

Financial overview

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Financial objectives

Grow revenue faster than our markets

Grow earnings per share faster than revenue

Use capital efficiently

Profitability goals:

- 55% gross margin
- 30% operating margin
- Led by growth in analog and embedded processing

Delivering results

Grow revenue faster than our markets

- Gained share in analog and DSP for last six consecutive years
- Lost revenue share in wireless handsets in 2007
- Investing R&D for future growth, especially in analog

Grow earnings per share faster than revenue

- EPS grew faster than revenue for last five consecutive years
- Margin expansion, share repurchases

Use capital efficiently

- Expanding return on invested capital (ROIC)
 - 2007 ROIC: 25.1%, up 360 BPS
- Generating consistent, robust cash
 - 2007 cash flow from operations: >\$4B
- Returning cash to shareholders
 - \$16.6B of repurchases and dividends over last 14 quarters

Expand profitability

- 2007 gross margin: 53.0%, up 210 BPS
- 2007 operating margin: 25.3%, up 170 BPS

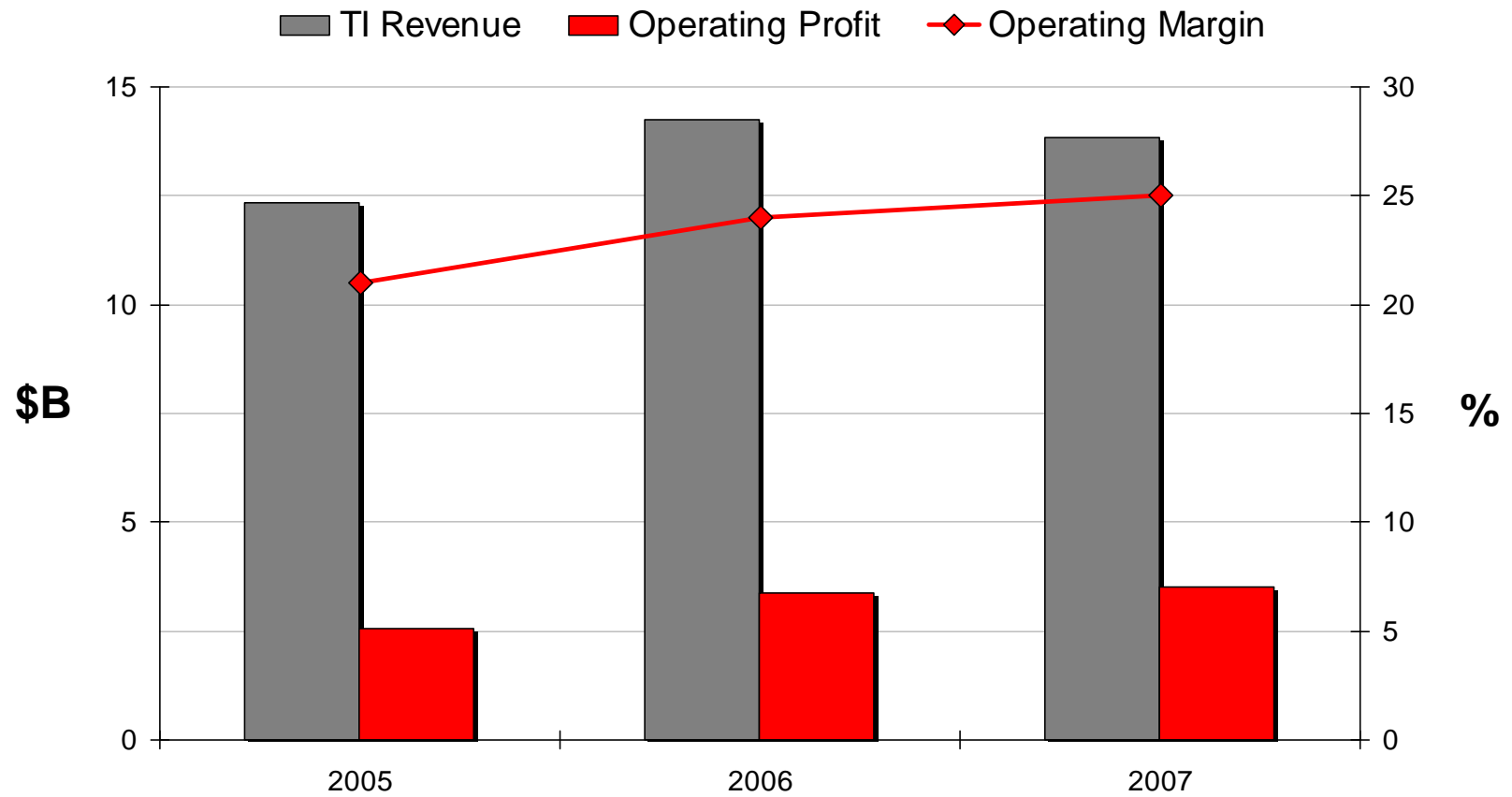
Except as noted, financial results in this presentation are for continuing operations and exclude the divested Sensors & Controls business

