UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from _____ to _____

Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware	**75-0289970**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
12500 TI Boulevard, P.O. Box 660199, Dallas, Texas	**75266-0199**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: 972-995-3773

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes S No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No S

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No ☐

Insert by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes S No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. S

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer S	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No S

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $27,239,003,249 as of June 30, 2010.

1,172,051,474 (Number of shares of common stock outstanding as of January 31, 2011)

Parts I, II and IV hereof incorporate information by reference to the Registrant's 2010 annual report to stockholders. Part III hereof incorporates information by reference to the Registrant's proxy statement for the 2011 annual meeting of stockholders.

PART I

ITEM 1. Business.

Company Overview

At TI, we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 30 countries. We have four segments: Analog, Embedded Processing, Wireless and Other. We expect Analog and Embedded Processing to be our primary growth engines in the years ahead, and we therefore focus our resources on these segments.

We were the world's fourth largest semiconductor company in 2010 as measured by revenue, according to preliminary estimates from an external source. Additionally, we sell calculators and related products.

Financial information with respect to our segments and our operations outside the United States is contained in the note to the financial statements captioned "Segment and geographic area data" in TI's 2010 annual report to stockholders. It is incorporated herein by reference to such annual report.

Product Information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors come in two basic forms: individual transistors and integrated circuits (generally known as "chips") that combine multiple transistors on a single piece of material to form a complete electronic circuit. Our semiconductors are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. Our portfolio includes products that are integral to almost all electronic equipment.

We sell custom and standard semiconductor products. Custom products are designed for a specific customer for a specific application, are sold only to that customer and are typically sold directly to the customer. The life cycles of custom products are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months. Standard products are designed for use by many customers and/or many applications and are generally sold through both distribution and direct channels. They include both proprietary and commodity products. The life cycles of standard products are generally longer than for custom products.

Additional information regarding each segment's products follows.

Analog

Analog semiconductors change real-world signals – such as sound, temperature, pressure or images – by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales to our Analog segment's more than 80,000 customers generated 43 percent of our revenue in 2010. According to external sources, the worldwide market for analog semiconductors was about $42 billion in 2010. Our Analog segment's revenue in 2010 was about $6 billion, or about 14 percent of this market, the leading position. We believe that we are well positioned to increase our market share over time.

Our Analog product lines are: high-volume analog & logic, high-performance analog and power management.

High-volume analog & logic products: High-volume analog includes products for specific applications, including custom products. The life cycles of our high-volume analog products are generally shorter than those of our high-performance analog products. End markets for high-volume analog products include communications, automotive, computing and many consumer electronics products. Logic and standard linear includes commodity products marketed to many different customers for many different applications.

High-performance analog products: These include standard analog semiconductors, such as amplifiers, data converters and interface semiconductors (our portfolio includes nearly 16,000 products), that we market to many different customers who use them in manufacturing a wide range of products sold in many end markets, including the industrial, communications, computing and consumer electronics markets. High-performance analog products generally have long life cycles, often more than 10 years.

Power management products: These include both standard and custom semiconductors that help customers manage power in any type of electronic system. We design and manufacture power management semiconductors for both portable devices (battery-powered devices, such as handheld consumer electronics, laptop computers and cordless power tools) and line-powered systems (products that require an external electrical source, such as computers, digital TVs, wireless base stations and high-voltage industrial equipment).

Embedded Processing

Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products generated 15 percent of our revenue in 2010. According to external sources, the worldwide market for embedded processors was about $18 billion in 2010. Our Embedded Processing segment's revenue in 2010 was about $2 billion, or about 11 percent of this fragmented market. We believe we are well positioned to increase our market share over time.

An important characteristic of our Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because customers prefer to re-use software from one product generation to the next. We make and sell standard, or catalog, Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless

Growth in the wireless handset market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and to enable the expanding functionality that has made smartphones the fastest growing wireless segment. Smartphones and tablets also use other semiconductors to enable connectivity through means other than the cellular network (such as Bluetooth® devices, WiFi networks, GPS location services and Near Field Communication (NFC)).

We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes, and our Wireless portfolio includes both standard products and custom products. Sales of Wireless products generated about $3 billion, or 21 percent of our revenue, in 2010, with a significant portion of those sales to a single customer.

Our Wireless investments are concentrated on our connectivity products and OMAP applications processors, areas we believe offer significant growth opportunities and which will enable us to take advantage of the increasing demand for more powerful and more functional mobile devices. We no longer invest in development of baseband products (products that allow a cell phone to connect to the cellular network), an area we believe offers far less promising growth prospects. Almost all of our baseband products are sold to a single customer. We expect substantially all of our baseband revenue, which was $1.7 billion in 2010, to cease by the end of 2012.

Other

Our Other segment includes revenue from our smaller semiconductor product lines and from sales of our handheld graphing and scientific calculators. It also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements entered into in connection with acquisitions and divestitures. The semiconductor products in our Other segment include DLP® products (primarily used in projectors to create high-definition images) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment generated about $3 billion, or 21 percent of our revenue, in 2010.

Applications for Our Products

The table below lists the major end markets that use our products and the approximate percentage of our product revenue that the market represents. The chart also lists the most frequent applications and our products used within these key markets.

End Market	Applications	TI Products
Communications (42% of product revenue)	Phones and infrastructure equipment Mobile connectivity solutions (including wireless LAN, global positioning systems, Bluetooth®, NFC) Video conferencing	Analog, Embedded Processing, Wireless, Other
Computing (22% of product revenue)	Printers Hard disk drives Monitors and projectors Notebooks, netbooks, desktop computers and servers Tablet computers	Analog, Embedded Processing, Wireless, Other
Industrial (14% of product revenue)	Digital power controls: Switch mode power supplies Uninterruptible power supplies Motor controls: Heating/ventilation/air conditioning Industrial control motor drives Power tools Printers/copiers Security: Biometrics (fingerprint identification and authentication) Intelligent sensing (smoke and glass-breakage detection)Video analytics (surveillance) Smart metering Test and measurement Point of service/portable data terminals	Analog, Embedded Processing, Other
Consumer Electronics (11% of product revenue)	Digital cameras, gaming and audio/visual equipment Portable and car audio Home appliances Personal navigation devices eBook readers	Analog, Embedded Processing, Wireless, Other
Automotive (8% of product revenue)	Body systems Chassis systems Driver information/telemetrics Entertainment Powertrain Safety systems Security systems	Analog, Embedded Processing, Other
Education (3% of product revenue)	Handheld graphing and scientific calculators Educational software	Other

Market Characteristics

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing processes. Semiconductor prices and manufacturing costs tend to decline over time as manufacturing processes and product life cycles mature. Typically, new chips are produced in limited quantities at first and then ramp to high-volume production over time.

Market cycle

The “semiconductor cycle” is an important concept that refers to the ebb and flow of supply. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. This cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Our semiconductor sales generally are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and other consumer electronics devices, which have stronger sales later in the year as manufacturers prepare for the major holiday selling seasons. Calculator revenue is tied to the U.S. back-to-school season and is therefore at its highest in the second and third quarters. Royalty revenue is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreements.

Competitive landscape

In each segment, we face significant global competition from numerous large and small companies, including both broad-based suppliers and niche suppliers. Our competitors also include emerging companies, particularly in Asia, that sell products into the same markets in which we operate. We believe that competitive performance in the semiconductor market generally depends on several factors, including the breadth of a company’s product line, the strength and depth of the sales network, technological innovation, technical support, customer service, quality, reliability, price and scale.

The primary competitive factors for our Analog products include design proficiency, a diverse product portfolio to meet wide-ranging customer needs, manufacturing process technologies that provide differentiated levels of performance, applications and sales support, and manufacturing expertise. Our primary Analog competitors include Analog Devices, Inc.; Fairchild Semiconductor Corporation; Freescale Semiconductor, Inc.; Infineon Technologies AG; Intersil Corporation; Linear Technology Corporation; Maxim Integrated Products, Inc.; National Semiconductor Corporation; NXP Semiconductors N.V.; Richtek Technology Corporation; and STMicroelectronics NV.

The primary competitive factors for our Embedded Processing products are the ability to design and cost-effectively manufacture products, system-level knowledge about targeted end markets, installed base of software, software expertise, applications and sales support, and a product’s performance and power characteristics. Primary competitors of our Embedded Processing segment include Atmel Corporation; Freescale Semiconductor, Inc.; Marvell Technology Group, Ltd.; Microchip Technology, Inc.; NXP Semiconductors N.V.; Renesas Electronics Corporation; and STMicroelectronics NV.

The primary competitive factors for our Wireless products are the ability to design and cost-effectively manufacture products, system-level knowledge about targeted end markets, software expertise, applications support and a product’s performance and power characteristics. Primary Wireless competitors include Broadcom Corp.; CSR plc; Intel Corporation; Marvell Technology Group, Ltd.; NVIDIA Corporation; QUALCOMM Incorporated; Renesas Electronics Corporation; Samsung LSI; and ST-Ericsson.

Manufacturing

Semiconductor manufacturing begins with a sequence of photo-lithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is tested and the wafer is cut into pieces called chips. Each chip is assembled into a package that then is usually retested. The entire process typically requires between 12 and 18 weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing facilities in North America, Asia and Europe. These include both high-volume wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of capacity, potentially hurting our profit margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by product. Our Analog products and most of our Embedded Processing products can be manufactured using older, less expensive equipment than is needed for manufacturing advanced logic products, such as our Wireless products. Advanced logic wafer manufacturing continually requires new and expensive processes and equipment. In contrast, the processes and equipment required for manufacturing our Analog products and most of our Embedded Processing products do not have this requirement.

In 2010, we continued to expand our analog manufacturing capacity through the acquisitions of wafer fabrication facilities in Japan and China, and the purchase and installation of analog wafer manufacturing equipment. These manufacturing assets were purchased at very cost-effective pricing such that the impact to depreciation resulting from these fixed cost assets will be minimal. In total, the equipment and factories purchased at discounted prices since late 2009 will support more than $5 billion of total additional revenue once fully operational.

To supplement our internal wafer fabrication capacity and maximize our responsiveness to customer demand and return on capital, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. We source about 25 percent of our wafers from external foundries, with the vast majority of this outsourcing being for advanced logic wafers. In 2010, external foundries provided 60 percent of the fabricated wafers for our advanced logic manufacturing needs. We expect the proportion of our advanced logic wafers provided by foundries will increase over time. We expect to maintain sufficient internal wafer fabrication capacity to meet the vast majority of our analog production needs.

In addition to using foundries to supplement our wafer fabrication capacity, we selectively use subcontractors to supplement our assembly/test capacity. We generally use subcontractors for assembly/test of products that would be less cost-efficient to complete in-house (e.g., relatively low-volume products that are unlikely to keep internal equipment fully utilized), or when demand temporarily exceeds our internal capacity. We believe we often have a cost advantage from maintaining internal assembly/test capacity.

Our internal/external manufacturing strategy reduces the level of our required capital expenditures, and thereby reduces our subsequent levels of depreciation below what it would be if we sourced all manufacturing internally. Consequently, we experience less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. Because of the longer product life cycles of standard products and their inherently lower risk of obsolescence, we generally carry more of those products than custom products. Additionally, we sometimes maintain standard-product inventory in unfinished wafer form, as well as higher finished goods inventory of low volume products, allowing greater flexibility in periods of high demand. We also have consignment inventory programs in place for our largest customers and some distributors.

Design Centers

Our design centers provide design, engineering and product application support as well as after-sales customer service. The design centers are strategically located around the world to take advantage of key technical and engineering talent and proximity to key customers.

Customers

Our products are sold to original equipment manufacturers (OEMs), original design manufacturers (ODMs), contract manufacturers and distributors. (An OEM designs and sells products under its own brand that it manufactures in-house or has manufactured by others. An ODM designs and manufactures products for other companies, which then sell those products under their own brand.) Our largest single customer in 2010 was an OEM, the Nokia group of companies. Sales to Nokia were about 19 percent of our revenue in 2010; about two-thirds of the Nokia-related revenue was from baseband products.

Sales and Distribution

We market and sell our semiconductor products through a direct sales force, distributors and authorized third-party sales representatives. We have sales or marketing offices in over 30 countries worldwide and have expanded our sales networks in the emerging markets of China, India and Eastern Europe over the last few years. Distributors located around the world account for about 37 percent of our revenue. Our distributors maintain an inventory of our products and sell directly to a wide range of customers. They also sell products from our competitors. Our distribution network holds a mix of distributor-owned and TI-consigned inventory. Over time, we expect this mix will shift more toward consignment. We sell our calculator products primarily through retailers and instructional dealers.

Acquisitions, Divestitures and Investments

From time to time we consider acquisitions and divestitures that may strengthen or better focus our business portfolio. We also make investments directly or indirectly in private companies. Investments are focused primarily on next-generation technologies and markets strategic to us.

Backlog

We define backlog as of a particular date as firm purchase orders with a customer-requested delivery date within a specified length of time. As customer requirements and industry conditions change, orders may be, under certain circumstances, subject to cancellation or modification of terms such as pricing, quantity or delivery date. Customer order placement practices continually evolve based on customers' individual business needs and capabilities, as well as industry supply and capacity considerations. Accordingly, our backlog at any particular date may not be indicative of revenue for any future period. Our backlog of orders was $1.75 billion at December 31, 2010, and $1.79 billion at December 31, 2009.

