

**Prepared Remarks  
2011 Annual Meeting of Stockholders**

***"Delivering our potential"***

**by**

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When TI history is written, 2010 will be remembered as a milestone year. Because after several years of strategic transformation and a promise of what was to come, this was the year we began to deliver on our potential:

- our potential for growth...
- our potential for market share gains...
- and, ultimately, our potential for what a business model like ours can do for our shareholders over the long term.

The results in 2010 are compelling, not only for their absolute numbers, but for how they were delivered. We didn't cherry pick these results. They were solid. They were consistent. And they were across all our businesses.

Let's take a closer look, and like any story, let's start at the beginning.

Back in 2006, when we began this strategic journey in earnest, we were a company in which just over half our revenue came from our core businesses of Analog, Embedded Processing and the part of Wireless then focused only on smartphones. By the end of 2010, that revenue percentage had gone from 52 to 67 percent. Moving forward, it will only get bigger, as we're focusing 90% of our R&D on these core areas. And, of course our recent decision to acquire National Semiconductor, an analog company, will accelerate the strategy even more.

During the four years between 2006 and 2010, we increased investments in areas that we thought would fuel future growth and starved other areas – some of which had been very good to us in the past, but which no longer had growth potential. Dollars were diverted; programs terminated; new opportunities nurtured. And because of this focus, we've taken TI to a new place.

For example, during these years of transformation, we reduced baseband R&D to nearly zero, while investments in our OMAP applications processors and connectivity products grew. Today, the latter represent \$1.3 billion in revenue with great growth opportunity ahead as people integrate smartphones, tablets and other portable devices into their daily lives. Likewise, we tripled the number of microcontroller products over the last three years, and in 2010 alone, we launched nearly 400 new microcontrollers.

Today, our transformation is essentially complete and in 2010, we were able to show solid, strategic results, the most fundamental of which was growth.

- We grew revenue 34 percent at the company level.
- And each of our core businesses grew more than 40 percent:
  - Analog grew 42 percent, with each one of its three product lines contributing;
  - Embedded Processing grew 41 percent as microcontroller growth teamed up with solid DSP growth;
  - And, in Wireless, OMAP and connectivity products were up just over 40 percent.

But not only did we grow, we gained market share. I believe it is long-term share gain that is the true test of whether we're innovating and delivering products that matter to our customers. So I'm pleased to tell you that growth of our core businesses was substantially better – more than 15 percentage points better – than the market average.

- This share gain in our core businesses was not a one-time event in 2010. Since the last economic peak for semiconductors, which occurred in the third quarter of 2008, our core businesses have collectively outgrown the market by 17 percentage points.
- We also gained share in each of our major geographic areas – North America, Europe, Japan, and Asia, including China.

Just two weeks ago, we took an important step in investing for future growth with the announcement of our plans to acquire National Semiconductor. National is a company that, frankly, has declined in revenue in recent years. But it has great people and great products and we believe we can unlock its growth by putting those products into the hands of our large sales force. Ultimately, we believe that not only can we grow National, we can grow it at rates well above the market average, just as we do our own Analog business today. Most telling to our strategy is the fact that when the National transaction closes, Analog alone will become almost half our revenue. We believe that is a very good thing.

But we know results cannot be single-faceted. Good growth must come with good profitability. And on that front, I can say again we delivered in 2010. Our operating profit set a new record of \$4.5 billion, or 32 percent operating margin.

We believe our business model should be able to generate significant cash, so that even after investing for growth, we're able to return substantial amounts directly to our shareholders. In 2010 we delivered.

- We generated \$3.8 billion in cash from operations.
- We repurchased \$2.5 billion of TI stock during the year, reducing our outstanding shares by 6 percent.
- We increased our quarterly dividend rate by 8 percent, the eighth increase in seven years.

Just as our focus is on growth, we're also making sure we've got the manufacturing capacity in place to support that growth. While other companies were shuttering manufacturing plants in the uncertain economic climate of the past couple of years, we were using our strong balance sheet to purchase new capacity at a fraction of its original cost. With discounted purchases, we were able to equip, begin production and generate revenue from the world's first 300-millimeter analog wafer fab in Texas. We opened our first wafer fab in China. And we added a new wafer fab in Japan. In total, these investments will support more than \$5 billion of additional revenue, helping us meet growing customer demand around the world. Importantly, all three of these

new fabs were generating revenue for TI by year end – without overburdening our depreciation rate.