Consistently better results

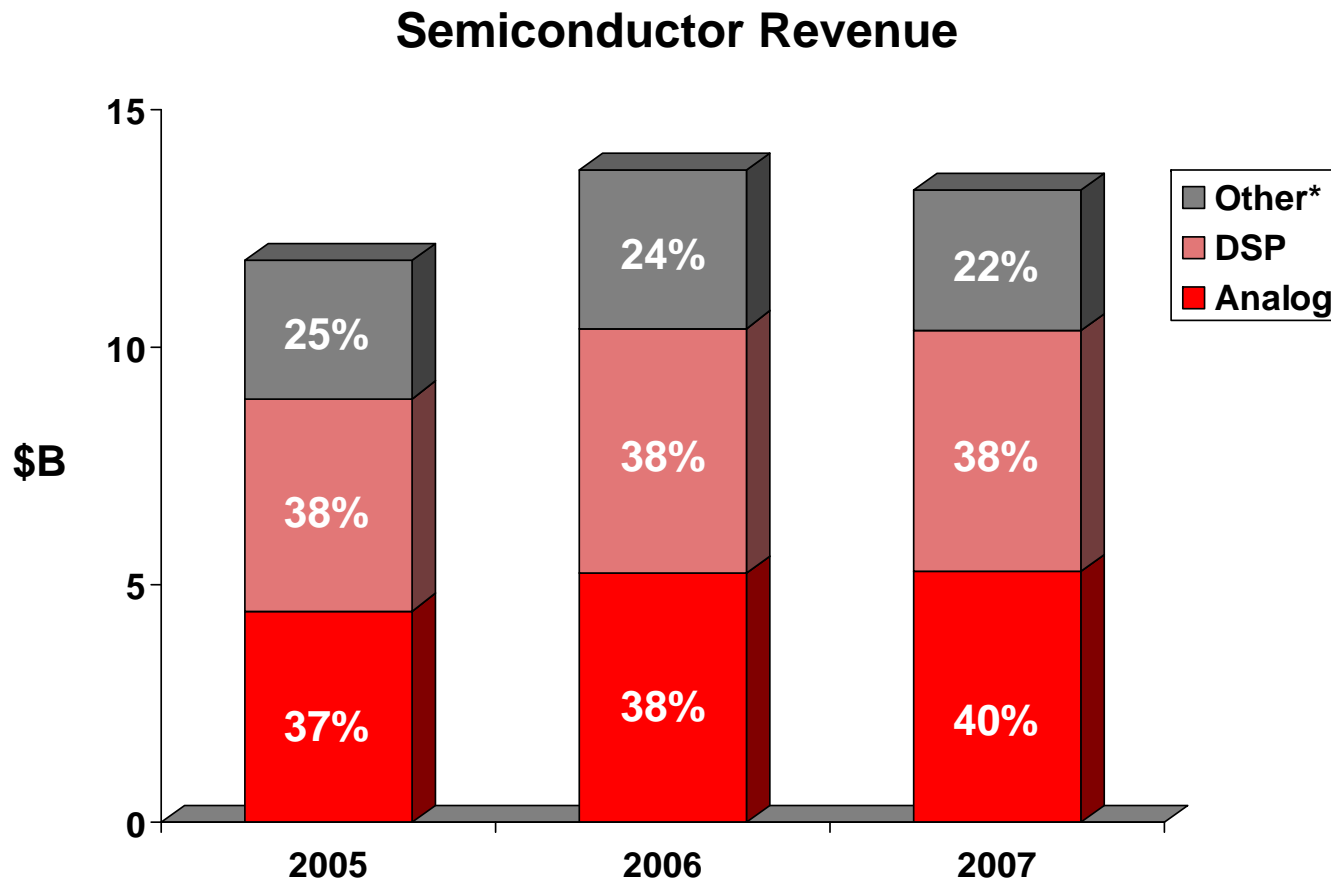
	<u>2005</u>	<u>2007</u>	<u>Change</u>
Revenue	\$12.3B	\$13.8B	6% CAGR
Gross margin	49%	53%	400 BPS
R&D % of revenue	16%	16%	
SG&A % of revenue	12%	12%	
Operating profit	\$2.6B	\$3.5B	17% CAGR
Operating margin	21%	25%	400 BPS
Earnings per share	\$1.30	\$1.84	19% CAGR
Cash flow from operations	\$3.6B	\$4.4B	
Return on invested capital*	16%	25%	900 BPS

* ROIC = (net operating profit after tax) divided by (assets minus non-debt liabilities)