Raw Materials

We purchase materials, parts and supplies from a number of suppliers. In some cases we purchase such items from sole source suppliers. The materials, parts and supplies essential to our business are generally available at present, and we believe that such materials, parts and supplies will be available in the foreseeable future.

Intellectual Property

We own many patents, and have many patent applications pending, in the United States and other countries in fields relating to our business. We have developed a strong, broad-based patent portfolio and continually add patents to that portfolio. We also have agreements with numerous companies involving license rights and anticipate that other license agreements may be negotiated in the future. In general, our license agreements have multi-year terms and may be renewed after renegotiation.

Our semiconductor patent portfolio is an ongoing contributor to our revenue. We do not consider our business materially dependent upon any one patent or patent license, although taken as a whole, our rights and the products made and sold under patents and patent licenses are important to our business.

We often participate in industry initiatives to set technical standards. Our competitors may also participate in the same initiatives. Participation in these initiatives may require us to license our patents to other companies.

We own trademarks that are used in the conduct of our business. These trademarks are valuable assets, the most important of which are "Texas Instruments" and our corporate monogram. Other valuable trademarks include OMAP™ and DLP®.

Research and Development

Our primary area of R&D investment is Analog and Embedded Processing products. We conduct most of our R&D internally. However, we also closely engage with a wide range of third parties, including software suppliers, universities and select external industry consortia, and we collaborate with our foundry suppliers on semiconductor manufacturing technology.

From time to time we may terminate R&D projects before completion or decide not to manufacture and sell a developed product. We do not expect that all of our R&D projects will result in products that are ultimately released for sale, or that our projects will contribute significant revenue until at least a few years following completion.

Our R&D expense was $1.57 billion in 2010, compared with $1.48 billion in 2009 and $1.94 billion in 2008. The lower levels of R&D expense in recent years are largely the result of our decision to discontinue R&D for Wireless baseband products.

Executive Officers of the Registrant

The following is an alphabetical list of the names and ages of the executive officers of the company and the positions or offices with the company presently held by each person named:

Name	Age	Position
Stephen A. Anderson	49	Senior Vice President
Brian T. Crutcher	38	Senior Vice President
R. Gregory Delagi	48	Senior Vice President
David K. Heacock	50	Senior Vice President
Joseph F. Hubach	53	Senior Vice President, Secretary and General Counsel
Sami Kiriaki	50	Senior Vice President
Melendy E. Lovett	52	Senior Vice President (President, Education Technology)
Gregg A. Lowe	48	Senior Vice President
Kevin P. March	53	Senior Vice President and Chief Financial Officer
Robert K. Novak	45	Senior Vice President
Kevin J. Ritchie	54	Senior Vice President
John J. Szczsponik, Jr.	50	Senior Vice President
Richard K. Templeton	52	Director; Chairman of the Board; President and Chief Executive Officer
Teresa L. West	50	Senior Vice President
Darla H. Whitaker	45	Senior Vice President

The term of office of the above-listed officers is from the date of their election until their successor shall have been elected and qualified. All executive officers of the company have been employees of the company for more than five years. Mses. Lovett and West and Messrs. Hubach, Lowe, March, Ritchie and Templeton have served as executive officers of the company for more than five years. Ms. Whitaker became an executive officer of the company in 2006. Messrs. Delagi and Heacock became executive officers of the company in 2007. Messrs. Anderson and Novak became executive officers of the company in 2008. Mr. Szczsponik became an executive officer of the company in 2009. Messrs. Crutcher and Kiriaki became executive officers of the company in 2010.

Employees

At December 31, 2010, we had 28,412 employees.

Available Information

Our Internet address is www.ti.com. Information on our web site is not a part of this report. We make available, free of charge, through our investor relations web site our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. Also available through the TI investor relations web site are reports filed by our directors and executive officers on Forms 3, 4 and 5, and amendments to those reports.

Available on our web site at www.ti.com/corporategovernance are: (i) our Corporate Governance Guidelines; (ii) charters for the Audit, Compensation, and Governance and Stockholder Relations Committees of our board of directors; (iii) our Code of Business Conduct; and (iv) our Code of Ethics for TI Chief Executive Officer and Senior Financial Officers. Stockholders may request copies of these documents free of charge by writing to Texas Instruments Incorporated, P.O. Box 660199, MS 8657, Dallas, Texas, 75266-0199, Attention: Investor Relations.

ITEM 1A. Risk Factors.

You should read the following Risk Factors in conjunction with the factors discussed elsewhere in this and other of our filings with the Securities and Exchange Commission (SEC) and in materials incorporated by reference in these filings. These Risk Factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that apply to companies like TI with broad international operations. Like other companies, we are susceptible to macroeconomic downturns in the United States or abroad that may affect the general economic climate and our performance and the performance of our customers. Similarly, the price of our securities is subject to volatility due to fluctuations in general market conditions, actual f inancial results that do not meet our and/or the investment community's expectations, changes in our and/or the investment community's expectations for our future results and other factors, many of which are beyond our control.

Cyclicality in the Semiconductor Market May Affect Our Performance.

Semiconductor products are the principal source of our revenue. The semiconductor market historically has been cyclical and subject to significant and often rapid increases and decreases in product demand. These changes could have adverse effects on our results of operations, and on the market price of our securities. The results of our operations may be adversely affected in the future if demand for our semiconductors decreases or if this market or key end-equipment markets grow at a significantly slower pace than management expects.

Our Margins May Vary over Time.

Our profit margins may be adversely affected in the future by a number of factors, including decreases in our shipment volume, reductions in, or obsolescence of our inventory and shifts in our product mix. In addition, the highly competitive market environment in which we operate might adversely affect pricing for our products. Because we own much of our manufacturing capacity, a significant portion of our operating costs is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of manufacturing capacity, and can adversely affect profit margins as a result.

The Technology Industry Is Characterized by Rapid Technological Change That Requires Us to Develop New Technologies and Products.

Our results of operations depend in part upon our ability to successfully develop, manufacture and market innovative products in a rapidly changing technological environment. We require significant capital to develop new technologies and products to meet changing customer demands that, in turn, may result in shortened product life cycles. Moreover, expenditures for technology and product development are generally made before the commercial viability for such developments can be assured. As a result, there can be no assurance that we will successfully develop and market these new products. There also is no assurance that the products we do develop and market will be well received by customers, nor that we will realize a return on the capital expended to develop such products.

We Face Substantial Competition That Requires Us to Respond Rapidly to Product Development and Pricing Pressures.

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from smaller competitors serving niche markets, and also from emerging companies, particularly in Asia, that sell products into the same markets in which we operate. Certain of our competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

Our Performance Depends in Part on Our Ability to Enforce Our Intellectual Property Rights and to Develop and License New Intellectual Property.

Access to worldwide markets depends in part on the continued strength of our intellectual property portfolio. There can be no assurance that, as our business expands into new areas, we will be able to independently develop the technology, software or know-how necessary to conduct our business or that we can do so without infringing the intellectual property rights of others. To the extent that we have to rely on licensed technology from others, there can be no assurance that we will be able to obtain licenses at all or on terms we consider reasonable. The lack of a necessary license could expose us to claims for damages and/or injunction from third parties, as well as claims for indemnification by our customers in instances where we have a contractual or other legal obligation to indemnify them against dam ages resulting from infringement claims.

With regard to our own intellectual property, we actively enforce and protect our rights. However, there can be no assurance that our efforts will be adequate to prevent the misappropriation or improper use of our protected technology.

We benefit from royalty revenue generated from various patent license agreements. The amount of such revenue depends in part on negotiations with new licensees, and with existing licensees in connection with renewals of their licenses. There is no guarantee that such negotiations will be successful. Future royalty revenue also depends on the strength and enforceability of our patent portfolio and our enforcement efforts, and on the sales and financial stability of our licensees. Additionally, consolidation of our licensees may negatively affect our royalty revenue. Royalty revenue from licensees is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreemen ts.

A Decline in Demand in Certain End-User Markets Could Have a Material Adverse Effect on the Demand for Our Products and Results of Operations.

Our customer base includes companies in a wide range of end-user markets, but we generate a significant amount of revenue from sales to customers in the communications- and computer-related industries and from sales to industrial customers. Within these end-user markets, a large portion of our revenue is generated from sales to customers in the cell phone, personal computer and communications infrastructure markets. Decline in one or several of these end-user markets could have a material adverse effect on the demand for our products and our results of operations and financial condition.

Our Global Manufacturing, Design and Sales Activities Subject Us to Risks Associated with Legal, Political, Economic or Other Changes.

We have facilities in more than 30 countries worldwide, and about 90 percent of our revenue comes from sales to locations outside the United States. Operating internationally exposes us to changes in export controls and other laws or policies, as well as political and economic conditions, security risks, health conditions and possible disruptions in transportation networks of the various countries in which we operate. Any of these could result in an adverse effect on our business operations and our financial results. Additionally, in periods when the U.S. dollar significantly fluctuates in relation to the non-U.S. currencies in which we transact business, the remeasurement of non-U.S. dollar transactions can have an adverse effect on our results of operations and financial condition.

Our Results of Operations Could be Affected by Natural Events in the Locations in Which We or Our Customers or Suppliers Operate.

We have manufacturing and other operations in locations subject to natural occurrences such as severe weather and geological events that could disrupt operations. In addition, our suppliers and customers also have operations in such locations. A natural disaster that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, may adversely affect our results and financial condition.

The Loss of or Significant Curtailment of Purchases by Any of Our Largest Customers Could Adversely Affect Our Results of Operations.

While we generate revenue from thousands of customers worldwide, the loss of or significant curtailment of purchases by one or more of our top customers (including curtailments due to a change in the design or manufacturing sourcing policies or practices of these customers, or the timing of customer or distributor inventory adjustments) may adversely affect our results of operations and financial condition.

Incorrect Forecasts of Customer Demand Could Adversely Affect Our Results of Operations.

Our ability to match inventory and production with the product mix needed to fill orders may affect our ability to meet a quarter’s revenue forecast. In addition, when responding to customers’ requests for shorter shipment lead times, we manufacture products based on forecasts of customers’ demands. These forecasts are based on multiple assumptions. If we inaccurately forecast customer demand, we may hold inadequate, excess or obsolete inventory that would reduce our profit margins and adversely affect our results of operations and financial condition.

Our Performance Depends on the Availability and Cost of Raw Materials, Utilities, Critical Manufacturing Equipment, Manufacturing Processes and Third-Party Manufacturing Services.

Our manufacturing processes and critical manufacturing equipment require that certain key raw materials and utilities be available. Limited or delayed access to and high costs of these items could adversely affect our results of operations. Additionally, the inability to timely implement new manufacturing technologies or install manufacturing equipment could adversely affect our results of operations. We subcontract a portion of our wafer fabrication and assembly and testing of our integrated circuits. We also depend on third parties to provide advanced logic manufacturing process technology development. A limited number of third parties perform these functions, and we do not have long-term contracts with all of them. Reliance on these third parties involves risks, includin g possible shortages of capacity in periods of high demand, the third parties' inability to develop and deliver advanced logic manufacturing process technology in a timely, cost effective and appropriate manner and the possibility of third parties imposing increased costs on us.

Our Results of Operations Could be Affected by Changes in Tax-Related Matters.

We have facilities in more than 30 countries worldwide and as a result are subject to taxation and audit by a number of taxing authorities. Tax rates vary among the jurisdictions in which we operate. Our results of operations could be affected by market opportunities or decisions we make that cause us to increase or decrease operations in one or more countries, or by changes in applicable tax rates or audits by the taxing authorities in countries in which we operate.

In addition, we are subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when it is subject to taxation in that jurisdiction. Changes in these laws and regulations could affect the locations where we are deemed to earn income, which could in turn affect our results of operations. We have deferred tax assets on our balance sheet. Changes in applicable tax laws and regulations or in our business performance could affect our ability to realize those deferred tax assets, which could also affect our results of operations. Each quarter we forecast our tax liability based on our forecast of our performance for the year. If that performance forecast changes, our forecasted tax liability will change.

Our Operations Could be Affected by Changes in Environmental, Safety and Health Laws and Regulations

We are subject to environmental, safety and health laws and regulations in the jurisdictions in which we operate our business, particularly those in which we manufacture our products. If we fail to comply with these laws and regulations, we could be subject to fines, penalties or other legal liability. Furthermore, should these laws and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business, particularly if such laws and regulations: require the use of abatement equipment beyond what we currently employ; require the addition or elimination of a raw material or process to or from our current manufacturing processes; or impose costs, fees or reporting requirements on the direct or ind irect use of energy, or of materials or gases used or emitted into the environment, in connection with the manufacture of our products. There can be no assurance that in all instances a substitute for a prohibited raw material or process would be available, or be available at reasonable cost.

Our Results of Operations Could be Affected by Changes in the Financial Markets.

We maintain bank accounts, a multi-year revolving credit agreement, and a portfolio of investments to support the financing needs of the company. Our ability to fund our daily operations, invest in our business, and make strategic acquisitions requires continuous access to our bank and investment accounts, as well as access to our bank credit lines that support commercial paper borrowings and provide additional liquidity through short-term bank loans. If we are unable to access these accounts and credit lines (for example, due to instability in the financial markets), our results of operations and financial condition could be adversely affected. Similarly, such circumstances could also restrict our ability to access the capital markets or redeem our investments. If our customers or suppliers are unable to access credit markets and other sources of needed liquidity, we may receive fewer customer orders or be unable to obtain needed supplies, collect accounts receivable or access needed technology.

