

TI Alumni Assn. "Big Event"
November 15, 2007
Terri West Remarks

Event Theme: "Back to the Future"

Introduction – Time Capsule Opening

Good afternoon, and thank you for inviting me to speak at this year's Big Event. It's a great pleasure for me to be here at Southfork Ranch, and I hope everyone is having as much fun as I am.

It has also been an honor to help take out items from the time capsule we buried at the old Austin facility. The new owners were kind enough to return it to us – along with our dirty laundry.

Talk about memory lane: That capsule really takes me back.

For your trivia buffs, here are some interesting facts on the Austin facility that our staff came up with:

- There were more than 27 miles of utility pipe and 90 miles of phone wiring. We used a lot of water, but we spent even more time on the phone.
- The deer population was 39. About 20 of them were analog engineers.
- The vending machine dispensed an average 2,750 cups of coffee and 1,820 cans of soda each day! Yes, we were an alert staff.
- And there was 1 million square feet of space.

We've come a long way since we sealed up that time capsule. But it's still interesting to see what one generation thinks the next generation will find of interest.

It's also important sometimes to take a look back and reflect on where we've been and what we've accomplished – and then to look ahead and decide what we should carry with us and what we should leave behind.

Some skeptics would say that the whole time capsule exercise is irrelevant, that a technology company that holds on to its past in any way is doomed. And if the past were simply a timeline of new product introductions, the skeptics might be right. But a company's history is more than what it has invented, what it made and what it sold. It is also its culture and its contributions, its values and its people.

That's certainly true of Texas Instruments. When we look at the company we are today, we can see the company we were a generation ago. We still maintain a commitment to quality, innovation, and integrity, as well as a passion for solving tough problems.

It is the legacy you folks have given us. And it is the foundation that TI is built on, one that has seen us through many successes and many challenges. It is also the engine that continues to drive this company forward and enables us to touch lives and shape the future.

As you know, for the past few years, we've concentrated on profitable growth and sustainability. We've worked to get our financial house in order – to focus our core technologies on the best opportunities in the best markets, and work to deliver consistently stronger profits. We've evolved our product portfolio, divested businesses and operations that didn't support our core businesses of analog and DSP, and acquired several that enabled us to better serve our customers. We've filled out our signal chain capabilities and built the broadest chip portfolio in the market. And today, we are the leading producer in both analog and DSP semiconductors.

But now it's time to build on this foundation – to raise the bar and demand even more of ourselves. We have to continue to strengthen our product line, to grow and be

profitable. But we need to do more. We need to be more innovative, more focused on helping our customers solve critical problems, and more curious in seeking out new applications and new market opportunities.

In many ways, as we move forward, you will see the same TI that you helped to build: a company that cares deeply about its employees, its customers, and the communities in which we live and work. Those things won't change. In fact, they will be among the strengths that help us succeed.

State of the Company

In the next few minutes I'd like to talk to you about growth: where we're going and how we want to get there. But first I'd like to tell you about some exciting things that happened over the last year -- things that should make us all feel confident that, even at 75-plus years old, TI still has enormous potential.

As you all know, we've made fundamental and sustainable long-term changes to the company. And in 2007, those changes had a real impact on our business. Despite a downturn that began in the second half of last year, the company performed well, thanks to a stronger portfolio of analog products, and the benefits we're achieving from our manufacturing strategy. And we've continued that momentum. In the last two quarters, we've increased gross margins, and in the third quarter we set a record for operating margin – 27.6 percent of revenue.

Our return on investment capital has been trending upward during the past few years, from 11.4 percent in 2004 to 26.6 percent for the third quarter of this year.

This kind of financial strength has enabled us to increase our dividend by almost 5 times in the last 3 years, including the latest increase announced in September. At the same time, we have authorized \$20 billion in stock repurchases in an effort to strengthen our share value and deliver greater returns to our shareholders.

Of course, none of this happened by itself. TI invested over \$2 billion in research and development last year, about 15% of revenue. This high level of investment allowed us to expand our product offerings in both analog and DSP, and continue to help our customers develop new applications in areas like video, automotive systems, and communications.