Expanding profit and profitability



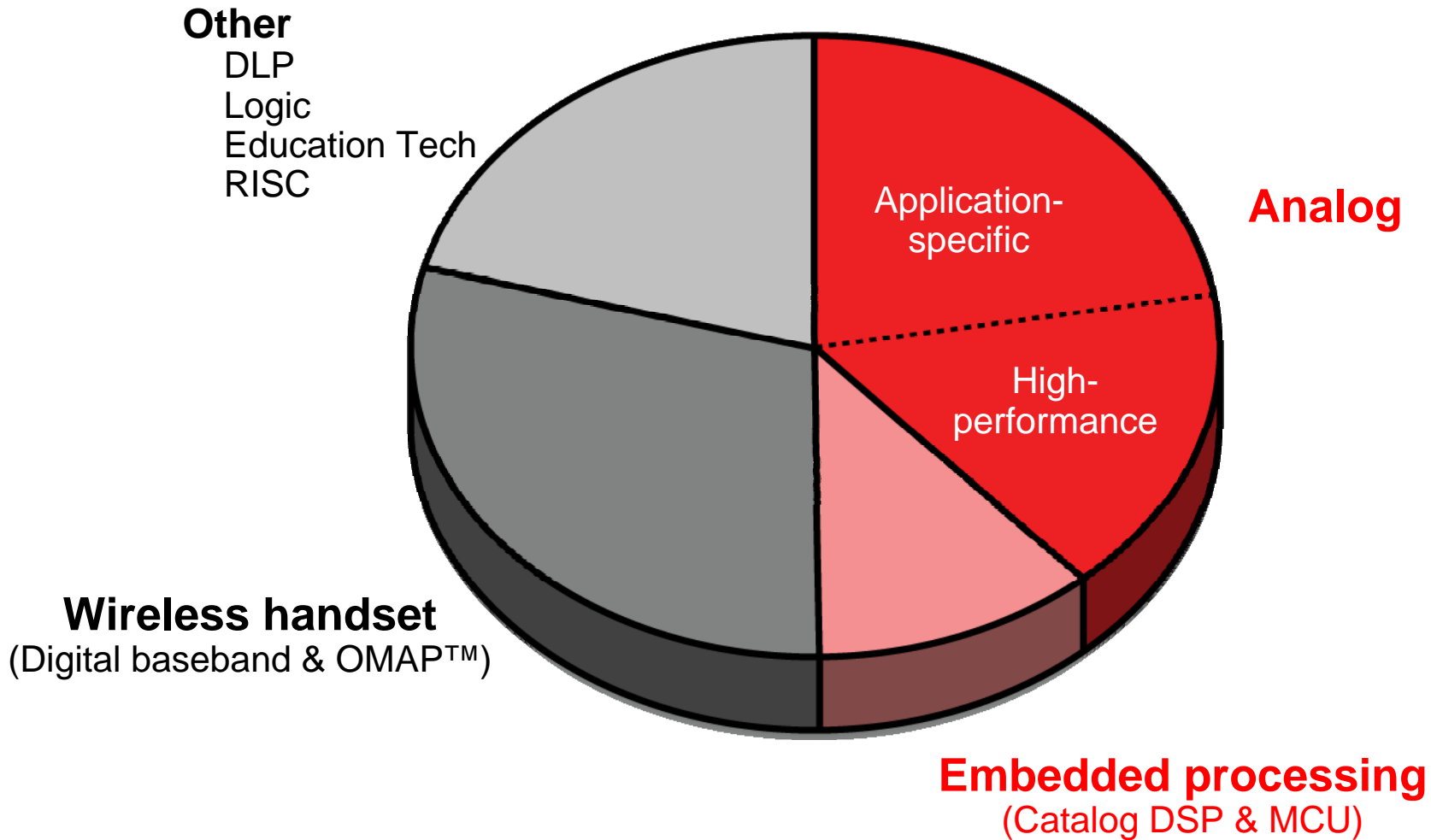
Analog is becoming more important



* Includes: DLP®, microcontroller, RISC, standard logic products

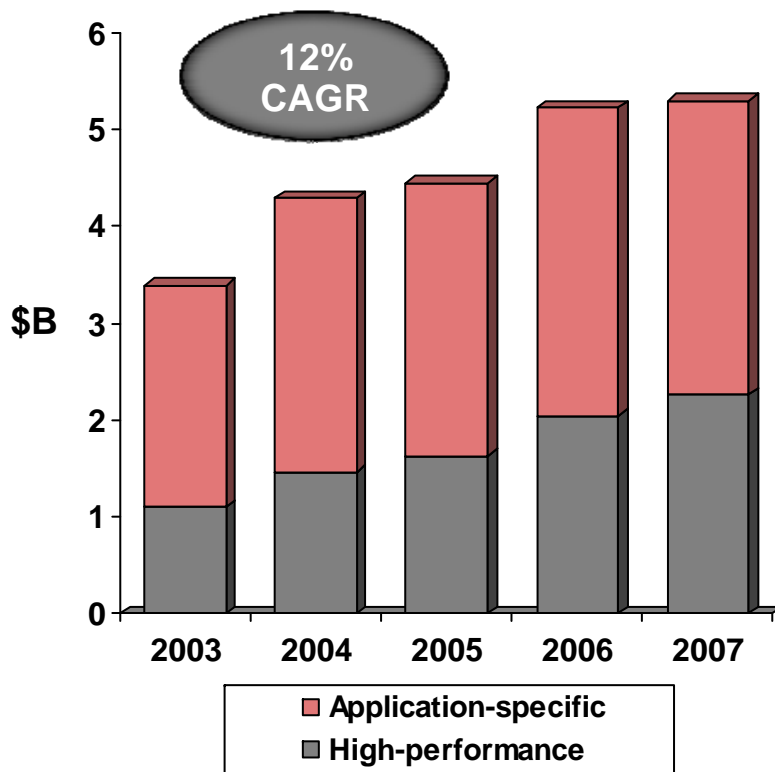
Focusing on analog and embedded processing