Material Impairments of Our Goodwill Could Adversely Affect Our Results of Operations

Charges associated with impairments of our goodwill could adversely affect our financial condition and results of operations. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise or upon the disposition of a significant portion of a reporting unit. The review compares the fair value for each reporting unit to its associated book value including goodwill. A decrease in the fair value associated with a reporting unit resulting from, among other things, unfavorable changes in the estimated future discounted cash flow of the reporting unit, may require us to recognize impairments of goodwill.

Our Results of Operations Could be Affected by Warranty Claims, Product Recalls or Product Liability.

We could be subject to warranty or product liability claims or claims based on epidemic or delivery failures that could lead to significant expenses as we defend such claims or pay damage awards. The risk of a significant claim is generally greater for products used in health and safety applications. In the event of a warranty claim, we may also incur costs if we decide to compensate the affected customer or end consumer. We maintain product liability insurance, but there is no guarantee that such insurance will be available or adequate to protect against all such claims. In addition, it is possible for one of our customers to recall a product containing a TI part. In such instances, we may incur costs and expenses relating to the recall. Costs or payments we may make in co nnection with warranty, epidemic failure and delivery claims or product recalls may adversely affect our results of operations and financial condition.

Our Continued Success Depends in Part on Our Ability to Retain and Recruit a Sufficient Number of Qualified Employees in a Competitive Environment.

Our continued success depends in part on the retention and recruitment of skilled personnel, including technical, marketing, management and staff personnel. There can be no assurance that we will be able to successfully retain and recruit the key personnel that we require.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas. The following table indicates the general location of our principal manufacturing and design operations and the reportable segments that make major use of them. Except as otherwise indicated, we own these facilities.

	Analog	Embedded Processing	Wireless
Dallas, Texas	X	X	X
Sherman, Texas[2]	X		
Houston, Texas	X	X	
Tucson, Arizona[2]	X		
Aguascalientes, Mexico[1]	X		
Aizu, Japan	X	X	
Miho, Japan	X	X	X
Hiji, Japan[2]	X	X	X
Tokyo, Japan[1]	X	X	X
Chengdu, China[2]	X		
Shanghai, China[1]	X	X	X
Bangalore, India[2]	X	X	X
Kuala Lumpur, Malaysia[2]	X	X	
Baguio, Philippines[2]	X	X	X
Pampanga (Clark), Philippines[2]	X	X	X
Taipei, Taiwan[2]	X	X	X
Freising, Germany	X	X	X
Nice, France[2]	X		X

(1) Leased.

(2) Portions of the facilities are leased and owned.

Our facilities in the United States contained approximately 14.0 million square feet at December 31, 2010, of which approximately 1.7 million square feet were leased. Our facilities outside the United States contained approximately 9.6 million square feet at December 31, 2010, of which approximately 1.4 million square feet were leased.

At the end of 2010, we occupied substantially all of the space in our facilities.

Leases covering our currently occupied leased facilities expire at varying dates generally within the next 10 years. We believe our current properties are suitable and adequate for both their intended purpose and our current and foreseeable future needs.

ITEM 3. Legal Proceedings.

We are involved in various inquiries and proceedings regarding laws and regulations related to the protection of the environment. These matters involve various parties, including government agencies and, in certain cases, other potentially responsible parties. Although the factual situations and the progress of each of these matters differ, we believe that the amount of our liability, if any, will not have a material adverse effect upon our financial condition, results of operations or liquidity.

The Internal Revenue Code requires that companies disclose in their Form 10-K whether they have been required to pay penalties to the Internal Revenue Service for certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. We have not been required to pay any such penalties.

ITEM 4. (Removed and Reserved).

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The information contained under the caption "Common stock prices and dividends" in our 2010 annual report to stockholders, and the information concerning the number of stockholders of record at December 31, 2010, contained under the caption "Summary of selected financial data" in such annual report, are incorporated herein by reference to such annual report.

The following table shows our repurchases of our common stock in the fourth quarter of 2010:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
October 1 through October 31, 2010	2,041,800	$ 29.38	2,041,800	$ 8.19 billion
November 1 through November 30, 2010	17,421,200	$ 31.00	17,421,200	$ 7.64 billion
December 1 through December 31, 2010	-	-	-	$ 7.64 billion
Total	19,463,000	$ 30.83	19,463,000[2]	$ 7.64 billion[3]

(1) All purchases during the quarter were made under the authorization from our board of directors to purchase up to $5 billion of additional shares of TI common stock announced on September 21, 2007.

(2) All purchases during the quarter were open-market purchases.

(3) As of December 31, 2010, this amount consisted of the remaining portion of the $5 billion authorization announced on September 21, 2007, and the $7.5 billion authorization announced on September 16, 2010. No expiration date was specified for these authorizations.

ITEM 6. Selected Financial Data.

The information contained under the caption “Summary of selected financial data” for the years 2006 through 2010 in our 2010 annual report to stockholders, is incorporated herein by reference to such annual report.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The information contained under the caption “Management’s discussion and analysis of financial condition and results of operations” in our 2010 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information contained under the caption “Quantitative and qualitative disclosures about market risk” in our 2010 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the company at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, and the report thereon of the independent registered public accounting firm, on pages 2 through 31 of our 2010 annual report to stockholders, are incorporated herein by reference to such annual report.

The information contained under the caption “Quarterly financial data” in our 2010 annual report to stockholders is also incorporated herein by reference to such annual report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

Disclosure Controls and Procedures

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of TI's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of TI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management's assessment of our internal control over financial reporting is contained under the caption "Report by management on internal control over financial reporting" in our 2010 annual report to stockholders and is incorporated herein by reference to such annual report.

The information contained under the caption "Report of independent registered public accounting firm on internal control over financial reporting" in our 2010 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 9B. Other Information.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information with respect to directors' names, ages, positions, term of office and periods of service, which is contained under the caption "Election of directors" in our proxy statement for the 2011 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to directors' business experience, which is contained under the caption "Board diversity and nominee qualifications" in our proxy statement for the 2011 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to Section 16(a) beneficial ownership reporting compliance contained under the caption of the same name in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

A list of our executive officers and their biographical information appears in Part I, Item 1 of this report.

Code of Ethics

We have adopted the Code of Ethics for TI Chief Executive Officer and Senior Financial Officers. A copy of the Code can be found on our web site at www.ti.com/corporategovernance. We intend to satisfy the disclosure requirements of the SEC regarding amendments to, or waivers from, the Code by posting such information on the same web site.

Audit Committee

The information contained under the caption "Committees of the board" with respect to the audit committee and the audit committee financial expert in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 11. Executive Compensation.

The information contained under the captions "Director compensation" and "Executive compensation" in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption "Compensation committee interlocks and insider participation" in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table sets forth information about the company's equity compensation plans as of December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	97,792,952 (1)	$ 29.03 (2)	109,937,529 (3)
Equity compensation plans not approved by security holders	71,516,812 (4)	$ 25.86 (2)	0
Total	169,309,764 (5)	$ 27.70	109,937,529

(1) Includes shares of TI common stock to be issued under the Texas Instruments 2009 Long-Term Incentive Plan and predecessor plans, the Texas Instruments 2009 Director Compensation Plan and the TI Employees 2005 Stock Purchase Plan.

Also includes 4,279 shares of TI common stock to be issued upon exercise of outstanding options originally granted under the Radia Communications, Inc. 2000 Stock Option/Stock Issuance Plan, a plan approved by the stockholders of Radia Communications, Inc. The options were assumed by the company in connection with the acquisition of Radia.

(2) Restricted stock units and stock units credited to directors' deferred compensation accounts are settled in shares of TI common stock on a one-for-one basis. Accordingly, such units have been excluded for purposes of computing the weighted-average exercise price.

(3) Shares of TI common stock available for issuance under the Texas Instruments 2009 Long-Term Incentive Plan, the Texas Instruments 2009 Director Compensation Plan and the TI Employees 2005 Stock Purchase Plan.

(4) Includes shares to be issued under the Texas Instruments 2003 Long-Term Incentive Plan. This plan was replaced by the Texas Instruments 2009 Long-Term Incentive Plan, which was approved by stockholders, and no further grants may be made under it.

Also includes shares to be issued under the Texas Instruments Directors Deferred Compensation Plan, the Texas Instruments Restricted Stock Unit Plan for Directors and the Texas Instruments Stock Option Plan for Non-Employee Directors. These plans were replaced by the Texas Instruments 2003 Director Compensation Plan (which was replaced by the stockholder-approved 2009 Director Compensation Plan), and no further grants may be made under them.

(5) Includes 150,135,013 shares for issuance upon exercise of outstanding grants of options, 18,567,365 shares for issuance upon vesting of outstanding grants of restricted stock units, 487,871 shares for issuance under the TI Employees 2005 Stock Purchase Plan and 119,515 shares for issuance in settlement of directors' deferred compensation accounts.

Security Ownership of Certain Beneficial Owners and Management

The information that is contained under the captions "Security ownership of certain beneficial owners" and "Security ownership of directors and management" in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained under the caption “Related person transactions” in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption “Director independence” in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 14. Principal Accountant Fees and Services.

The information with respect to principal accountant fees and services contained under the caption “Proposal to ratify appointment of independent registered public accounting firm” in our proxy statement for the 2011 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) 1 and 2. Financial Statements and Financial Statement Schedules:

The financial statements are listed in the index on page 25 hereof.

3. Exhibits:

Designation of Exhibit in this Report	Description of Exhibit
3(a)	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(a) to the Registrant’s Annual Report on Form 10-K for the year 1993).
3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(b) to the Registrant’s Annual Report on Form 10-K for the year 1993).
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(c) to the Registrant’s Annual Report on Form 10-K for the year 1993).
3(d)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).
3(e)	Certificate of Ownership merging Texas Instruments Automation Controls, Inc. into the Registrant (incorporated by reference to Exhibit 3(e) to the Registrant’s Annual Report on Form 10-K for the year 1993).
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant (incorporated by reference to Exhibit 3(f) to the Registrant’s Annual Report on Form 10-K for the year 1993).
3(g)	Certificate of Ownership and Merger merging Tiburon Systems, Inc. into the Registrant (incorporated by reference to Exhibit 4(g) to the Registrant’s Registration Statement No. 333-41919 on Form S-8).
3(h)	Certificate of Ownership and Merger merging Tartan, Inc. into the Registrant (incorporated by reference to Exhibit 4(h) to the Registrant’s Registration Statement No. 333-41919 on Form S-8).

Designation of Exhibit in this Report	Description of Exhibit
3(i)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
3(j)	Certificate of Elimination of Designation of Preferred Stock of the Registrant (incorporated by reference to Exhibit 3(j) to the Registrant's Annual Report on Form 10-K for the year 1998).
3(k)	Certificate of Ownership and Merger merging Intersect Technologies, Inc. with and into the Registrant (incorporated by reference to Exhibit 3(k) to the Registrant's Annual Report on Form 10-K for the year 1999).
3(l)	Certificate of Ownership and Merger merging Soft Warehouse, Inc. with and into the Registrant (incorporated by reference to Exhibit 3(l) to the Registrant's Annual Report on Form 10-K for the year 1999).
3(m)	Certificate of Ownership and Merger merging Silicon Systems, Inc. with and into the Registrant (incorporated by reference to Exhibit 3(m) to the Registrant's Annual Report on Form 10-K for the year 1999).
3(n)	Certificate of Amendment to Restated Certificate of Incorporation (incorporated by reference to Exhibit 3(n) to the Registrant's Registration Statement on Form S-4 No. 333-41030 filed on July 7, 2000).
3(o)	Certificate of Ownership and Merger merging Power Trends, Inc. with and into the Registrant (incorporated by reference to Exhibit 3(o) to the Registrant's Annual Report on Form 10-K for the year 2001).
3(p)	Certificate of Ownership and Merger merging Amati Communications Corporation with and into the Registrant (incorporated by reference to Exhibit 3(p) to the Registrant's Annual Report on Form 10-K for the year 2001).
3(q)	Certificate of Ownership and Merger merging Texas Instruments San Diego Incorporated with and into the Registrant (incorporated by reference to Exhibit 3(q) to the Registrant's Annual Report on Form 10-K for the year 2002).
3(r)	Certificate of Ownership and Merger merging Texas Instruments Burlington Incorporated with and into the Registrant (incorporated by reference to Exhibit 3(r) to the Registrant's Annual Report on Form 10-K for the year 2003).
3(s)	Certificate of Ownership and Merger merging Texas Instruments Automotive Sensors and Controls San Jose Inc. with and into the Registrant (incorporated by reference to Exhibit 3(i) to the Registrant's Current Report on Form 8-K dated October 31, 2004).
3(t)	Certificate of Elimination of Series B Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated June 23, 2008).
3(u)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated July 18, 2008).
10(a)(i)	TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a) to the Registrant's Current Report on Form 8-K dated January 1, 2009).*

Designation of Exhibit in this Report	Description of Exhibit
10(a)(ii)	Amendment No. 1 to the TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).*
10(b)(i)	TI Employees Non-Qualified Pension Plan (formerly named the TI Employees Supplemental Pension Plan) (incorporated by reference to Exhibit 10(b)(i) to the Registrant's Annual Report on Form 10-K for the year 1999).*
10(b)(ii)	First Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan) (incorporated by reference to Exhibit 10(b)(ii) to the Registrant's Annual Report on Form 10-K for the year 1999).*
10(b)(iii)	Second Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan) (incorporated by reference to Exhibit 10(b)(iii) to the Registrant's Annual Report on Form 10-K for the year 2002).*
10(b)(iv)	Third Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan) (incorporated by reference to Exhibit 10(b)(iv) to the Registrant's Annual Report on Form 10-K for the year 2002).*
10(b)(v)	Fourth Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan) (incorporated by reference to Exhibit 10(b)(v) to the Registrant's Annual Report on Form 10-K for the year 2003).*
10(b)(vi)	TI Employees Non-Qualified Pension Plan II (incorporated by reference to Exhibit 10(b) to the Registrant's Current Report on Form 8-K dated January 1, 2009).*
10(c)	Texas Instruments Long-Term Incentive Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1993).*
10(d)	Texas Instruments 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).*
10(e)	Texas Instruments 2000 Long-Term Incentive Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).*
10(f)	Texas Instruments 2003 Long-Term Incentive Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(f) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).
10(g)	Texas Instruments Executive Officer Performance Plan as amended September 17, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).*
10(h)	Texas Instruments Restricted Stock Unit Plan for Directors (incorporated by reference to Exhibit 10(e) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10(i)	Texas Instruments Directors Deferred Compensation Plan (incorporated by reference to Exhibit 10(f) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10(j)	Texas Instruments Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report on Form 10-K for the year 2000).