From industrial equipment to consumer electronics to medical devices -- our broad expertise enables us to better understand our customers' needs and to help them take on a wide range of challenges across the board.

Strengthening Our Portfolio

As I mentioned, we've taken active steps to strengthen our product portfolio over the past few years, continuing to focus our energies on analog and DSP. In early 2006, we announced the sale of our Sensors & Controls business. And within our Semiconductor business, we've continued to evolve our portfolio, focusing on opportunities that provide us with greater growth opportunities.

As we've moved out of some product areas, we've also made some key acquisitions -- such as Chipcon, a leader in the design of short-range, low-power radio frequency devices. Chipcon gives us a big leg up in wireless applications, from remote controls to monitoring systems.

In August, we acquired Integrated Circuit Designs, which specializes in integrated circuits for wireless applications. And just last month, we acquired PowerPrecise Solutions, which allows us to accelerate our development of power management for a wide range of consumer and industrial applications.

We're also strengthening our ability to serve customers around the world by expanding our sales and support network. We have increased the number of TI field application

engineers across the globe and have opened new offices, building a greater TI presence in growing markets, such as China, India, Russia and Eastern Europe.

Other Achievements

We have had other successes as well. For the sixth year in a row, Fortune Magazine selected TI as one of the “100 Best Places to Work in America.” The publication also ranked us #1 on its list of most admired companies in the semiconductor industry.

One reason is that we are always working to lay a foundation for our future. We do by investing in new products, new markets, and new engineering talent. Let me give you a few examples.

In R&D, we continue to develop partnerships that help us break new ground and explore new technologies. This year, we announced our investment of \$30 million to help create the Southwest Academy of Nanoelectronics along with the University of Texas, the Nanoelectronics Research Corporation, and the State of Texas.

We’ve also been busy in the area of education. In March, the Texas Instruments Foundation presented the University of North Texas Dallas Campus with a \$1.1 million grant to establish the TI math Scholars program. The aim here is to help develop the next generation of innovators.

In April, TI named the prestigious India Institute of Science in Bangalore as a TI Leadership University, the first one outside the US. And last month, we expanded the program to include three universities in China. These fine schools join MIT, Georgia Tech, and Rice in this program.

On the manufacturing front, we have expanded our foundry relationships, giving us greater flexibility in responding to customer demand. We also refocused our process technology efforts to work more closely with our foundry partners and make better use

of our process R&D dollars. Moreover, we announced a major expansion of our semiconductor operations in the Philippines. The new facility will be the most environmentally efficient assembly and test site in the world, and when it begins production in 2008, it will double our capacity there.

The TI Strategy

All in all, we believe our strategic direction is the best it's ever been. But most of you have been around long enough to know what happens when we get satisfied with the status quo. That's why we're not going to rest on our accomplishments – impressive as they are. Instead, we're going to build on what we have done, and we're going to do more.

We're going to grow, and to do that, we'll focus on four major elements – markets, products, customers and new opportunities.

Regarding markets, we are going to take the worldwide reputation we have for digital signal processing and analog to establish larger footprints in fast-growing areas. These include medical, automotive systems, safety and security, communications and entertainment.

One key product area that spans all of these markets is video. The potential for video is just starting to take off. In fact, video is becoming as important as voice in creating and sharing data. Video won't be just in your cell phone, but also in your car, your doctor's office and even your home plumbing system. And TI's complete video offerings – from capture to processing to display – position us well for this exceptional opportunity.

Speaking of the doctor's office, we want to help customers use electronics innovation to revolutionize the health care around the world. In the next decade, we believe that semiconductor technologies can dramatically improve the quality of people's lives by making health care less expensive, less invasive, and more accessible to a greater number of people.

Analog Transition

We will also continue to push the envelope in analog innovation, both in terms of new products and new applications. Looking ahead, we believe analog is going to become the financial engine of Texas Instruments. And to understand why, just consider the following:

Every electronics manufacturer in the world is a potential analog customer. And for every digital signal processor in an electronic system, there are approximately 10 analog components. That's an enormous market, and as the world's leading analog supplier, TI is in the best position to capture it. But it gets better.