2007 Revenue

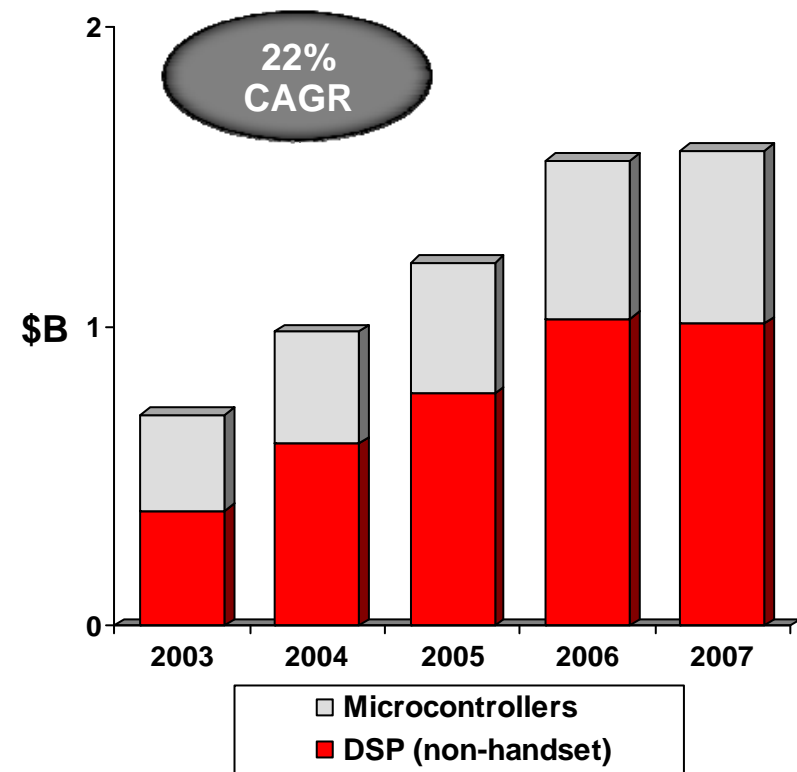


Analog and embedded processing to drive growth

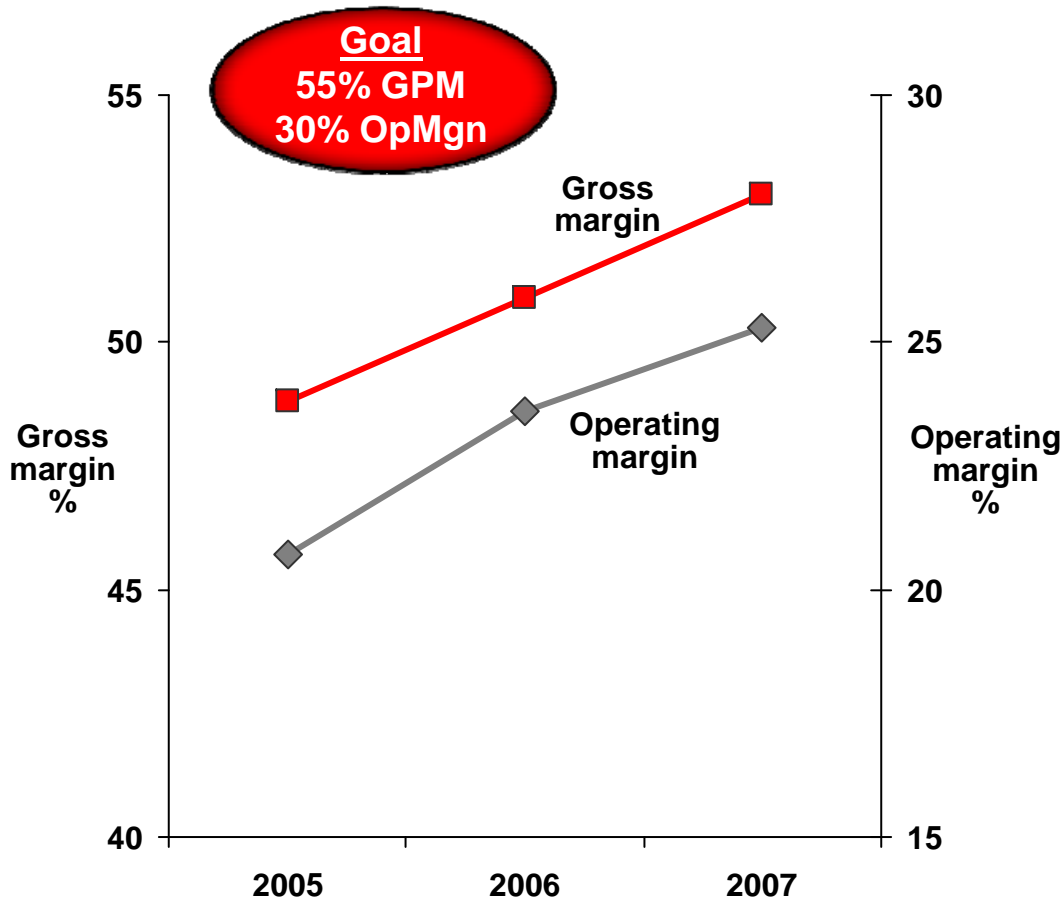
Analog



Embedded Processing Revenue



Moving towards profitability goals



Stock option expensing implemented July 2005
(1.4% of 2005 revenue, 2.3% in 2006, 2.0% in 2007)