Designation of Exhibit in this Report	Description of Exhibit
10(k)	Texas Instruments 2003 Director Compensation Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(k) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).
10(l)	Form of Stock Option Agreement for Executive Officers under the Texas Instruments 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(l) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).*
10(m)	Form of Restricted Stock Unit Agreement under the Texas Instruments 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(m) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).*
10(n)	Asset and Stock Purchase Agreement dated as of January 8, 2006, between Texas Instruments Incorporated and S&C Purchase Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated January 8, 2006).
10(o)	Texas Instruments 2009 Long-Term Incentive Plan as amended September 17, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10(p)	Texas Instruments 2009 Director Compensation Plan as amended December 2, 2010 (incorporated by reference to Exhibit 10 to the Registrant's Current Report on Form 8-K dated December 7, 2010).
13	Portions of Registrant's 2010 Annual Report to Stockholders incorporated by reference herein.**
21	List of Subsidiaries of the Registrant.**
23	Consent of Independent Registered Public Accounting Firm.**
31(a)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer.**
31(b)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer.**
32(a)	Section 1350 Certification of Chief Executive Officer.**
32(b)	Section 1350 Certification of Chief Financial Officer.**
101.ins	Instance Document***
101.sch	XBRL Taxonomy Schema***
101.cal	XBRL Taxonomy Calculation Linkbase***
101.lab	XBRL Taxonomy Labels Linkbase***
101.pre	XBRL Taxonomy Presentation Linkbase***
101.Def	XBRL Taxonomy Definitions Document***

* Management compensation plans and arrangements.
** Filed with the 10-K.
*** Furnished, not filed, herewith.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:

This report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates” or other words or phrases of similar import. Similarly, statements herein that describe TI’s business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of TI or its management:

- Market demand for semiconductors, particularly in key markets such as communications, computing, industrial, and consumer electronics;
- TI’s ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- TI’s ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- TI’s ability to compete in products and prices in an intensely competitive industry;
- TI’s ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Expiration of license agreements between TI and its patent licensees, and market conditions reducing royalty payments to TI;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather and earthquakes in the locations in which TI, its customers or its suppliers operate;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- Changes in laws and regulations to which TI or its suppliers are or may become subject, such as those imposing fees or reporting or substitution costs relating to the discharge of emissions into the environment or the use of certain raw materials in our manufacturing processes;
- Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- Customer demand that differs from our forecasts;
- The financial impact of inadequate or excess TI inventory that results from demand that differs from projections;
- Impairments of our non-financial assets;
- Product liability or warranty claims, claims based on epidemic or delivery failure or recalls by TI customers for a product containing a TI part;
- TI’s ability to recruit and retain skilled personnel; and
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services.

For a more detailed discussion of these factors see the Risk Factors discussion in Item 1A of this report. The forward-looking statements included in this report are made only as of the date of this report and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Kevin P. March

Kevin P. March
Senior Vice President,
Chief Financial Officer
and Chief Accounting Officer

Date: February 25, 2011

Each person whose signature appears below constitutes and appoints each of Richard K. Templeton, Kevin P. March and Joseph F. Hubach, or any of them, each acting alone, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities in connection with the annual report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 2010, to sign any and all amendments to the Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in a nd about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 25th day of February 2011.

Signature	Title
/s/ Ralph W. Babb, Jr. **Ralph W. Babb, Jr.**	Director
/s/ David L. Boren **David L. Boren**	Director
/s/ Daniel A. Carp **Daniel A. Carp**	Director
/s/ Carrie S. Cox **Carrie S. Cox**	Director
/s/ David R. Goode **David R. Goode**	Director
/s/ Stephen P. MacMillan **Stephen P. MacMillan**	Director
/s/ Pamela H. Patsley **Pamela H. Patsley**	Director

/s/ Wayne R. Sanders **Wayne R. Sanders**	Director
/s/ Ruth J. Simmons **Ruth J. Simmons**	Director
/s/ Richard K. Templeton **Richard K. Templeton**	Chairman of the Board; Director; President and Chief Executive Officer
/s/ Christine Todd Whitman **Christine Todd Whitman**	Director
/s/ Kevin P. March **Kevin P. March**	Senior Vice President; Chief Financial Officer; Chief Accounting Officer

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS
(Item 15(a))

Schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

Consolidated statements of income [Millions of dollars, except share and per-share amounts]	For Years Ended December 31, 2010	2009	2008
Revenue	**$ 13,966**	$ 10,427	$ 12,501
Cost of revenue	**6,474**	5,428	6,256
Gross profit	**7,492**	4,999	6,245
Research and development	**1,570**	1,476	1,940
Selling, general and administrative	**1,519**	1,320	1,614
Restructuring expense	**33**	212	254
Gain on divestiture	**(144)**	—	—
Operating profit	**4,514**	1,991	2,437
Other income (expense) net	**37**	26	44
Income before income taxes	**4,551**	2,017	2,481
Provision for income taxes	**1,323**	547	561
Net income	**$ 3,228**	$ 1,470	$ 1,920
Earnings per common share:			
Basic	**$ 2.66**	$ 1.16	$ 1.46
Diluted	**$ 2.62**	$ 1.15	$ 1.44
Average shares outstanding (millions):			
Basic	**1,199**	1,260	1,308
Diluted	**1,213**	1,269	1,321
Cash dividends declared per share of common stock	**$ 0.49**	$ 0.45	$ 0.41

See accompanying notes.

Consolidated statements of comprehensive income	For Years Ended December 31, 2010	2009	2008
[Millions of dollars]			
Net income	**$ 3,228**	$ 1,470	$ 1,920
Other comprehensive income (loss):			
Available-for-sale investments:			
Unrealized gains (losses), net of tax benefit (expense) of ($3), ($9) and $20	**7**	17	(38)
Reclassification of recognized transactions, net of tax benefit (expense) of $0, ($3) and $0	**—**	6	—
Net actuarial gains (losses) of defined benefit plans:			
Adjustment, net of tax benefit (expense) of $61, ($38) and $282	**(154)**	91	(476)
Reclassification of recognized transactions, net of tax benefit (expense) of ($36), ($27) and ($17)	**65**	62	32
Prior service cost of defined benefit plans:			
Adjustment, net of tax benefit (expense) of ($1), $1 and $1	**2**	(1)	14
Reclassification of recognized transactions, net of tax benefit (expense) of $0, $3 and ($1)	**—**	(6)	2
Total	**(80)**	169	(466)
Total comprehensive income	**$ 3,148**	$ 1,639	$ 1,454

See accompanying notes.

Consolidated balance sheets [Millions of dollars, except share amounts]	December 31, 2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,319**	$ 1,182
Short-term investments	**1,753**	1,743
Accounts receivable, net of allowances	**1,518**	1,277
Inventories	**1,520**	1,202
Deferred income taxes	**770**	546
Prepaid expenses and other current assets	**180**	164
Total current assets	**7,060**	6,114
Property, plant and equipment at cost	**6,907**	6,705
Less accumulated depreciation	**(3,227)**	(3,547)
Property, plant and equipment, net	**3,680**	3,158
Long-term investments	**453**	637
Goodwill	**924**	926
Acquisition-related intangibles	**76**	124
Deferred income taxes	**927**	926
Capitalized software licenses, net	**205**	119
Overfunded retirement plans	**31**	64
Other assets	**45**	51
Total assets	**$ 13,401**	$ 12,119
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 621**	$ 503
Accrued compensation	**629**	386
Income taxes payable	**109**	128
Accrued expenses and other liabilities	**622**	570
Total current liabilities	**1,981**	1,587
Underfunded retirement plans	**519**	425
Deferred income taxes	**86**	67
Deferred credits and other liabilities	**378**	318
Total liabilities	**2,964**	2,397
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares. Participating cumulative preferred. None issued.	**—**	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares. Shares issued: 2010 – 1,740,166,101; 2009 – 1,739,811,721	**1,740**	1,740
Paid-in capital	**1,114**	1,086
Retained earnings	**24,695**	22,066
Less treasury common stock at cost.		
Shares: 2010 – 572,722,397; 2009 – 499,693,704	**(16,411)**	(14,549)
Accumulated other comprehensive income (loss), net of taxes	**(701)**	(621)
Total stockholders' equity	**10,437**	9,722
Total liabilities and stockholders' equity	**$ 13,401**	$ 12,119

See accompanying notes.

Consolidated statements of cash flows	For Years Ended December 31, 2010	2009	2008
[Millions of dollars]			
Cash flows from operating activities:			
Net income	**$ 3,228**	$ 1,470	$ 1,920
Adjustments to net income:			
Depreciation	**865**	877	1,022
Stock-based compensation	**190**	186	213
Amortization of acquisition-related intangibles	**48**	48	37
Gain on divestiture	**(144)**	—	—
Deferred income taxes	**(188)**	146	(182)
Increase (decrease) from changes in:			
Accounts receivable	**(231)**	(364)	865
Inventories	**(304)**	177	43
Prepaid expenses and other current assets	**(8)**	35	(125)
Accounts payable and accrued expenses	**57**	5	(325)
Accrued compensation	**246**	(38)	(141)
Income taxes payable	**49**	73	38
Other	**12**	28	(35)
Net cash provided by operating activities	**3,820**	2,643	3,330
Cash flows from investing activities:			
Additions to property, plant and equipment	**(1,199)**	(753)	(763)
Proceeds from divestiture	**148**	—	—
Purchases of short-term investments	**(2,510)**	(2,273)	(1,746)
Sales, redemptions and maturities of short-term investments	**2,564**	2,030	1,300
Purchases of long-term investments	**(8)**	(9)	(9)
Redemptions and sales of long-term investments	**147**	64	55
Business acquisitions, net of cash acquired	**(199)**	(155)	(19)
Net cash used in investing activities	**(1,057)**	(1,096)	(1,182)
Cash flows from financing activities:			
Dividends paid	**(592)**	(567)	(537)
Sales and other common stock transactions	**407**	109	210
Excess tax benefit from share-based payments	**13**	1	19
Stock repurchases	**(2,454)**	(954)	(2,122)
Net cash used in financing activities	**(2,626)**	(1,411)	(2,430)
Net increase (decrease) in cash and cash equivalents	**137**	136	(282)
Cash and cash equivalents at beginning of year	**1,182**	1,046	1,328
Cash and cash equivalents at end of year	**$ 1,319**	$ 1,182	$ 1,046

See accompanying notes.

Consolidated statements of stockholders' equity [Millions of dollars, except per-share amounts]	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2007	$ 1,740	$ 931	$ 19,788	$ (12,160)	$ (324)
2008					
Net income	—	—	1,920	—	—
Dividends declared on common stock ($.41 per share)	—	—	(537)	—	—
Common stock issued on exercise of stock options	—	(153)	—	360	—
Stock repurchases	—	—	—	(2,014)	—
Stock-based compensation transactions	—	213	—	—	—
Tax impact from exercise of options	—	31	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	(466)
Other	—	—	(3)	—	—
Balance, December 31, 2008	1,740	1,022	21,168	(13,814)	(790)
2009					
Net income	—	—	1,470	—	—
Dividends declared on common stock ($.45 per share)	—	—	(567)	—	—
Common stock issued on exercise of stock options	—	(120)	—	226	—
Stock repurchases	—	—	—	(961)	—
Stock-based compensation transactions	—	186	—	—	—
Tax impact from exercise of options	—	(2)	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	169
Other	—	—	(5)	—	—
Balance, December 31, 2009	1,740	1,086	22,066	(14,549)	(621)
2010					
Net income	**—**	**—**	**3,228**	**—**	**—**
Dividends declared on common stock ($.49 per share)	**—**	**—**	**(592)**	**—**	**—**
Common stock issued on exercise of stock options	**—**	**(182)**	**—**	**588**	**—**
Stock repurchases	**—**	**—**	**—**	**(2,450)**	**—**
Stock-based compensation transactions	**—**	**190**	**—**	**—**	**—**
Tax impact from exercise of options	**—**	**21**	**—**	**—**	**—**
Other comprehensive income (loss), net of tax	**—**	**—**	**—**	**—**	**(80)**
Other	**—**	**(1)**	**(7)**	**—**	**—**
Balance, December 31, 2010	**$ 1,740**	**$ 1,114**	**$ 24,695**	**$ (16,411)**	**$ (701)**

See accompanying notes.