No business is without challenges, and we're currently working through one that has taken a heartbreaking toll on the country and people of Japan. We have three sites that were directly impacted by the earthquake last month. Our Tokyo office was able to resume normal operations within hours, though occasionally interrupted by electrical blackouts. Our factories in Miho and Aizu, in northeastern Japan, were more severely impacted, and wafer production at both was stopped. The damage to equipment and work-in-process was not modest. Indeed, our team in Miho felt it appropriate to adopt the phoenix as their symbol for recovery.

True to form, Tiers went immediately to work to set operations back on a normal course. Within minutes of the earthquake, our employees in Miho and Aizu – who have shown such incredible strength and determination – began to assess the damage and formulate recovery plans. Within 24 hours, teams from other TI sites including Hiji, Dallas and Malaysia were there with helping hands and spare parts, as well as food, water and gasoline.

Within 48 hours, all TI-Japan employees were found to be safe and accounted for – and for that, we are very, very grateful. Within 72 hours, we were able to give our customers and our shareholders insight into the extent of the damage and an estimated recovery schedule. Within 2 weeks we had identified alternate manufacturing sites for more than 80% of the work in process at the time of the quake. And within 3 weeks, Tiers all over the world had donated more than a quarter of a million dollars to the people of Japan to help with earthquake and tsunami relief, and the Texas Instruments Foundation had matched it.

I am very proud to tell you that the initial milestones first set forth in the early hours after the earthquake are being met. Miho is now starting 350 wafers per day and should be back to full strength in mid-July. Aizu returns to full production in the next few days. I've seen many pictures from Miho and Aizu, and while I can't see the faces behind the cleanroom masks of our people in those pictures, I do see the smiling eyes as they celebrate each milestone of recovery.

We've made great progress in Japan, but challenges are still ahead. Aftershocks and electricity are uncertain, and the supply chain for raw materials is dynamic. Yet it is often in times of adversity that the best in people emerges. I have never been more proud to call myself a Tier as I've witnessed what our people have accomplished on an hourly, daily and weekly basis to bring our fabs back to life. The tenacity and resourcefulness of our people in Japan, and the willingness of our employees around the globe to assist and support them, speak volumes about the character of our people. That character, and the values and ethics that form its foundation, serve us well.

I'm pleased that today we have with us about 20 of the Tiers who flew from Dallas to Japan in the early hours after the earthquake, not knowing whether planes could even land at Narita International Airport, to help their fellow Tiers start the recovery. These people are experts in their respective fields, and without question they dropped what they were doing – both professionally and personally – to lend a hand. More than one of them has made it very clear they are here today representing not just themselves, but also their many colleagues, especially those in Japan, who have worked so hard to overcome some very tough obstacles.

I'd like to ask them all to stand.

My thanks to each of you for all you've done. As you know, TI is among the first to re-start production in Japan, and it's your work, alongside our teams in Miho and Aizu, that have made it possible.

It has been a rollercoaster of a year since I last spoke at this meeting: exciting, difficult and satisfying all at the same time. Exciting because of all we've accomplished and the path of growth we've put the company on. Difficult because of the unexpected challenges we've had to address with the earthquake in Japan and its aftermath. Satisfying, because – in all – we've seen the determined spirit of our people and the inherent resiliency of our strategy.

Time has proven the strategic soundness of our focus on Analog and Embedded Processing. These are both large, fragmented markets in which we have strong positions – but in which there is still a lot of room for growth. Both have diverse customers and applications, so we aren't tethered to a single market. Both are pervasive technologies that underpin the electronics of today and, more importantly, are the enablers of the electronics of tomorrow. In fact, you can see in our first-quarter earnings, just announced on Monday, how important our core businesses have become – they now comprise more than 70 percent of our revenue.

As we look toward the rest of 2011, I am particularly excited to complete the acquisition of National Semiconductor and begin to provide our customers with unique solutions from our combined product portfolios. Having recently spent time with the people of National, I can assure you that we share important common interests in our love for analog semiconductors, our commitment to innovation, and in our belief that the only business worth doing is that which is done with the highest of ethical standards.

As you can tell, I believe our future is full of promise. To our shareholders, I want to say thank you for believing in this same future. We have the will to win, and we're committed to delivering you the value you expected when you bought a piece of our company.

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