What we've done

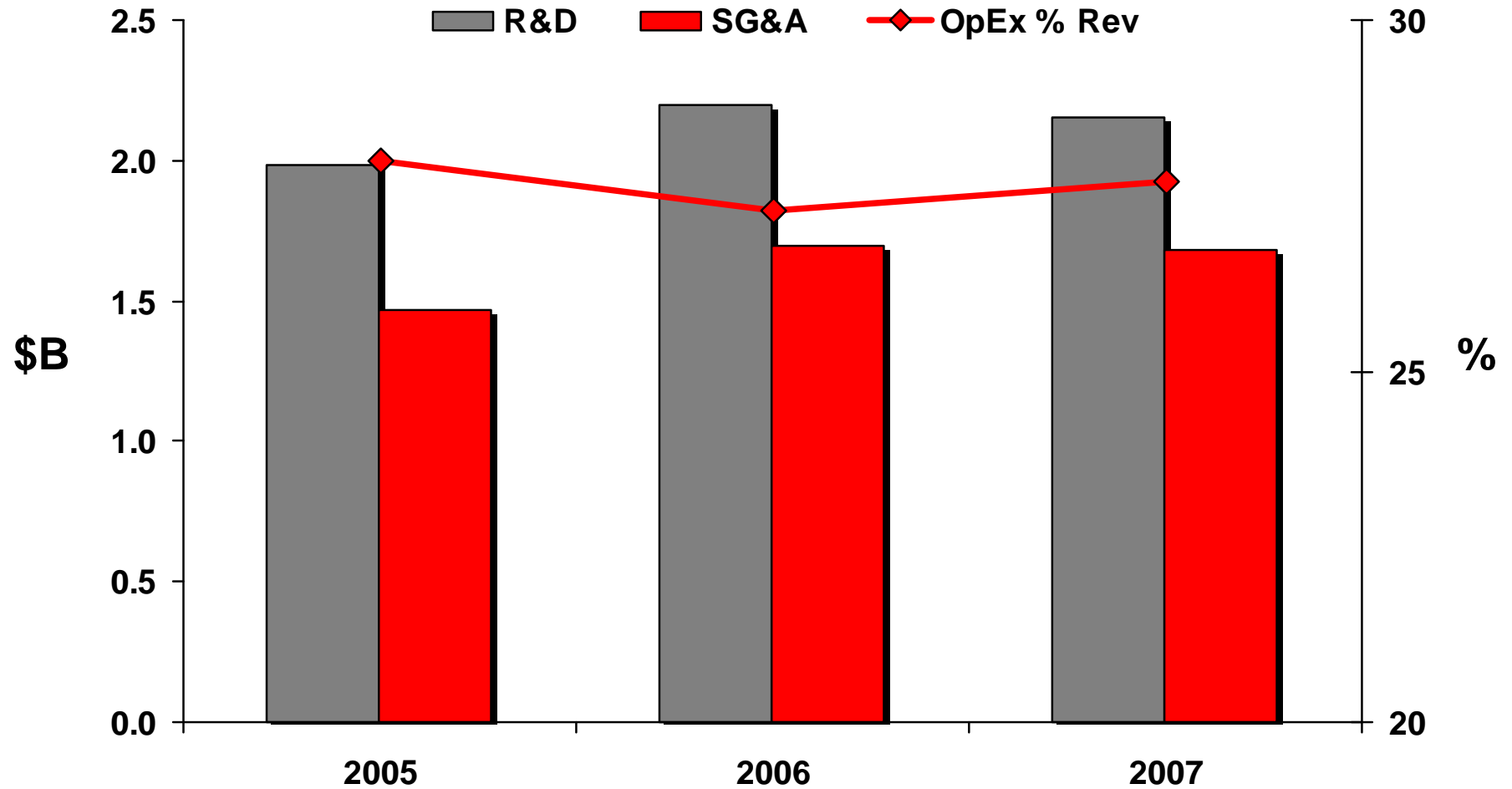
- Higher quality product portfolio
- Manufacturing strategy
 - Digital outsourcing
 - Analog capacity and capability
- Execution
 - Shifted R&D to analog
 - Increased sales force

What we need to do

- Grow revenue
- Accelerate analog within portfolio
- Maintain spending discipline