Notes to financial statements

1. Description of business and significant accounting policies and practices

Business: At Texas Instruments (TI), we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We have three reportable segments, which are established along major product categories as follows:

Analog – consists of high-volume analog & logic, high-performance analog and power management products;

Embedded Processing – consists of digital signal processors (DSPs) and microcontrollers used in catalog, communications infrastructure and automotive applications; and

Wireless – consists of connectivity products, OMAP™ applications processors and basebands for wireless applications, including handsets.

In addition, we report the results of our remaining business activities in Other. Other includes our smaller semiconductor operating segments that include product lines such as DLP® products (primarily used in projectors to create high-definition images) and custom semiconductors known as application-specific integrated circuits (ASICs), as well as our handheld graphing and scientific calculators. Other also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements entered into in connection with acquisitions and divestitures. See Note 15 for additional information on our business segments.

Basis of presentation: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The basis of these financial statements is comparable for all periods presented herein, except for the adoption of:

- A new accounting standard on business combinations as of January 1, 2009, the impact of which was not significant, and
- A new accounting standard on fair-value measurements for non-financial assets and liabilities as of January 1, 2009, which primarily resulted in additional disclosures regarding fair-value measurements.

The consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. All dollar amounts in the financial statements and tables in the notes, except per-share amounts, are stated in millions of U.S. dollars unless otherwise indicated. We have reclassified certain amounts in the prior periods' financial statements to conform to the 2010 presentation.

The preparation of financial statements requires the use of estimates from which final results may vary.

Revenue recognition: We recognize revenue from direct sales of our products to our customers, including shipping fees, when title passes to the customer, which usually occurs upon shipment or delivery, depending upon the terms of the sales order; when persuasive evidence of an arrangement exists; and when collectability is reasonably assured. Revenue from sales of our products that are subject to inventory consignment agreements is recognized when the customer pulls product from consignment inventory that we store at designated locations. Estimates of product returns for quality reasons and of price allowances (based on historical experience, product shipment analysis and customer contractual arrangements) are recorded when revenue is recognized. Allowances include volume-ba sed incentives and special pricing arrangements. In addition, we record allowances for accounts receivable that we estimate may not be collected.

We recognize revenue from direct sales of our products to our distributors, net of allowances, consistent with the principles discussed above. Title transfers to the distributors at delivery or when the products are pulled from consignment inventory and payment is due on our standard commercial terms; payment terms are not contingent upon resale of the products. We also grant discounts to some distributors for prompt payments. We calculate credit allowances based on historical data, current economic conditions and contractual terms. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities they may have. To estimate allowances, we use statistical percentages of revenue, determined quarterly, based upon recent historical adjustment trends.

We also provide distributors an allowance to scrap certain slow-moving or obsolete products in their inventory, estimated as a negotiated fixed percentage of each distributor's purchases from us. In addition, if we publish a new price for a product that is lower than that paid by distributors for the same product still remaining in each distributor's on-hand inventory, we may credit them for the difference between those prices. The allowance for this type of credit is based on the identified product price difference applied to our estimate of each distributor's on-hand inventory of that product. We believe we can reasonably and reliably estimate allowances for credits to distributors in a timely manner.

We determine the amount and timing of royalty revenue based on our contractual agreements with intellectual property licensees. We recognize royalty revenue when earned under the terms of the agreements and when we consider realization of payment to be probable. Where royalties are based on a percentage of licensee sales of royalty-bearing products, we recognize royalty revenue by applying this percentage to our estimate of applicable licensee sales. We base this estimate on historical experience and an analysis of each licensee's sales results. Where royalties are based on fixed payment amounts, we recognize royalty revenue ratably over the term of the royalty agreement. Where warranted, revenue from licensees may be recognized on a cash basis.

We include shipping and handling costs in cost of revenue.

Advertising costs: We expense advertising and other promotional costs as incurred. This expense was $44 million in 2010, $42 million in 2009 and $123 million in 2008.

Income taxes: We account for income taxes using an asset and liability approach. We record the amount of taxes payable or refundable for the current year and the deferred tax assets and liabilities for future tax consequences of events that have been recognized in the financial statements or tax returns. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Other assessed taxes: Some transactions require us to collect taxes such as sales, value-added and excise taxes from our customers. These transactions are presented in our statements of income on a net (excluded from revenue) basis.

Earnings per share (EPS): Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock units (RSUs), are considered to be participating securities and the two-class method is used for purposes of calculating EPS for common stock. Under the two-class method, a portion of net income is allocated to these participating securities and, therefore, is excluded from the calculation of EPS for common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows (shares in millions):

	2010			**2009**			**2008**		
	Net Income	**Shares**	**EPS**	**Net Income**	**Shares**	**EPS**	**Net Income**	**Shares**	**EPS**
Basic EPS:									
Net income	**$ 3,228**			$ 1,470			$ 1,920		
Less income allocated to RSUs	**(44)**			(14)			(12)		
Income allocated to common stock for basic EPS calculation	**$ 3,184**	**1,199**	**$ 2.66**	$ 1,456	1,260	$ 1.16	$ 1,908	1,308	$ 1.46
Adjustment for dilutive shares:									
Stock-based compensation plans		**14**			9			13	
Diluted EPS:									
Net income	**$ 3,228**			$ 1,470			$ 1,920		
Less income allocated to RSUs	**(44)**			(14)			(12)		
Income allocated to common stock for diluted EPS calculation	**$ 3,184**	**1,213**	**$ 2.62**	$ 1,456	1,269	$ 1.15	$ 1,908	1,321	$ 1.44

Options to purchase 88 million, 135 million and 123 million shares of common stock that were outstanding during 2010, 2009 and 2008 were not included in the computation of diluted EPS because their exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

Investments: We present investments on our balance sheets as cash equivalents, short-term investments or long-term investments. Specific details are as follows:

Cash equivalents and short-term investments: We consider investments in debt securities with original maturities of three months or less to be cash equivalents. We consider investments in liquid debt securities with maturities beyond three months from the date of our investment as being available for use in current operations and include these investments in short-term investments. The primary objectives of our cash equivalent and short-term investment activities are to preserve capital and maintain liquidity while generating appropriate returns.

Long-term investments: Long-term investments consist of auction-rate securities, mutual funds, venture capital funds and non-marketable equity securities.

Classification of investments: Depending on our reasons for holding the investment and our ownership percentage, we classify investments in securities as available-for-sale, trading, equity-method or cost-method investments, which are more fully described in Note 7. We determine cost or amortized cost, as appropriate, on a specific identification basis.

Inventories: Inventories are stated at the lower of cost or estimated net realizable value. Cost is generally computed on a currently adjusted standard cost basis, which approximates costs on a first-in first-out basis. Standard costs are based on the normal utilization of installed factory capacity. Costs associated with underutilization of capacity are expensed as incurred. Inventory held at consignment locations is included in our finished goods inventory, as we retain full title and rights to the product.

We review inventory quarterly for salability and obsolescence. A specific allowance is provided for inventory considered unlikely to be sold. Remaining inventory includes a salability and obsolescence allowance based on an analysis of historical disposal activity. We write off inventory in the period in which disposal occurs.

Property, plant and equipment and other capitalized costs: Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. We amortize acquisition-related intangibles on a straight-line basis over the estimated economic life of the assets. Capitalized software licenses generally are amortized on a straight-line basis over the term of the license. Fully depreciated or amortized assets are written off against accumulated depreciation or amortization.

Impairments of long-lived assets: We regularly review whether facts or circumstances exist that indicate the carrying values of property, plant and equipment or other long-lived assets, including intangible assets, are impaired. We assess the recoverability of assets by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Any impairment charge is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by available market valuations, if applicable, or by discounted cash flows (DCF).

Goodwill: Goodwill is not amortized but is reviewed for impairment annually, or more frequently if certain impairment indicators arise. We complete our annual goodwill impairment tests as of October 1 for our reporting units. The test compares the fair value for each reporting unit to its associated carrying value including goodwill.

Foreign currency: The functional currency for our non-U.S. subsidiaries is the U.S. dollar. Accounts recorded in currencies other than the U.S. dollar are remeasured into the functional currency. Current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at the end of each reporting period. Inventories, and property, plant and equipment and depreciation thereon, are remeasured at historic exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate daily rate of exchange. Currency exchange gains and losses from remeasurement are credited or charged to Other income (expense) net (OI&E).

Derivatives and hedging: We use derivative financial instruments to manage exposure to foreign exchange risk. These instruments are primarily forward foreign currency exchange contracts that are used as economic hedges to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures or for specified non-U.S. dollar forecasted transactions. Gains and losses from changes in the fair value of these forward foreign currency exchange contracts are credited or charged to OI&E. We do not use derivatives for speculative or trading purposes. We do not apply hedge accounting to our foreign currency derivative instruments.

Changes in accounting standards:
In October 2009, the Financial Accounting Standards Board (FASB) concurrently issued the following Accounting Standards Updates (ASUs):

- ASU No. 2009 – 14 - *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements.* This standard removes tangible products from the scope of software revenue recognition guidance and also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product, such as embedded software, are within the scope of the software revenue guidance.
- ASU No. 2009 – 13 - *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*. This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services and support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple deliverable revenue arrangements.

We will apply these standards on a prospective basis for revenue arrangements entered into or materially modified beginning January 1, 2011. We have evaluated the potential impact of these standards and have determined they will have no significant impact on our financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010 – 06 - *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This standard amends the disclosure guidance with respect to fair value measurements for both interim and annual reporting periods. Specifically, this standard requires new disclosures for significant transfers of assets or liabilities between Level 1 and Level 2 in the fair value hierarchy; separate disclosures for purchases, sales, issuance and settlements of Level 3 fair value items on a gross, rather than net basis; and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and Level 3 assets and liabilities. Except for the detailed disclosures of changes in Level 3 items, which will b e effective for us as of January 1, 2011, the remaining new disclosure requirements were effective for us as of January 1, 2010. We have included these new disclosures, as applicable, in Note 7.

In April 2010, the FASB issued ASU No. 2010 – 17 - *Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition*. This standard provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for certain research and development transactions. Under this new standard, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, only if the milestone meets all criteria to be considered substantive. This standard will be effective for us on a prospective basis as of January 1, 2011. We have evaluated the potential impact of this standard and have determined it will have no significant impact on our f inancial position or results of operations.

2. Restructuring activities

Costs incurred with restructuring activities generally consist of voluntary and involuntary severance-related expenses, asset impairments and other costs to exit activities. We recognize voluntary termination benefits when the employee accepts the offered benefit arrangement. We recognize involuntary severance-related expenses depending on whether the termination benefits are provided under an ongoing benefit arrangement or under a one-time benefit arrangement. We recognize involuntary severance-related expenses associated with an ongoing benefit arrangement once they are probable and the amounts are estimable. We recognize involuntary severance-related expenses associated with a one-time benefit arrangement once the benefits have been communicated to employees.

Restructuring activities have also resulted in asset impairments, which are included in restructuring expense and are recorded as an adjustment to the basis of the asset, not as a liability relating to a restructuring charge. When we commit to a plan to abandon a long-lived asset before the end of its previously estimated useful life, we accelerate the recognition of depreciation to reflect the use of the asset over its shortened useful life. When an asset is held to be sold, we write down the carrying value to its net realizable value and cease depreciation.

In October 2008, we announced actions to reduce expenses in our Wireless segment, especially our baseband operation. In January 2009, we announced actions that included broad-based employment reductions to align our spending with weakened demand. Combined, these actions eliminated about 3,900 jobs; they were completed in 2009.

The table below reflects the changes in accrued restructuring balances associated with these actions:

	Severance and Benefits	Impairments and Other Charges	Total
Accrual at December 31, 2008	$ 186	$ 5	$ 191
Restructuring expense	201	11	212
Non-cash charges	(26)*	1	(25)
Payments	(277)	(7)	(284)
Remaining accrual at December 31, 2009	84	10	94
Restructuring expense	**33**	**—**	**33**
Non-cash charges	**(33)***	**—**	**(33)**
Payments	**(62)**	**(2)**	**(64)**
Remaining accrual at December 31, 2010	**$ 22**	**$ 8**	**$ 30**

* Reflects charges for postretirement benefit plan settlement, curtailment and special termination benefits.

The accrual balances above are a component of Accrued expenses and other liabilities or Deferred credits and other liabilities on our balance sheets, depending on the expected timing of payment.

