Reconciliation of Non-GAAP Financial Measure

Texas Instruments Incorporated

Reconciliation of Non-GAAP Financial Measures

On January 23, 2012, we held a publicly webcast conference call with analysts to discuss our fourth-quarter 2011 and year 2011 business results. During the call we made the non-GAAP references detailed below. We provided these non-GAAP measures to give investors additional insight into TI's underlying business conditions and results without the impact of some quarter-specific charges.

<u>EPS</u>

We referred to earnings per share without the impact of restructuring charges and total acquisition-related charges. We stated that earnings per share were 25 cents on a GAAP basis, or 48 cents when total acquisition-related charges of 16 cents and restructuring charges of 7 cents were excluded. The restructuring charges related to our planned closure of two factory sites in Hiji, Japan, and Houston, Texas, and totaled $112 million in the fourth quarter of 2011.

The acquisition-related charges were associated with our acquisition of National Semiconductor, which was completed on September 23, 2011. These charges were a component of two lines on our income statement in the fourth quarter of 2011. Most of the costs, such as restructuring costs, transaction costs, retention bonuses, and amortization of intangibles, were on the income statement line that we have identified as "Acquisition charges." In the fourth quarter of 2011, we had $153 million of Acquisition charges.

The remaining acquisition-related charges were included in Cost of revenue. Acquisition accounting under U.S. GAAP required that we write up the inventory that we initially acquired as part of the acquisition to fair value and then recognize this expense as part of Cost of revenue as the inventory is sold. In the fourth quarter of 2011, we had $103 million primarily associated with the write-up of inventory in Cost of revenue. This $103 million combined with the $153 million of Acquisition charges resulted in a total of $256 million of acquisition-related charges.

The total acquisition-related charges of $256 million, when tax-effected, would yield approximately $193 million of additional net income. The restructuring charges of $112 million, when tax-effected, would yield approximately $85 million in additional net income. Together, these items would generate an adjustment to net income allocated to our restricted stock units under ASC 260, of approximately $4 million, applied as $3 million and $1 million, respectively.

The table below provides a reconciliation of the non-GAAP item (earnings per share without the impact of restructuring charges and acquisition-related charges) to our fourth-quarter results prepared in accordance with GAAP.

		For Three Months Ended Dec. 31, 2011
TI Earnings per common share as reported (GAAP)		$ 0.25
Adjustment for total acquisition-related charges		
Charges to be added back before tax-effecting	$ 256	
Charges tax-effected	193	
Adjustments to Net income	193	
Less income allocated to RSUs	(3)	
Adjustment Net income	190	
Average shares outstanding (millions) - Diluted	1,155 shares	
Earnings per share adjustments for total acquisition-related charges		$ 0.16
Adjustment for Restructuring charges		
Charges to be added back before tax-effecting	$ 112	
Charges tax effected	85	
Adjustments to Net income	85	
Less income allocated to RSUs	(1)	
Adjustment Net income	84	

Average shares outstanding (millions) - Diluted	1,155 shares		
Earnings per share adjustments for Restructuring charges		$	0.07
TI Earnings per common share as reported (Non-GAAP)		$	0.48

Gross margin

We referred to our gross margin excluding the impact of the acquisition-related inventory write-up of $103 million detailed above and inventory charges of $44 million related to wireless baseband inventory. These amounts, totaling $147 million, were recognized in Cost of revenue in the fourth quarter of 2011.

The table below provides a reconciliation of the non-GAAP item (gross margin excluding the impact of the acquisition-related inventory and inventory charges) to our fourth-quarter results prepared in accordance with GAAP.

	For Three Months Ended Dec. 31, 2011		
	TI as Reported (GAAP)	**Adjustments**	**TI as Adjusted (Non-GAAP)**
Revenue	$ 3,420	--	$ 3,420
Cost of revenue	1,872	(147)	1,725
Gross profit	1,548	147	1,695
Gross margin	45.3%	4.3%	49.6%

Days of inventory

We referred to days of inventory excluding the impact of acquisition costs from Cost of revenue, detailed above. At the end of the quarter, this fair value write-up of $103 million had been fully recognized in the period's Cost of revenue, while the ending inventory balance no longer reflected this inventory. As a result, operating ratios that compare balance sheet amounts to income statement amounts may not be representative of our actual results for the full quarter.

The table below provides a reconciliation of the non-GAAP item (days of inventory excluding the impact of acquisition costs from Cost of revenue) to our fourth-quarter results prepared in accordance with GAAP.

	For Three Months Ended Dec. 31, 2011		
	TI as Reported (GAAP)	**Adjustments**	**TI as Adjusted (Non-GAAP)**
Inventories	$ 1,788	--	$ 1,788
Cost of revenue	1,872	(103)	1,769
Days of inventory	86 days		91 days