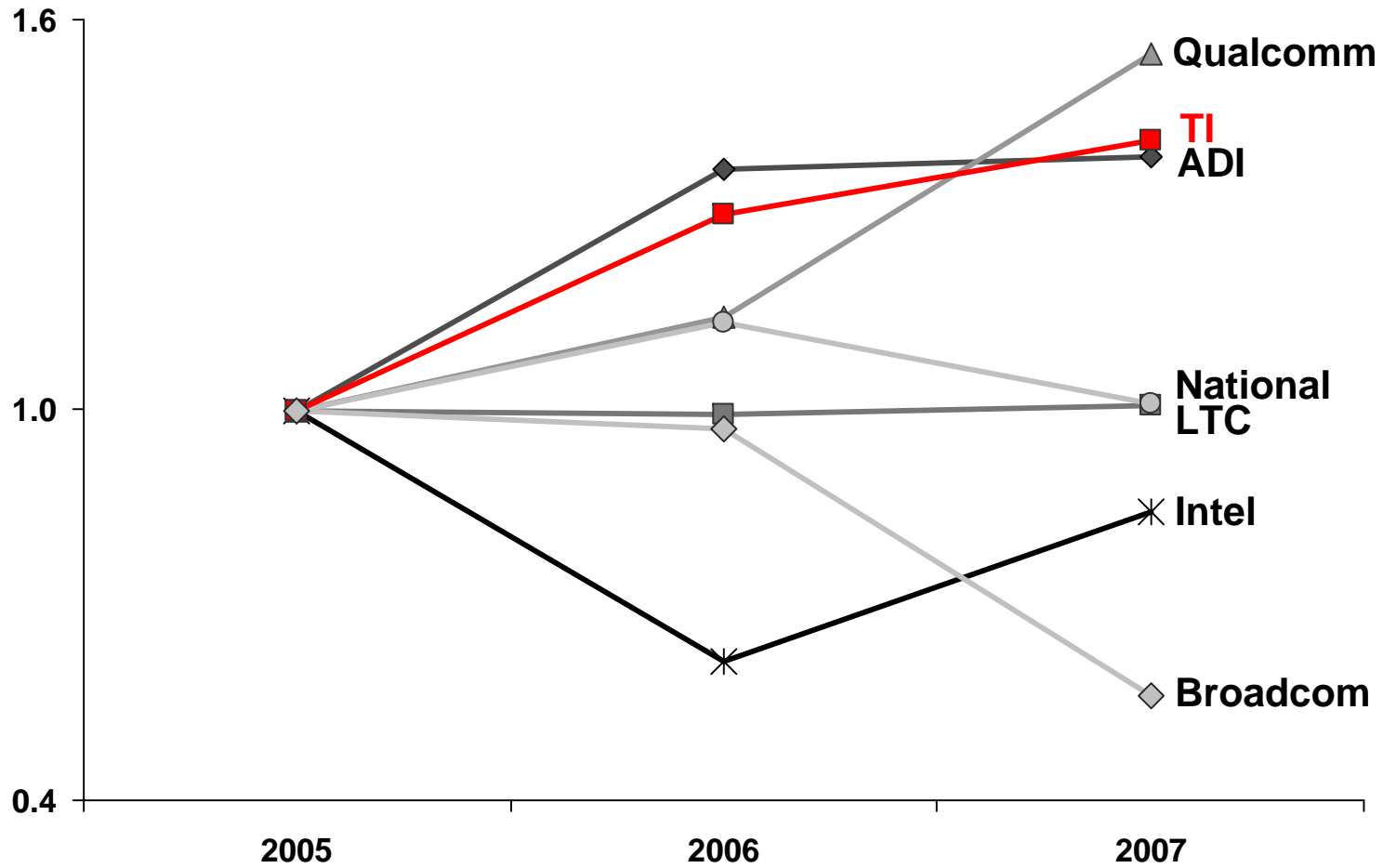
Stable operating expenses

Targeted R&D, sales and marketing investments

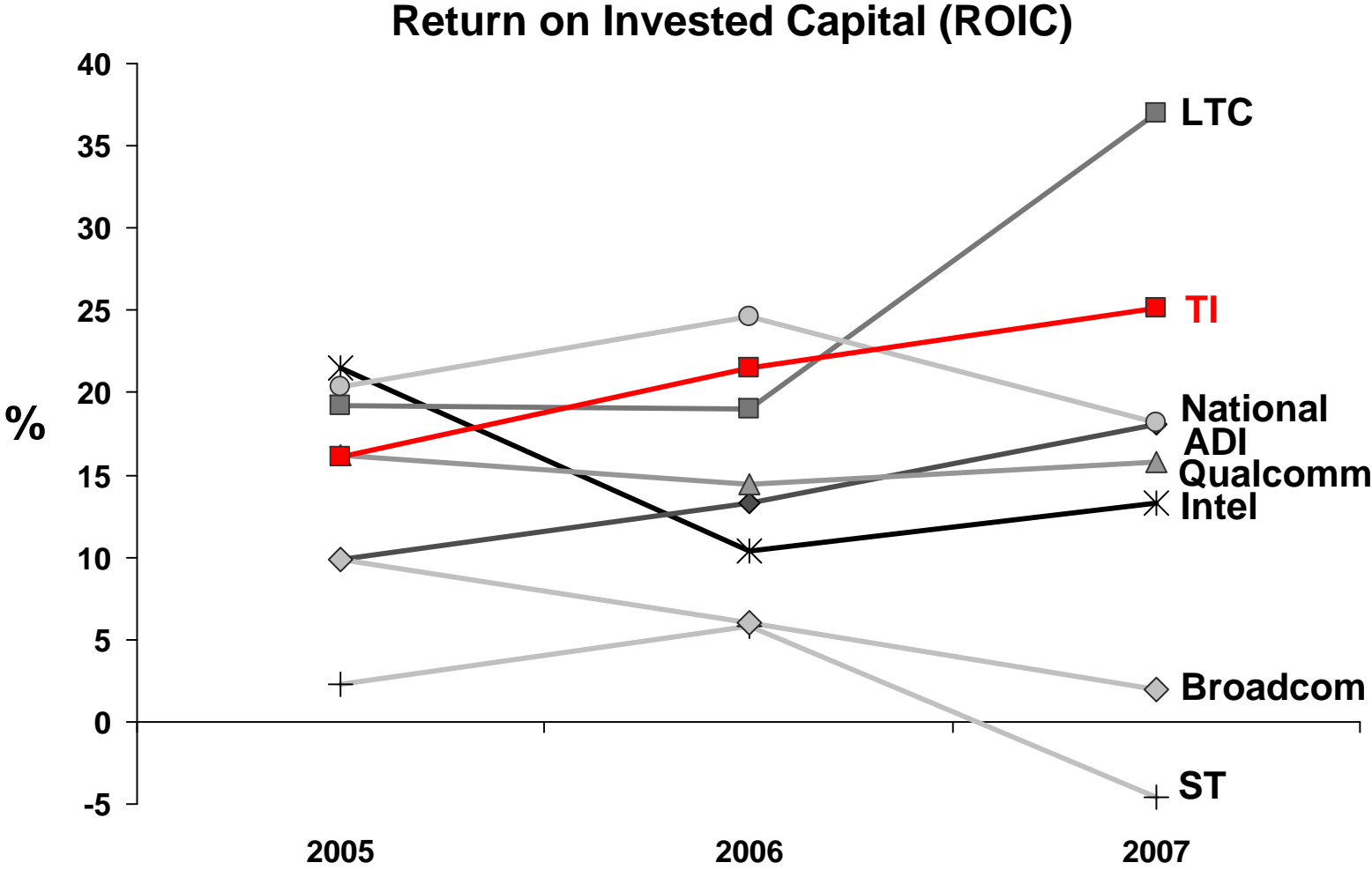


Growing earnings

Earnings Per Share (normalized)