Restructuring expense recognized by segment from the actions described above is as follows:

	2010	2009	2008
Analog	**$ 13**	$ 84	$ 58
Embedded Processing	**6**	43	24
Wireless	**10**	62	132
Other	**4**	23	40
Total restructuring expense	**$ 33**	$ 212	$ 254

3. Stock-based compensation

We account for all awards granted under our various stock-based employee compensation plans at fair value. The stock-based compensation expense recognized for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Stock-based compensation expense recognized:			
Cost of revenue	**$ 36**	$ 35	$ 41
Research and development	**53**	54	62
Selling, general and administrative	**101**	97	110
Total	**$ 190**	$ 186	$ 213

These amounts include expense related to non-qualified stock options, RSUs and to stock options offered under our employee stock purchase plan.

We issue awards of non-qualified stock options generally with graded vesting provisions (e.g., 25 percent per year for four years). We recognize the related compensation cost on a straight-line basis over the minimum service period required for vesting of the award. For awards to employees who are retirement eligible or nearing retirement eligibility, we recognize compensation cost on a straight-line basis over the longer of the service period required to be performed by the employee in order to earn the award, or a six-month period.

We also issue RSUs, which generally vest four years after the date of grant. We recognize the related compensation costs on a straight-line basis over the vesting period.

Fair value methods and assumptions

We estimate the fair values for non-qualified stock options under the long-term incentive plans and director plans using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009	2008
Weighted average grant date fair value, per share	**$ 6.61**	$ 5.43	$ 8.86
Weighted average assumptions used:			
Expected volatility	**32%**	48%	31%
Expected lives	**6.4 yrs**	5.9 yrs	5.7 yrs
Risk-free interest rates	**2.83%**	2.63%	3.01%
Expected dividend yields	**2.08%**	2.94%	1.34%

We determine expected volatility on all options granted after July 1, 2005, using available implied volatility rates rather than an analysis of historical volatility. We believe that market-based measures of implied volatility are currently the best available indicators of the expected volatility used in these estimates.

We determine expected lives of options based on the historical option exercise experience of our optionees using a rolling 10-year average. We believe the historical experience method is the best estimate of future exercise patterns currently available.

Risk-free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

Expected dividend yields are based on the approved annual dividend rate in effect and the current market price of our common stock at the time of grant. No assumption for a future dividend rate change is included unless there is an approved plan to change the dividend in the near term.

The fair value per share of RSUs that we grant is determined based on the closing price of our common stock on the date of grant.

Our employee stock purchase plan is a discount-purchase plan and consequently the Black-Scholes option-pricing model is not used to determine the fair value per share of these awards. The fair value per share under this plan equals the amount of the discount.

Long-term incentive and director compensation plans

We have stock options outstanding to participants under various long-term incentive plans. We also have assumed stock options that were granted by companies that we later acquired. Unless the options are acquisition-related replacement options, the option price per share may not be less than 100 percent of the fair market value of our common stock on the date of the grant. Substantially all the options have a 10-year term and vest ratably over four years. Our options generally continue to vest after the option recipient retires.

We also have RSUs outstanding under the long-term incentive plans. Each RSU represents the right to receive one share of TI common stock on the vesting date, which is generally four years after the date of grant. Upon vesting, the shares are issued without payment by the grantee. RSUs generally do not continue to vest after the recipient's retirement date.

We have options and RSUs outstanding to non-employee directors under various director compensation plans. The plans generally provide for annual grants of stock options, a one-time grant of RSUs to each new non-employee director and the issuance of TI common stock upon the distribution of stock units credited to deferred compensation accounts established for such directors.

Stock option and RSU transactions under our long-term incentive and director compensation plans during 2010 were as follows:

	Stock Options		Restricted Stock Units	
	Shares	Weighted Average Exercise Price per Share	Shares	Weighted Average Grant-Date Fair Value per Share
Outstanding grants, December 31, 2009	174,713,222	$ 30.53	14,409,002	$ 23.86
Granted	**16,208,193**	**23.11**	**6,441,488**	**23.47**
Vested RSUs	**—**	**—**	**(1,629,862)**	**31.16**
Expired and forfeited	**(23,806,275)**	**50.04**	**(653,263)**	**24.61**
Exercised	**(16,980,127)**	**21.16**	**—**	**—**
Outstanding grants, December 31, 2010	**150,135,013**	**$ 27.70**	**18,567,365**	**$ 23.06**

The weighted average grant-date fair value of RSUs granted during the years 2010, 2009 and 2008 was $23.47, $15.78 and $29.09 per share. For the years ended December 31, 2010, 2009 and 2008, the total fair value of shares vested from RSU grants was $51 million, $28 million and $20 million.

Summarized information about stock options outstanding at December 31, 2010, is as follows:

	Stock Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (Shares)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price per Share	Number Exercisable (Shares)	Weighted Average Exercise Price per Share
$ .26 to 10.00	**21,963**	**2.0**	**$ 6.16**	**21,963**	**$ 6.16**
10.01 to 20.00	**31,755,186**	**4.7**	**15.69**	**20,740,148**	**16.07**
20.01 to 30.00	**58,361,582**	**5.4**	**25.18**	**36,751,851**	**25.43**
30.01 to 40.00	**48,019,676**	**3.0**	**33.05**	**47,779,210**	**33.05**
40.01 to 50.38	**11,976,606**	**0.1**	**50.31**	**11,976,606**	**50.31**
$ .26 to 50.38	**150,135,013**	**4.1**	**$ 27.70**	**117,269,778**	**$ 29.42**

During the years ended December 31, 2010, 2009 and 2008, the aggregate intrinsic value (i.e., the difference in the closing market price and the exercise price paid by the optionee) of options exercised was $140 million, $21 million and $110 million.

Summarized information as of December 31, 2010, about outstanding stock options that are vested and expected to vest, as well as stock options that are currently exercisable, is as follows:

	Outstanding Stock Options (Fully Vested and Expected to Vest) (a)	Options Exercisable
Number of outstanding (shares)	**147,952,889**	**117,269,778**
Weighted average remaining contractual life	**4.1 yrs**	**2.9 yrs**
Weighted average exercise price per share	**$ 28.10**	**$ 29.42**
Intrinsic value (millions of dollars)	**$ 944**	**$ 607**

(a) Includes effects of expected forfeitures. Excluding the effects of expected forfeitures, the aggregate intrinsic value of stock options outstanding was $968 million.

As of December 31, 2010, the total future compensation cost related to unvested stock options and RSUs not yet recognized in the statements of income was $133 million and $196 million. Of that total, $146 million, $107 million, $67 million and $9 million will be recognized in 2011, 2012, 2013 and 2014.

Employee stock purchase plan

We have an employee stock purchase plan under which options are offered to all eligible employees in amounts based on a percentage of the employee's compensation. Under the plan, the option price per share is 85 percent of the fair market value on the exercise date, and options have a three-month term.

Options outstanding under the plan at December 31, 2010, had an exercise price of $27.83 per share (85 percent of the fair market value of TI common stock on the date of automatic exercise). Of the total outstanding options, none were exercisable at year-end 2010.

Employee stock purchase plan transactions during 2010 were as follows:

	Employee Stock Purchase Plan (Shares)	Exercise Price
Outstanding grants, December 31, 2009	579,681	$ 22.11
Granted	**2,347,717**	**22.56**
Exercised	**(2,439,527)**	**21.40**
Outstanding grants, December 31, 2010	**487,871**	**$ 27.83**

The weighted average grant-date fair value of options granted under the employee stock purchase plans during the years 2010, 2009 and 2008 was $3.97, $3.13 and $3.37 per share. During the years ended December 31, 2010, 2009 and 2008, the total intrinsic value of options exercised under these plans was $9 million, $10 million and $11 million.

Effect on shares outstanding and treasury shares

Our practice is to issue shares of common stock upon exercise of stock options generally from treasury shares and, on a limited basis, from previously unissued shares. We settled stock option plan exercises using treasury shares of 19,077,274 in 2010; 6,695,583 in 2009 and 11,217,809 in 2008; and previously unissued common shares of 342,380 in 2010; 93,648 in 2009 and 85,472 in 2008.

Upon vesting of RSUs, we issued treasury shares of 1,392,790 in 2010; 977,728 in 2009 and 544,404 in 2008. No previously unissued common shares were issued upon vesting of RSUs in these time periods.

Shares available for future grant and reserved for issuance are summarized below:

	As of December 31, 2010		
Shares	**Long-term Incentive and Director Compensation Plans**	**Employee Stock Purchase Plan**	**Total**
Reserved for issuance (a)	**249,171,482**	**30,075,811**	**279,247,293**
Shares to be issued upon exercise of outstanding options and RSUs	**(168,821,893)**	**(487,871)**	**(169,309,764)**
Available for future grants	**80,349,589**	**29,587,940**	**109,937,529**

(a) Includes 119,515 shares credited to directors' deferred compensation accounts that may settle in shares of TI common stock. These shares are not included as grants outstanding at December 31, 2010.

Effect on cash flows

Cash received from the exercise of options was $407 million in 2010, $109 million in 2009 and $210 million in 2008. The related net tax impact realized was $21 million, ($2) million and $31 million (which includes excess tax benefits realized of $13 million, $1 million and $19 million) in 2010, 2009 and 2008.

4. Profit sharing plans

Profit sharing benefits are generally formulaic and determined by one or more subsidiary or company-wide financial metrics. We pay profit sharing benefits primarily under the company-wide TI Employee Profit Sharing Plan. This plan provides for profit sharing to be paid based solely on TI's operating margin for the full calendar year. Under this plan, TI must achieve a minimum threshold of 10 percent operating margin before any profit sharing is paid. At 10 percent operating margin, profit sharing will be 2 percent of eligible payroll. The maximum amount of profit sharing available under the plan is 20 percent of eligible payroll, which is paid only if TI's operating margin is at or above 35 percent for a full calendar year.

We recognized $279 million, $102 million and $121 million of profit sharing expense under the TI Employee Profit Sharing Plan in 2010, 2009 and 2008.

5. Income taxes

Income before income taxes	**U.S.**	**Non-U.S.**	**Total**
2010	**$ 3,769**	**$ 782**	**$ 4,551**
2009	1,375	642	2,017
2008	1,749	732	2,481

Provision (benefit) for income taxes	**U.S. Federal**	**Non-U.S.**	**U.S. State**	**Total**
2010:				
Current	**$ 1,347**	**$ 146**	**$ 18**	**$ 1,511**
Deferred	**(128)**	**(62)**	**2**	**(188)**
Total	**$ 1,219**	**$ 84**	**$ 20**	**$ 1,323**
2009:				
Current	$ 334	$ 63	$ 4	$ 401
Deferred	117	30	(1)	146
Total	$ 451	$ 93	$ 3	$ 547
2008:				
Current	$ 646	$ 89	$ 8	$ 743
Deferred	(214)	43	(11)	(182)
Total	$ 432	$ 132	$ (3)	$ 561

Principal reconciling items from income tax computed at the statutory federal rate follow:

	2010	**2009**	**2008**
Computed tax at statutory rate	**$ 1,593**	$ 706	$ 868
Effect of non-U.S. rates	**(182)**	(101)	(197)
Research and development tax credits	**(54)**	(28)	(75)
U.S. tax benefits for manufacturing	**(63)**	(21)	(18)
Other	**29**	(9)	(17)
Total provision for income taxes	**$ 1,323**	$ 547	$ 561

The primary components of deferred income tax assets and liabilities were as follows:

	December 31, 2010	2009
Deferred income tax assets:		
Inventories and related reserves	**$ 525**	$ 347
Postretirement benefit costs recognized in AOCI	**404**	380
Stock-based compensation	**357**	339
Accrued expenses	**251**	219
Deferred loss and tax credit carryforwards	**220**	201
Intangibles	**62**	71
Investments	**43**	49
Other	**103**	98
	1,965	1,704
Less valuation allowance	**(3)**	(2)
	1,962	1,702
Deferred income tax liabilities:		
Accrued retirement costs (defined benefit and retiree health care)	**(190)**	(176)
Property, plant and equipment	**(83)**	(53)
Other	**(78)**	(68)
	(351)	(297)
Net deferred income tax asset	**$ 1,611**	$ 1,405

As of December 31, 2010 and 2009, net deferred income tax assets of $1.61 billion and $1.41 billion were presented in the balance sheets, based on tax jurisdiction, as deferred income tax assets of $1.70 billion and $1.47 billion and deferred income tax liabilities of $86 million and $67 million. The increase in net deferred income tax assets from December 31, 2009, to December 31, 2010, exceeds the $188 million deferred tax provision due to the recording of deferred tax assets associated with postretirement benefit costs recognized in Accumulated other comprehensive income (AOCI). We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. While these assets are not assured of realization, our assessment is that a valuation allowance is not required for the remaining balance of the deferred tax asset s. This assessment is based on our evaluation of relevant criteria including the existence of (a) deferred tax liabilities that can be used to absorb deferred tax assets, (b) taxable income in prior carryback years and (c) expectations for future taxable income.

We have U.S. and non-U.S. tax loss carryforwards of approximately $257 million, of which $134 million expire through the year 2024.

Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from these subsidiaries are expected to result in additional tax liability. The remaining undistributed earnings (approximately $3.44 billion at December 31, 2010) have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. It is not practicable to determine the amount of unrecognized deferred tax liability on these unremitted earnings.

Cash payments made for income taxes (net of refunds) were $1.47 billion, $331 million and $772 million for the years ended December 31, 2010, 2009 and 2008.

