

Annual Meeting of Stockholders
Texas Instruments Incorporated
April 25, 2019

Prepared remarks by
Rich Templeton, chairman, president and CEO

For years, in fact for decades, Texas Instruments has been led with an overarching belief that our products and technologies can help make the world a better place. We have operated the company with three thoughts in mind:

1. We will act like owners who will own the company for 100 years or more.
2. We will adapt and succeed in a world that is ever changing.
3. We will be a company that we are personally proud to be a part of and we would want as our neighbor.

Constantly striving to build the company stronger leads to success for our shareholders, our employees, and the communities within which we operate. While our lines of business and technologies have evolved over the decades, our pursuit of this ambition has been steadfast and continues today

Best products, best markets

We have a very clear view of how we will build TI stronger. We are focused on analog and embedded products and the industrial and automotive markets because they are the best products and the best markets. We've centered our investments in these areas, and in 2018 we continued to make progress:

- Analog and Embedded made up 91% of our revenue in 2018, up from 79% in 2013.
- Industrial and automotive made up 56% of our revenue in 2018, up from 42% in 2013.

We believe analog and embedded processing are the best products for several reasons. They are pervasive technologies, which means we have something to help any customer designing with electronics. They also have wonderful attributes such as long product life cycles, diversity of markets and customers, and low capital-intensive manufacturing.

While we see good opportunities in all the markets we serve, we believe that industrial and automotive will be the primary growth drivers in our industry, and at TI, over the next decade or more. The basis of this belief is that semiconductor content in each industrial and automotive system is growing. Most of us are familiar with the growing electronic content in our own cars. Entertainment systems, back up cameras, adaptive cruise control or lane changing indicators are just a few examples. Ten years ago the average semiconductor content per vehicle was about \$250, and today the semiconductor content is about \$400 per vehicle. During that period, semiconductor content per vehicle has been growing at 5% per year, and that trend will continue as the number of electric vehicles increases and as more autonomous driving and safety features are added to vehicles.

The potential in the industrial market is even greater compared to automotive, as industrial is larger, more diverse and still in its infancy of chip adoption. Industrial applications are broad ranging – from grid infrastructure, to motors, to power delivery, to medical electronics, to factory automation, building automation and more. As each of these systems becomes smarter, safer, more connected and more efficient, they require semiconductors, specifically analog and embedded chips.

As a result, the unit growth of our customers' products is compounded by the growing semiconductor content inside of them. This is the heart of the semiconductor content growth opportunity we refer to, and why we expect industrial and automotive to outperform the overall semiconductor market and be our primary growth engines in the coming years.

Sustainable competitive advantages

Our business model is the result of strategic decisions and investments made over the years and includes a unique set of four competitive advantages. In combination, these competitive advantages provide tangible benefits, create long-term value for our owners and are difficult for others to replicate. The four competitive advantages are:

1. Manufacturing and technology.
2. A broad portfolio of analog and embedded products.
3. The broadest reach of market channels.
4. The diversity and longevity of our products, markets and customer positions.

Each of these advantages has served TI well.

- Regarding manufacturing and technology: Analog manufacturing on 300-millimeter wafers provides a cost advantage compared to companies building on smaller wafers. In 2018, we produced about 45% of our analog revenue on 300-millimeter, and most of our future analog growth will be on 300-millimeter as well. And, last week we announced the selection of Richardson, Texas, as the site of our next 300-millimeter analog wafer fab.
- A broad product portfolio means we have more parts to meet our customers' needs than our competitors, giving us more access to more customers and more opportunities to solve their problems.
- Our broad market channel reach, composed of both our direct sales and TI.com, gives us access to more customers, more projects and more sockets.
- Finally, we also see strength in diversity and longevity -- whether it's products, markets or customers. We are not singularly dependent on any one customer, market or product. And with life cycles that can be measured in years, or even decades, this translates into a higher return on investment.

We intend to continue to invest to strengthen and leverage these advantages with a view toward the long term.

2018: continued solid performance

2018 marked a year of continued solid performance for our company:

- Top-line revenue was \$15.8 billion, up 6% compared with 2017.
- Gross margin grew to over 65% of sales, while operating margin exceeded 42% of sales.
- We converted 38 cents of every revenue dollar into free cash flow.
- We generated \$6.1 billion of free cash flow and returned \$7.7 billion to our owners through a combination of dividends and stock repurchases.
- And, again this past year we earned recognition for how we conduct business, including being named as one of the World's Most Ethical Companies, a top 100 Best Corporate Citizen and recognized by the Dow Jones Sustainability Index.

I am pleased with the company's strategic, operational and financial progress in 2018. Our work is certainly not done, and I'm even more excited about the opportunities ahead.

We will continue to pursue our belief that our products and technologies can help make the world a better place and that striving to build the company stronger leads to success for our shareholders, our employees and the communities within which we operate.

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