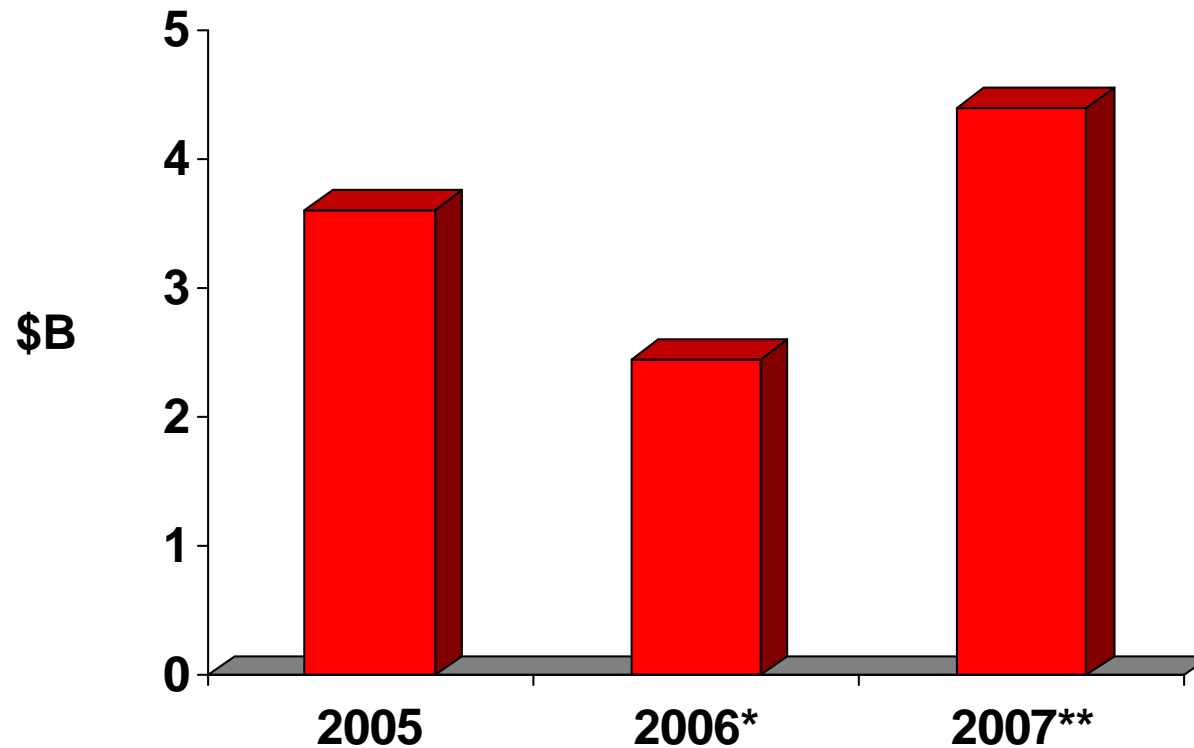
Steadily expanding returns



ROIC = (net operating profit after tax) divided by (assets minus non-debt liabilities)