Uncertain tax positions: We operate in a number of tax jurisdictions and are subject to examination of our income tax returns by tax authorities in those jurisdictions who may challenge any item on these tax returns. Because the matters challenged by authorities are typically complex, their ultimate outcome is uncertain. We recognize accrued interest related to uncertain tax positions and penalties as components of OI&E. Before any benefit can be recorded in the financial statements, we must determine that it is “more likely than not” that a tax position will be sustained by the appropriate tax authorities.

The following table summarizes the changes in the total amounts of uncertain tax positions for 2010 and 2009:

	2010	2009
Balance, January 1	**$ 56**	$ 148
Additions based on tax positions related to the current year	**12**	10
Additions for tax positions of prior years	**50**	6
Reductions for tax positions of prior years	**(12)**	(18)
Settlements with tax authorities	**(3)**	(90)
Balance, December 31	**$ 103**	$ 56
Interest expense recognized in the year ended December 31	**$ 2**	$ —
Accrued interest receivable as of December 31	**$ 5**	$ 9

The liability for uncertain tax positions is a component of Deferred credits and other liabilities, and accrued interest receivable is a component of Other assets on our balance sheets.

Within the $103 million liability for uncertain tax positions as of December 31, 2010, are uncertain tax positions totaling $136 million that, if recognized, would impact the effective tax rate. If these tax liabilities are ultimately realized, $101 million of deferred tax assets would also be realized, primarily related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation.

As of December 31, 2010, the statute of limitations remains open for U.S. federal tax returns for 1999 and following years. Our returns for the years 2000 through 2006 are the subject of tax treaty procedures for relief from double taxation.

In foreign jurisdictions, the years open to audit represent the years still subject to the statute of limitations. Years still open to audit by foreign tax authorities in major jurisdictions include Germany (2005 onward), France (2008 onward), Japan (2003 onward) and Taiwan (2005 onward).

We are unable to estimate the range of any reasonably possible increase or decrease in uncertain tax positions that may occur within the next 12 months resulting from the eventual outcome of the years currently under audit or appeal. However, we do not anticipate any such outcome will result in a material change to our financial condition or results of operations.

6. Financial instruments and risk concentration

Financial instruments: We hold derivative financial instruments such as forward foreign currency exchange contracts, forward purchase contracts and investment warrants, the fair value of which is not material at December 31, 2010. Our forward foreign currency exchange contracts outstanding at December 31, 2010, had a notional value of $439 million to hedge our non-U.S. dollar net balance sheet exposures (including $236 million to sell Japanese yen, $69 million to sell euros and $33 million to sell British pound sterling).

Cash equivalents, short-term investments, certain long-term investments, postretirement plan assets, contingent consideration and deferred compensation liabilities are carried at fair value, which is described in Note 7. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to their short maturity.

Risk concentration: Financial instruments that could subject us to concentrations of credit risk are primarily cash, cash equivalents, short-term investments and accounts receivable. In order to manage our credit risk exposure, we place cash investments in investment-grade debt securities and limit the amount of credit exposure to any one issuer. We also limit counterparties on forward foreign currency exchange contracts to investment-grade-rated financial institutions.

Concentrations of credit risk with respect to accounts receivable are limited due to our large number of customers and their dispersion across different industries and geographic areas. We maintain an allowance for losses based on the expected collectability of accounts receivable. These allowances are deducted from accounts receivable on our balance sheets.

Details of these allowances are as follows:

Accounts receivable allowances	Balance at Beginning of Year	Additions Charged (Credited) to Operating Results	Recoveries and Write-offs, Net	Balance at End of Year
2010	**$ 23**	**$ (4)**	**$ (1)**	**$ 18**
2009	$ 30	$ 1	$ (8)	$ 23
2008	$ 26	$ 7	$ (3)	$ 30

7. Valuation of debt and equity investments and certain liabilities

Debt and equity investments

We classify our investments as available-for-sale, trading, equity method or cost method. Most of our investments are classified as available-for-sale.

Available-for-sale securities consist primarily of money market funds and debt securities. Available-for-sale securities are stated at fair value, which is generally based on market prices, broker quotes or, when necessary, financial models (see fair value discussion below). We record other-than-temporary losses (impairments) on these securities in OI&E in our statements of income, and all other unrealized gains and losses as an increase or decrease, net of taxes, in AOCI on our balance sheet.

Trading securities are stated at fair value based on market prices. Our trading securities consist exclusively of mutual funds that hold a variety of debt and equity investments intended to generate returns that offset changes in certain deferred compensation liabilities. We record changes in the fair value of our trading securities and the related deferred compensation liabilities in selling, general and administrative (SG&A) expense in our statements of income.

Our other investments are not measured at fair value but are accounted for using either the equity method or cost method. These investments consist of interests in venture capital funds and other non-marketable equity securities. Gains or losses from equity method investments are reflected in OI&E based on our ownership share of the investee's financial results. Gains and losses on cost method investments are recorded in OI&E when realized or when an impairment of the investment's value is warranted based on our assessment of the recoverability of each investment.

Details of our investments and related unrealized gains and losses included in AOCI are as follows:

	December 31, 2010			December 31, 2009		
	Cash and Cash Equivalents	**Short-term Investments**	**Long-term Investments**	**Cash and Cash Equivalents**	**Short-term Investments**	**Long-term Investments**
Measured at fair value:						
Available-for-sale securities						
Money market funds	**$ 167**	**$ —**	**$ —**	$ 563	$ —	$ —
Corporate obligations	**44**	**649**	**—**	100	438	—
U.S. Government agency and Treasury securities	**855**	**1,081**	**—**	360	1,305	—
Auction-rate securities	**—**	**23**	**257**	—	—	458
Trading securities						
Mutual funds	**—**	**—**	**139**	—	—	123
Total	**1,066**	**1,753**	**396**	1,023	1,743	581
Other measurement basis:						
Equity method investments	**—**	**—**	**36**	—	—	33
Cost method investments	**—**	**—**	**21**	—	—	23
Cash on hand	**253**	**—**	**—**	159	—	—
Total	**$ 1,319**	**$ 1,753**	**$ 453**	$ 1,182	$ 1,743	$ 637
Amounts included in AOCI from available-for-sale securities:						
Unrealized gains (pre-tax)	**$ —**	**$ 1**	**$ —**	$ —	$ 1	$ —
Unrealized losses (pre-tax)	**$ —**	**$ 1**	**$ 22**	$ —	$ —	$ 32

As of December 31, 2010, about 60 percent of our investments in the corporate obligations shown above were insured by either the Federal Deposit Insurance Corporation (FDIC) or the United Kingdom government.

In the year ending December 31, 2010, $188 million of auction-rate securities were redeemed and we received notification in the fourth quarter of 2010 that an additional $23 million of auction-rate securities would be redeemed during 2011. These securities were subsequently redeemed in January of 2011 and were reclassified from long-term to short-term investments on the balance sheet as of December 31, 2010.

As of December 31, 2010 and 2009, unrealized losses included in AOCI were associated with auction-rate securities, and as of December 31, 2010, we have determined that these unrealized losses are not other-than-temporarily impaired. We expect to recover the entire cost basis of these securities. We do not intend to sell these investments, nor do we expect to be required to sell these investments before a recovery of the cost basis. For the year ended December 31, 2010, we did not recognize in earnings any credit losses related to these investments.

Proceeds from sales, redemptions and maturities of short-term available-for-sale securities, excluding cash equivalents, were $2.56 billion, $2.03 billion and $1.30 billion in 2010, 2009 and 2008. Gross realized gains and losses from these sales were not significant.

The following table presents the aggregate maturities of investments in debt securities classified as available-for-sale at December 31, 2010:

Due	Fair Value
One year or less	$ 2,156
One to three years	663
Greater than three years (auction-rate securities)	257

Gross realized gains and losses from sales of long-term investments were not significant for 2010, 2009 or 2008. Other-than-temporary declines and impairments in the values of these investments recognized in OI&E were $1 million, $14 million and $10 million in 2010, 2009 and 2008.

Fair value considerations

As noted above, we measure and report our financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three-level hierarchy discussed below indicates the extent and level of judgment used to estimate fair-value measurements.

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. Our Level 2 assets consist of corporate obligations, some U.S. government agency securities and auction-rate securities that have been called for redemption. We utilize a third-party data service to provide Level 2 valuations, verifying these valuations for reasonableness relative to unadjusted quotes obtained from brokers or dealers based on observable prices for simi lar assets in active markets.

Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models that utilize management estimates of market participant assumptions.

We own auction-rate securities that are primarily classified as Level 3 assets. Auction-rate securities are debt instruments with variable interest rates that historically would periodically reset through an auction process. These auctions have not functioned since 2008. There is no active secondary market for these securities, although limited observable transactions do occasionally occur. As a result, we use a discounted cash flow (DCF) model to determine the estimated fair value of these investments as of each quarter end. The assumptions used in preparing the DCF model include estimates for the amount and timing of future interest and principal payments and the rate of return required by investors to own these securities in the current environment. In making these assumptions we consider relevant factors including: the formula for ea ch security that defines the interest rate paid to investors in the event of a failed auction; forward projections of the interest rate benchmarks specified in such formulas; the likely timing of principal repayments; the probability of full repayment considering the guarantees by the U.S. Department of Education of the underlying student loans and additional credit enhancements provided through other means; and, publicly available pricing data for student loan asset-backed securities that are not subject to auctions. Our estimate of the rate of return required by investors to own these securities also considers the reduced liquidity for auction-rate securities.

To date, we have collected all interest on all of our auction-rate securities when due and expect to continue to do so in the future. The principal associated with failed auctions will not be accessible until successful auctions resume, a buyer is found outside of the auction process, or issuers use a different form of financing to replace these securities. Meanwhile, issuers continue to repay principal over time from cash flows prior to final maturity, or make final payments when they come due according to contractual maturities ranging from 24 to 37 years. All of our auction-rate securities are backed by pools of student loans substantially guaranteed by the U.S. Department of Education and we continue to believe that the credit quality of these securities is high based on this guarantee. As of December 31, 2010, all of these securitie s were rated AAA or Aaa by at least one of the major rating agencies. Although most of these securities are dual rated AAA/Aaa, one ($25 million par value) is rated AAA/B3 and one ($12 million par value) is rated AAA/Baa1. While our ability to liquidate auction-rate investments is likely to be limited for some period of time, we do not believe this will materially impact our ability to fund our working capital needs, capital expenditures, dividend payments or other business requirements.

The following are our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. These tables do not include cash on hand, assets held by our postretirement plans, or assets and liabilities that are measured at historical cost or any basis other than fair value.

	Fair Value December 31, 2010	Level 1	Level 2	Level 3
Assets				
Money market funds	**$ 167**	**$ 167**	**$ —**	**$ —**
Corporate obligations	**693**	**—**	**693**	**—**
U.S. Government agency and Treasury securities	**1,936**	**1,120**	**816**	**—**
Auction-rate securities	**280**	**—**	**23**	**257**
Mutual funds	**139**	**139**	**—**	**—**
Total assets	**$ 3,215**	**$ 1,426**	**$ 1,532**	**$ 257**
Liabilities (a)				
Contingent consideration	**$ 8**	**$ —**	**$ —**	**$ 8**
Deferred compensation	**159**	**159**	**—**	**—**
Total liabilities	**$ 167**	**$ 159**	**$ —**	**$ 8**

	Fair Value December 31, 2009	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 563	$ 563	$ —	$ —
Corporate obligations	538	—	538	—
U.S. Government agency and Treasury securities	1,665	911	754	—
Auction-rate securities	458	—	—	458
Mutual funds	123	123	—	—
Total assets	$ 3,347	$ 1,597	$ 1,292	$ 458
Liabilities (a)				
Contingent consideration	$ 18	$ —	$ —	$ 18
Deferred compensation	154	154	—	—
Total liabilities	$ 172	$ 154	$ —	$ 18

(a) The liabilities above are a component of Accrued expenses and other liabilities or Deferred credits and other liabilities on our balance sheets, depending on the expected timing of payment.

The following table summarizes the change in the fair values for Level 3 assets and liabilities for the years ended December 31, 2010 and 2009. The transfer of auction-rate securities into Level 2 was the result of these securities being called for redemption and all were subsequently redeemed.

	Level 3	
	Auction-rate Securities	Contingent Consideration
Balance, December 31, 2008	$ 482	$ —
New contingent consideration	—	10
Change in fair value of contingent consideration – included in operating profit	—	8
Reduction in unrealized loss – included in AOCI	21	—
Redemptions	(45)	—
Balance, December 31, 2009	458	18
Change in fair value of contingent consideration – included in operating profit	**—**	**(10)**
Reduction in unrealized loss – included in AOCI	**10**	**—**
Redemptions	**(188)**	**—**
Transfers into Level 2	**(23)**	**—**
Balance, December 31, 2010	**$ 257**	**$ 8**

8. Acquisitions and divestitures

Acquisitions

On October 14, 2010, we announced the acquisition of TI's first semiconductor manufacturing site in China, located in the Chengdu High-tech Zone, which included a fully equipped and operational 200-millimeter wafer fabrication facility (fab), as well as a non-operating fab which is held for future capacity expansion. Additionally, we offered employment to the majority of existing employees at the Chengdu site. We are providing transitional supply services through the middle of 2011, while also installing our analog production processes. This acquisition, which was recorded as a business combination, used net cash of $140 million. An additional $35 million will be paid to the seller in October 2011, subject to adjustments for any claims we may have in relation to representations, warranties or other obligations of the seller. We reco rded $158 million of property, plant and equipment, $5 million of inventory, $4 million of other assets and $8 million of expenses, which were charged to cost of revenue. Operating results for the transitional supply services are included in our Other segment. Additionally, we incurred acquisition-related costs of $2 million, which were recorded in SG&A expense.