Even though we're the world leader, our share of the market is still low – only about 13%. So, there's a huge upside potential.

Additionally, we have the largest analog sales and support team in our industry. We can offer customers local support in their local language, as well as broad-based system knowledge and the best analog engineers in the world. In fact, our sales and support network is one of our strongest competitive advantages.

Add to these aspects our parallel capabilities in digital signal processing, and we are faced with a unique growth opportunity.

Of course, we can't take success for granted. We have some exceptional products out there – power management solutions, our family of DSPs that offer high performance and greater efficiency, our OMAP applications processor, and our low-power MSP430 – but we have to keep improving on them and finding new applications. That's why we've made focusing on the best products a major element of the TI strategy.

Focus on Customers

The third element of our strategy is the customer – making the customer the center of everything we do. As we learned some years ago, our success is based on their success. If we listen to our customers and zero in on *their* problems, then we can deliver the solutions they need to succeed. In the long run, by focusing on delivering what they want when they want it, we will earn their trust and build a deep and loyal customer base.

In fact, customer focus is the key to our overall strategy. We have to be there for them – from design to execution – from analog to digital and back to analog again. It's this holistic approach that sets us apart. And to make sure that we are literally there for them, we are going to continue to invest in our sales and support network, adding new offices in growing markets and increasing our ability to provide the right support for every customer: large, small, and everything in between.

The final element of our strategy is to uncover new opportunities. I've given you some idea of where we see them. Some of the more promising areas around the world are in medical, consumer electronics and industrial. But we really need to be open-minded. The digital revolution has shown us, time and again, that the most amazing innovation is ahead of us, beyond what we can see. We can't even begin to imagine today how TI products are going to be used tomorrow, how they're going to power the next revolution.

So how will we know where to go? By asking.

We touch tens of thousands of customers in every region of the globe, working in a vast array of applications. We have enormous access to the future. And we get a glimpse of new opportunities every time we sit down with a customer.

Tiers are a curious bunch. We've got to feed that curiosity and inspire our people to look beyond their daily routines to ask our customers, "What problem are you trying to solve?" And then we have to bring that information back to TI and start building a new solution.

This is the biggest challenge we face: pushing ourselves to take risks and invest in new ideas. Yes, we do it – we’ve always done it. But we have to do more. And the only way it’s going to happen is if every manager at every corner of TI encourages and rewards people who pursue new opportunities that make a difference to our customers. And I’m absolutely committed to working with our leadership team to make that happen.

Enduring Values

I’ve talked a lot about change today – about the growing role of analog and finding new opportunities for growth. But I’d like to close by talking about what doesn’t change – our enduring values.

These include how we deal with our customers, how we treat our employees, and how we interact with the communities in which we live and work.

That’s where you folks come in. You’ve helped sustain and grow this company through your tremendous efforts while you were on the job. And you’ve enabled us to balance business objectives with social responsibilities – to make our impact on the environment and our communities part of our decision-making process.

But we still need your help. We need you to be our ambassadors outside of the business world – to communicate our values of integrity and corporate responsibility, of support for education at all levels.

Many of you are doing excellent work through organizations such as Senior Source and Habitat for Humanity. And for that you have my deepest thanks.

But I would say, never underestimate the power you hold to strengthen the reputation of this company in the community. And I include myself in that statement. We have to

challenge ourselves to do more – to continue the good work of retirees by engaging in multiple volunteer efforts. And to participate in joint volunteer projects with other Tlers.

The reason for this is pretty straightforward. As we move into our new era of growth, we really are going “back to the future,” back to our roots as a great company that transforms not only the way we think about business and technology. But also the way we think about our contributions to this planet.

That’s where you alumni can help us – by providing a constant reminder that we’re not just building a company. We’re also enhancing life’s experience. It’s the legacy you’ve given us, and it’s the legacy we have to live up to.

Thanks again for inviting me. I’ve really enjoyed celebrating the Big Event with you, and it’s always a pleasure to visit with fellow Tlers.