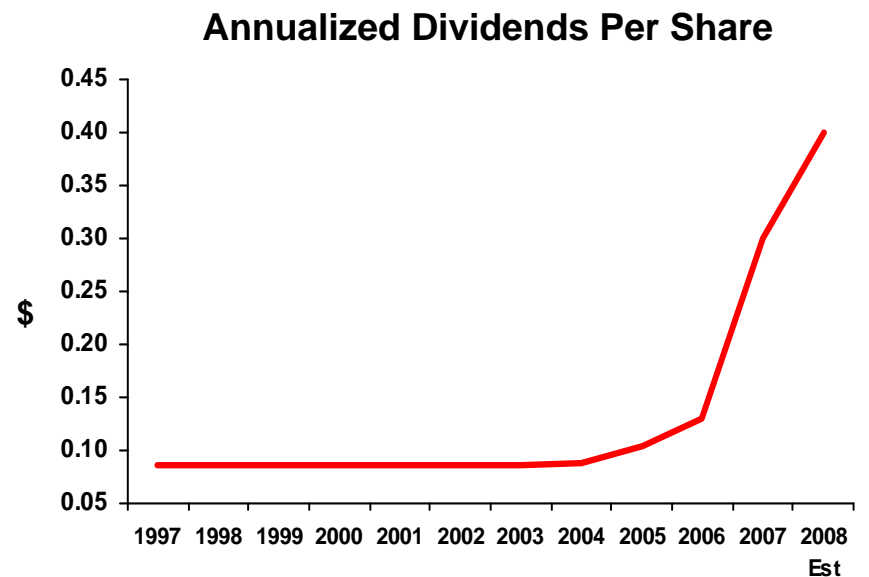
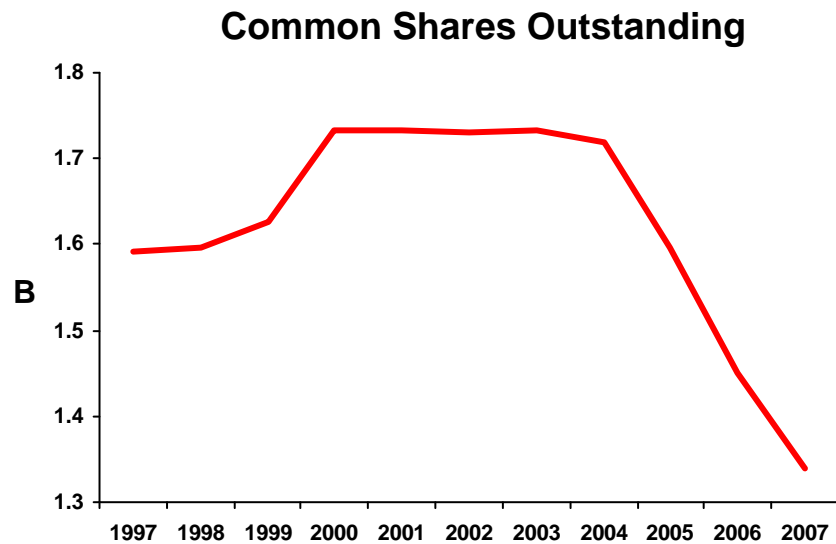
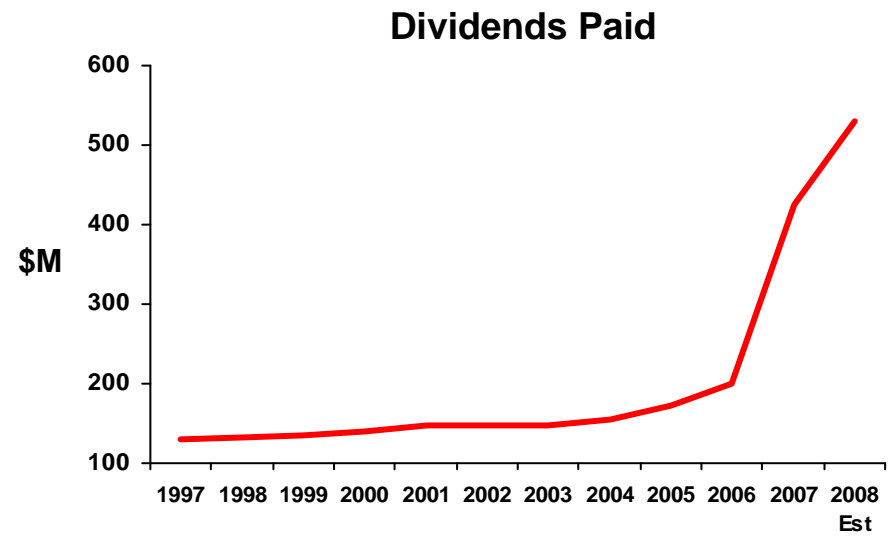
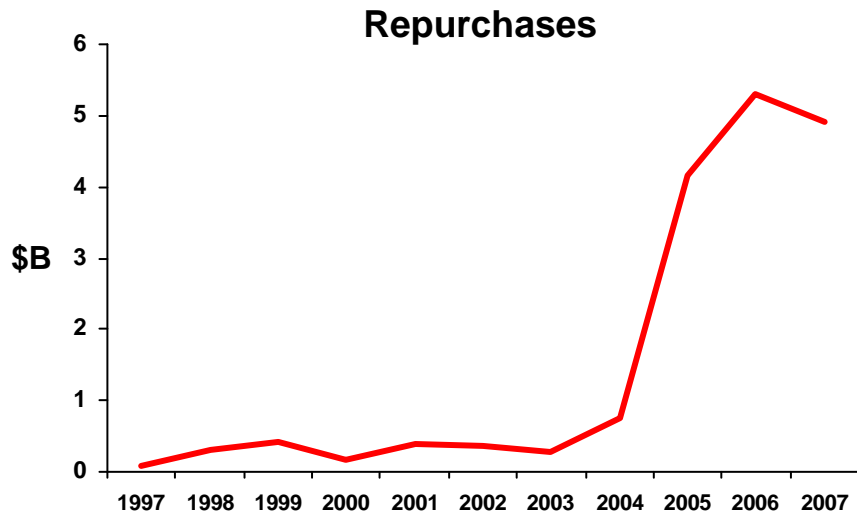
Record cash flow from operations



* Includes approximately \$750M in income tax payments on the sale of the former Sensors and Controls business

** Includes approximately \$400M tax refund and interest settlement for prior years

Returning cash to shareholders



Making delivery a strategic advantage

- Customers for catalog products demand “off-the-shelf” availability
- We are adapting to changes in channel dynamics
 - Consignment inventory for large customers
 - Lower levels carried by distributors
- More assembly/test capacity reduces time between die bank and finished goods

Summary

- Positioned to accelerate revenue growth
 - Analog
 - Embedded processing
- On track to profitability goals
- Higher profitability and capital efficiency drive stronger cash flow and ROIC
- Continuing to return cash to shareholders