, 2005. Accordingly, the extra week will affect the results for the nine-month period ending April 3, 2005 and not the three-month period ending April 3, 2005. For the nine months ended April 3, 2005, the

extra week had a minimal effect on revenue. The extra week resulted in slightly higher compensation costs in the Research and Development and Selling, General and Administrative lines of the Income Statement. The increase in compensation costs for Cost of Goods Sold was largely offset by lower per unit manufacturing costs resulting from an extra week of production volume. The Company received a benefit from the extra week in Interest Income because it accrued an extra week of interest income from its cash investment balance.

Gross profit was $234.1 million and $628.6 million for the third quarter and first nine-month period of fiscal 2005, an increase of $72.6 million and $192.1 million, respectively, from the corresponding periods of fiscal 2004. Gross profit as a percentage of total revenue increased to 80.5% of total revenue in the third quarter of fiscal 2005 as compared to 77.2% of net sales for the same period in the previous fiscal year. Gross profit as a percentage of total revenue increased to 79.2% of total revenue for the first nine-month period of fiscal 2005 as compared to 76.7% of net sales for the same period of the previous fiscal year. The increases in gross profit as a percentage of total revenue for the three and nine-month periods were primarily due to the addition of royalty revenue in the third quarter of fiscal 2005 as explained above. 2.2 % of the 3.3% improvement in gross profit was related to the royalty, net of associated expenses. The remaining 1.1% improvement was due to the favorable effect of fixed costs allocated across higher production volumes in support of higher net sales. The royalty revenue recognized during the third quarter of fiscal 2005 had associated costs: legal expenses were charged to R&D and SG&A; increased profit sharing related to the royalty was charged to Costs of Goods Sold, R&D, and SG&A.

Research and development ("R&D") expenses for the quarter ended April 3, 2005 were $36.0 million, an increase of $9.4 million or 35% over R&D expenses of $26.6 million for the same period in the previous fiscal year. The increase in R&D was primarily due to a $6.6 million increase in compensation costs. Compensation related to increased headcount, and annual merit increases totaled $1.4 million; compensation expense related to restricted stock grants totaled $1.8 million; and, since the Company had better operating results, R&D profit sharing grew $2.7 million. The related employer taxes and other fringe costs on these increases was $0.7 million. In addition to compensation costs, the Company had a $2.8 million increase in other R&D related expenses primarily related to third party technology licenses and legal fees related to patent litigation.

Research and development expenses for the nine-month period ended April 3, 2005 were $99.0 million, an increase of $23.0 million or 30% over R&D expenses of $76.0 million for the same period in the previous fiscal year. The increase in R&D was primarily due to a $19.1 million increase in compensation costs. The increase in compensation expense related to the extra week of labor, increased headcount and annual merit increases totaled $5.3 million; the increase in compensation expense related to restricted stock grants totaled $5.1 million; and since the Company had better operating results, R&D profit sharing grew $7.1 million. The related employer taxes and other fringe costs on these increases was $1.5 million. In addition to compensation costs, the Company had a $4.0 million increase in R&D related expenses such as third party technology licenses, legal fees, supplies, mask costs and test wafers.

Selling, general and administrative expenses ("SG&A") for the quarter ended April 3, 2005 were $32.2 million, an increase of $11.6 million or 57% over SG&A expenses of $20.6 million for the same period in the previous fiscal year. The increase in SG&A was primarily due to a $7.4 million increase in compensation costs. Compensation related to increased headcount and annual merit increases totaled $0.7 million; compensation expense related to restricted stock grants totaled $4.5 million; and, since the Company had better operating results, SG&A profit sharing grew $2.0 million. The related employer taxes and other fringe costs on these increases was $0.2 million. In addition to compensation costs, the Company had a $3.9 million increase in legal expenses and a $0.3 million increase in other expenses such as advertising and travel costs.

Selling, general and administrative expenses for the nine-month period ended April 3, 2005 were $81.6 million, an increase of $24.2 million or 42% over SG&A expenses of $57.4 million for the same period in the previous fiscal year. The increase in SG&A was primarily due to a $17.1 million increase in compensation costs. Compensation related to the extra week of labor, increased headcount and annual merit increases totaled $3.2 million; compensation expense related to restricted stock grants totaled $7.9 million; and, since the Company had better operating results, SG&A profit sharing grew $5.2 million. The related employer taxes and other fringe costs on these increases was $0.8 million. In addition to compensation costs, the Company had a $3.9 million increase in legal expenses and a $3.2 million increase in expenses related to advertising, increases in foreign sales office costs resulting from the weakening of the dollar, commissions for the Company's independent sales representatives and travel costs.

Interest income, net was $7.8 million and $20.5 million for the third quarter and first nine-month period of fiscal 2005, an increase of $1.7 million and an increase of $0.6 million, respectively, from the corresponding periods of fiscal 2004. The increase for the three-month period is primarily due to an increase in the average interest rate earned on the Company's investment balance and an increase in the Company's average cash balance. The increase for the nine-month period is primarily due to the increase in interest income earned on the increase of the Company's average cash balance and

due to the extra week of accrued interest income; these increases were offset by the decrease in the average interest rate earned on the Company's cash balance.

The Company's effective tax rate was 30% for the third quarter and first nine-month period of fiscal 2005. The Company anticipates that its effective tax rate for fiscal 2005 will be 30%. The increase in the effective tax rate from 29% to 30% for fiscal 2005 results primarily from the diminishing percentage that tax-exempt interest income is of total taxable income.

