Annual Meeting of Stockholders
Texas Instruments Incorporated

Prepared Remarks
by
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We live in a changing world. Things that 20 years ago seemed like the stuff of science fiction today are commonplace: you can be on a business trip or at a baseball game and remotely alarm your house, or adjust its temperature. You can ask an electronic personal assistant for the day’s weather here in Dallas or in Bangalore, India. You can call up a map and directions on your car’s console to find the closest gas station before you return that rental, or be loudly alerted when you’re about to drift into your neighbor’s lane or nick a fender as you parallel park.

Today, we are surrounded by more intelligent, more personalized, and more connected equipment, most of which are changing our lives for the better by helping us become smarter, healthier, more secure and more efficient. And it’s not just happening in our personal lives. The same things are happening in industry, in commerce, and in agriculture. There is not a sector of the economy that is not touched by technology.

What we do within the hallways of Texas Instruments is create and make the chips that enable most of these technologies to work. We innovate, we experiment and we challenge ourselves to find better solutions. In some areas progress is slow and steady and in others it comes at a breakneck pace. The constant thread is that what we do changes our lives.

A business model focused on Analog and Embedded

At TI, almost everything we do falls under the umbrella of Analog and Embedded Processing semiconductor technologies. In 2016, 86 percent of our revenue came from Analog and Embedded, and we view these technologies as the best markets in the semiconductor industry. Why? Because there is not an electronic device around that doesn’t use analog chips in some fashion, and most use embedded processing. That, combined with their long product life cycles, inherent diversity, and the fact they can be manufactured using mature assets and processes, translates into greater stability, profitability, return on investment, and cash generation for our shareholders.

Strategic elements that differentiate us

Through a series of strategic moves, we’ve carefully constructed ways to ensure that the benefits of our business model are sustainable.

- We support a broad product portfolio so we have more chips for more of the systems our customers build.

- We focus on diversity and longevity by actively pursuing the many vs. the few, whether it’s markets, customers or applications. As a result, we’re not dependent on any one product, one customer or one end market.
• We have our industry’s largest market channels in the size of our global sales force and the breadth of our products on Ti.com, so we connect with more customers than our peers.

• We have a manufacturing and technology advantage because we produce analog chips on 300-millimeter wafers that puts more chips on each wafer and costs 40 percent less than the 200-millimeter wafers predominantly used by our competitors.

Together, these form a unique collection of competitive advantages that have allowed us, over time, to gain market share and grow our free cash flow.

Moreover, because we consistently generate more cash than we need to fund our future, we return our free cash flow to our shareholders. It’s a commitment few companies can match.

We continued to make solid progress in 2016:

• Our revenue grew 3 percent.

• Gross margin and operating margin expanded to almost 62 percent and 36 percent, respectively.

• Free cash flow increased to $4.1 billion, or almost 31 percent of revenue.

• And to shareholders we returned $3.8 billion through a combination of dividends and stock repurchases.

More to do

The results are good. And they can be better.

Industrial and automotive markets still are in their nascent stages of adopting semiconductor technology; increasingly relying on electronics to make cars and industrial equipment more connected, smarter and more efficient. These markets will be the growth engines of our industry over the next decade, and we are investing accordingly. In 2016, 51 percent of our revenue came from these two markets, an increase of 9 percentage points since 2013, but there is room to further increase this.

We’re making Ti.com more robust and user friendly so that TI becomes the first and easiest stop when design engineers search for the best analog and embedded chips for their systems.

We’re looking at ways to increase demand for our products, through more and earlier engagements with customers, both small and large.

Our work will never be done. New needs will require new solutions and new ways of thinking. And no matter our path, we will always adhere to the values and ethics that have been hallmarks of TI since its inception.

We are working to make the world better through our innovations and technologies, and to make our company better for our customers and our shareholders.