Factors Affecting Future Operating Results

Except for historical information contained herein, the matters set forth in this Form 10-Q, 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, the timely introduction of new processes and products, general conditions in the world economy and financial markets and other factors described below and in the Company's 10-K for the fiscal year ended June 27, 2004.

In the third quarter of fiscal 2005 the Company reported a 39% and 42% increase in revenue and profits, respectively, over the similar quarter in the previous fiscal year. Net product sales for the quarter ended April 3, 2005 were similar to sales in the December quarter, thereby meeting the Company's expectations. In addition, the Company's current quarters results were enhanced by $40.0 million in royalty revenue derived from the long-term royalty agreement. Going forward it continues to be a challenging environment in which to forecast upcoming results. Inventory appears to be in balance throughout the various user channels. However, many customers are cautious given the general concerns in the macroeconomic environment due in part to rising interest rates and rising oil prices. Bookings were steady throughout last quarter and grew slightly over the previous quarter. In the upcoming quarter the Company expects demand to be relatively stable with product bookings increasing slightly over the just completed quarter. Additional royalty revenue under the royalty agreement does not commence until the September quarter. However, the Company expects sequential product revenues in the June quarter to increase 2% to 3% over the quarter just ended. Consequently, the Company expects total revenue to be in the range of $255 to 258 million.

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 April 3, 2005, cash, cash equivalents and short-term investments totaled $1,737.1 million, and working capital was $1,793.9 million.

Accounts receivable totaled $112.5 million at the end of the third quarter of fiscal 2005, an increase of $33.4 million from the end of the fourth quarter of fiscal 2004. The increase is primarily due to higher shipments and days sales outstanding increased from a historic low of 30 days at the end of the fourth quarter of fiscal 2004 to 41 days at the end of the third quarter of fiscal 2005. The Company's prepaid and other current asset balance increased $41.7 million primarily due to the royalty receivable related to the long-term royalty agreement signed during the third quarter of fiscal 2005. Accrued payroll benefits decreased $8.0 million due to the Company paying profit sharing during the third quarter. The

Company accrues for profit sharing on a quarterly basis while distributing payouts to employees on a semi-annual basis during the first and third quarters.

During the first nine months of fiscal 2005, the Company generated $324.4 million of cash from operating activities and $58.1 million in proceeds from common stock issued under employee stock plans.

During the first nine months of fiscal 2005, significant cash expenditures included the repurchase of approximately 4.5 million shares of common stock for $167.1 million, $105.4 million from net purchases of short-term investments, payments of $80.9 million in cash dividends, and purchases of $48.7 million of capital assets. In April, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share. The $0.10 per share dividend will be paid during the June quarter of fiscal 2005. The payment of future dividends will be based on quarterly financial performance.

As of April 3, 2005 the Company had no off-balance sheet financing arrangements.

Historically, the Company has satisfied its liquidity needs through cash generated from operations. 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For additional quantitative and qualitative disclosures about market risk affecting the Company, see item 7A of the Company's Form 10-K for the fiscal year ended June 27, 2004. There have been no material changes in the market risk affecting the Company since the filing of the Company's Form 10-K for fiscal 2004. At April 3, 2005, the Company's cash and cash equivalents consisted primarily of bank deposits, commercial paper and money market funds. The Company's short-term investments consisted of municipal bonds, federal agency bonds, commercial paper, and related securities. The Company did not hold any derivative financial instruments. The Company's interest income is sensitive to changes in the general level of interest rates. In this regard, changes in interest rates can affect the interest earned on cash and cash equivalents and short-term investments.

The Company's sales outside the United States are transacted in U.S. dollars; accordingly the Company's sales are not impacted by foreign currency rate changes. Fluctuations in foreign currency exchange rates have caused the Company's foreign sales offices and manufacturing locations to have higher operating expenses; however, they have not had a material impact on the results of operations.

Item 4. 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 Quarterly Report on Form 10-Q. 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 control over financial reporting that occurred during the third quarter of fiscal 2005 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

c) Stock Repurchases

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (1)**
Month #1 (January 3, 2005 – January 30, 2005)	1,500,000	$ 37.70	1,500,000	7,158,952
Month #2 (January 31, 2005 – February 27, 2005)	32,770	$ 37.74	32,770	7,126,182
Month #3 (February 28, 2005 – April 3, 2005)	--	--	--	--
Total	1,532,770	$ 37.70	1,532,770	7,126,182

(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 common stock in the open market over the subsequent two-year period.

Item 6. Exhibits

a) Exhibits:

Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certifications 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINEAR TECHNOLOGY CORPORATION

DATE: May 13, 2005

BY /s/Paul Coghlan

Paul Coghlan
Vice President, Finance &
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Lothar Maier certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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) 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: May 13, 2005

/s/ Lothar Maier.
Lothar Maier
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Paul Coghlan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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) 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: May 13, 2005

/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, Lothar Maier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Linear Technology Corporation on Form 10-Q for the third quarter ended April 3, 2005 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 Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Linear Technology Corporation.

By: /s/ Lothar Maier
Name: Lothar Maier
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 Quarterly Report of Linear Technology Corporation on Form 10-Q for the third quarter ended April 3, 2005 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 Quarterly Report on Form 10-Q 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