On August 31, 2010, we completed the acquisition of two wafer fabrication facilities and equipment in Aizu-Wakamatsu, Japan, for net cash of $130 million. The terms of the acquisition included an operational 200-millimeter fab as well as a non-operating fab capable of either 200- or 300-millimeter production that is being held for future capacity expansion. Additionally, we offered employment to the existing employees at the Aizu site. We are providing transitional supply services through June 2012, while also installing our analog production processes.

The acquisition of the two Aizu wafer fabs and related 200-millimeter equipment was recorded as a business combination for net cash of $59 million. We recorded $42 million of property, plant and equipment, $9 million of inventory and $8 million of expenses, which were charged to cost of revenue. Operating results for the transitional supply services are included in our Other segment. In connection with the Aizu acquisition, we also settled a contractual arrangement with a third party for our benefit for net cash of $12 million, which was recorded as a charge in cost of revenue in our Other segment. Additionally, we incurred acquisition-related costs of $1 million, which were recorded in SG&A expense.

The Aizu acquisition also included 300-millimeter production tools, which we recorded as a capital purchase for net cash of $58 million. Of this amount, $36 million was for tools to be used primarily in our 300-millimeter analog fab in Richardson, Texas, and the remaining $22 million is held for sale.

In the second quarter of 2009, we acquired Luminary Micro for net cash of $51 million and other consideration of $7 million. These operations were integrated into our Embedded Processing segment.

In the first quarter of 2009, we acquired CICLON Semiconductor Device Corporation for net cash of $104 million and other consideration of $7 million. These operations were integrated into our Analog segment.

The results of operations for these acquisitions have been included in our financial statements from their respective acquisition dates. Pro forma financial information would not be materially different from amounts reported.

Divestiture

On November 15, 2010, we divested a product line previously included in our Other segment for $148 million, and recognized a gain in operating profit of $144 million.

9. Goodwill and other acquisition-related intangibles

The following table summarizes the changes in goodwill by segment for the years ended December 31, 2010 and 2009:

	Analog	Embedded Processing	Wireless	Other	Total
Goodwill, December 31, 2008	$ 567	$ 157	$ 82	$ 34	$ 840
Additions from acquisitions	70	15	—	—	85
Adjustments	1	—	—	—	1
Goodwill, December 31, 2009	638	172	82	34	926
Additions from acquisitions	**—**	**—**	**—**	**—**	**—**
Adjustments	**(8)**	**—**	**8**	**(2)**	**(2)**
Goodwill, December 31, 2010	**$ 630**	**$ 172**	**$ 90**	**$ 32**	**$ 924**

There was no impairment of goodwill during 2010 or 2009. In the first quarter of 2010, we transferred a low-power wireless product line from the Analog segment to the Wireless segment, including the associated goodwill. We reduced goodwill in Other by $2 million, which was related to the divestiture noted above. The goodwill balances shown on our balance sheets are net of total accumulated amortization of $221 million at year end 2010 and 2009.

In 2010 and 2009, we recognized intangible assets associated with acquisitions we made during the year of zero and $81 million, respectively, primarily for developed technology, to be amortized over four to eight years.

The following table shows the components of acquisition-related intangible assets:

		December 31, 2010			December 31, 2009		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquisition-related intangibles:							
Developed technology	3 - 10 years	**$ 155**	**$ 100**	**$ 55**	$ 183	$ 97	$ 86
Other intangibles	3 - 10 years	**60**	**39**	**21**	60	28	32
In-process research and development		**—**	**—**	**—**	6	—	6
Total		**$ 215**	**$ 139**	**$ 76**	$ 249	$ 125	$ 124

Amortization of acquisition-related intangibles was $48 million, $48 million and $37 million for 2010, 2009 and 2008, primarily related to developed technology.

The following table sets forth the estimated amortization of acquisition-related intangibles for the years ended December 31:

2011	$ 25
2012	21
2013	15
2014	6
2015	4
Thereafter	5

10. Postretirement benefit plans

Plan descriptions: We have various employee retirement plans including defined benefit, defined contribution and retiree health care benefit plans. For qualifying employees, we offer deferred compensation arrangements.

U.S. retirement plans:
Principal retirement plans in the U.S. are qualified and non-qualified defined benefit pension plans (all of which closed to new participants after November 1997), a defined contribution plan and an enhanced defined contribution plan. The defined benefit pension plans include employees still accruing benefits as well as employees and participants that no longer accrue service-related benefits, but instead, may participate in the enhanced defined contribution plan.

Both defined contribution plans offer an employer-matching savings option that allows employees to make pre-tax contributions to various investment choices, including a TI common stock fund. Employees who elected to continue accruing a benefit in the qualified defined benefit pension plans may also participate in the defined contribution plan, where employer-matching contributions are provided for up to 2 percent of the employee's annual eligible earnings. Employees who elected not to continue accruing a benefit in the defined benefit pension plans, and employees hired after November 1997 and through December 31, 2003, may participate in the enhanced defined contribution plan. This plan provides for a fixed employer contribution of 2 percent of the employee's annual eligible earnings, plus an employer-matching contribution of up to 4 percent of the employee's annual eligible earnings. Employees hired after December 31, 2003, do not receive the fixed employer contribution of 2 percent of the employee's annual eligible earnings.

At December 31, 2010 and 2009, as a result of employees' elections, TI's U.S. defined contribution plans held shares of TI common stock totaling 24 million shares and 29 million shares valued at $792 million and $759 million, respectively. Dividends paid on these shares for 2010 and 2009 totaled $13 million and $14 million.

Our aggregate expense for the U.S. defined contribution plans was $50 million in 2010, $51 million in 2009 and $56 million in 2008.

Benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation. We intend to contribute amounts to this plan to meet the minimum funding requirements of applicable local laws and regulations, plus such additional amounts as we deem appropriate. The non-qualified defined benefit plans are unfunded and closed to new participants.

U.S. retiree health care benefit plan:
U.S. employees who meet eligibility requirements are offered medical coverage during retirement. We make a contribution toward the cost of those retiree medical benefits for certain retirees and their dependents. The contribution rates are based upon various factors, the most important of which are an employee's date of hire, date of retirement, years of service and eligibility for Medicare benefits. The balance of the cost is borne by the plan's participants. Employees hired after January 1, 2001, are responsible for the full cost of their medical benefits during retirement.

Non-U.S. retirement plans:
We provide retirement coverage for non-U.S. employees, as required by local laws or to the extent we deem appropriate, through a number of defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances.

As of December 31, 2010 and 2009, as a result of employees' elections, TI's non-U.S. defined contribution plans held TI common stock valued at $14 million and $13 million, respectively. Dividends paid on these shares of TI common stock for 2010 and 2009 were not material.

Effect on the statements of income and balance sheets

Expense related to defined benefit and retiree health care benefit plans was as follows:

	U.S. Defined Benefit			U.S. Retiree Health Care			Non-U.S. Defined Benefit		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Service cost	**$ 20**	$ 20	$ 25	**$ 4**	$ 4	$ 4	**$ 37**	$ 40	$ 49
Interest cost	**45**	49	49	**26**	26	28	**62**	62	60
Expected return on plan assets	**(49)**	(49)	(45)	**(23)**	(28)	(27)	**(73)**	(69)	(83)
Amortization of prior service cost	**1**	1	1	**2**	2	2	**(3)**	(3)	(3)
Recognized net actuarial loss	**22**	18	16	**12**	8	8	**30**	34	5
Net periodic benefit cost	**39**	39	46	**21**	12	15	**53**	64	28
Settlement charges*	**37**	13	7	**—**	—	—	**—**	15	—
Curtailment charges (credits)	**—**	—	1	**—**	2	11	**—**	(9)	—
Special termination benefit charges	**—**	6	18	**—**	—	—	**—**	3	—
Total, including charges	**$ 76**	$ 58	$ 72	**$ 21**	$ 14	$ 26	**$ 53**	$ 73	$ 28

* Includes restructuring and non-restructuring related settlement charges.

For the U.S. qualified pension and retiree health care plans, the expected return on plan assets component of net periodic benefit cost is based upon a market-related value of assets. In accordance with U.S. GAAP, the market-related value of assets generally utilizes a smoothing technique whereby certain gains and losses are phased in over a period of three years.

Changes in the benefit obligations and plan assets for the defined benefit and retiree health care benefit plans were as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2010	2009	2010	2009	2010	2009
Change in plan benefit obligation:						
Benefit obligation at beginning of year	$ 860	$ 867	$ 472	$ 449	$ 1,945	$ 1,933
Service cost	20	20	4	4	37	40
Interest cost	45	49	26	26	62	62
Participant contributions	—	—	17	16	3	3
Benefits paid	(6)	(30)	(45)	(47)	(70)	(53)
Medicare subsidy	—	—	3	4	—	—
Actuarial (gain) loss	92	(5)	(4)	18	132	35
Settlements	(131)	(43)	—	—	—	(48)
Curtailments	—	(4)	—	2	—	(28)
Special termination benefits	—	6	—	—	—	3
Plan amendments	—	—	—	—	(1)	—
Effects of exchange rate changes	—	—	—	—	109	(2)
Benefit obligation at end of year (BO)	$ 880	$ 860	$ 473	$ 472	$ 2,217	$ 1,945
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 859	$ 765	$ 374	$ 341	$ 1,672	$ 1,513
Actual return on plan assets	76	45	25	39	95	197
Employer contributions (funding of qualified plans)	30	115	33	24	53	54
Employer contributions (payments for non-qualified plans)	5	7	—	1	—	—
Participant contributions	—	—	17	16	3	3
Benefits paid	(6)	(30)	(45)	(47)	(70)	(53)
Settlements	(131)	(43)	—	—	—	(48)
Effects of exchange rate changes	—	—	—	—	82	6
Fair value of plan assets at end of year (FVPA)	$ 833	$ 859	$ 404	$ 374	$ 1,835	$ 1,672
Funded status (FVPA – BO) at end of year	$ (47)	$ (1)	$ (69)	$ (98)	$ (382)	$ (273)

The majority of the settlement-related impact is associated with the 2008 and 2009 restructuring actions. The actuarial losses for 2010 were mainly driven by changes to actuarial assumptions used to calculate the benefit obligations, most notably, declines in the discount rate used to determine the present value of the benefit obligations and lump sum conversion rates used for the U.S. defined benefit plans.

Amounts recognized on the balance sheet as of December 31, 2010, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	$ 1	$ —	$ 30	$ 31
Accrued expenses and other liabilities	(3)	—	(7)	(10)
Underfunded retirement plans	(45)	(69)	(405)	(519)
Funded status (FVPA – BO) at end of year	$ (47)	$ (69)	$ (382)	$ (498)

Amounts recognized on the balance sheet as of December 31, 2009, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	$ 40	$ —	$ 24	$ 64
Accrued expenses and other liabilities	(5)	—	(6)	(11)
Underfunded retirement plans	(36)	(98)	(291)	(425)
Funded status (FVPA – BO) at end of year	$ (1)	$ (98)	$ (273)	$ (372)

Accumulated benefit obligations, which represent the benefit obligations excluding the impact of future salary increases, were $813 million and $817 million at year-end 2010 and 2009 for the U.S. defined benefit plans, and $2.02 billion and $1.79 billion at year-end 2010 and 2009 for the non-U.S. defined benefit plans.

The amounts recorded in AOCI for the years ended December 31, 2010 and 2009, are detailed below by plan type:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit		Total	
	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost
AOCI balance, December 31, 2009 (net of tax)	$ 150	$ 2	$ 137	$ 7	$ 328	$ (23)	$ 615	$ (14)
Changes in AOCI by category in 2010								
Annual adjustments	**64**	**—**	**(5)**	**—**	**156**	**(4)**	**215**	**(4)**
Reclassification of recognized transactions	**(59)**	**(1)**	**(12)**	**(2)**	**(30)**	**4**	**(101)**	**1**
Less tax (benefit) expense	**2**	**—**	**6**	**1**	**(33)**	**—**	**(25)**	**1**
Total change to AOCI in 2010	**7**	**(1)**	**(11)**	**(1)**	**93**	**—**	**89**	**(2)**
AOCI balance, December 31, 2010 (net of tax)	**$ 157**	**$ 1**	**$ 126**	**$ 6**	**$ 421**	**$ (23)**	**$ 704**	**$ (16)**

The estimated amounts of net actuarial loss and unrecognized prior service cost included in AOCI as of December 31, 2010, that are expected to be amortized into net periodic benefit cost over the next fiscal year are: $23 million and $1 million for the U.S. defined benefit plans; $12 million and $2 million for the U.S. retiree health care plan; and $38 million and ($4) million for the non-U.S. defined benefit plans.

Information on plan assets

We report and measure the plan assets of our defined benefit pension and other postretirement plans at fair value.

The tables below sets forth the fair value of our plan assets as of December 31, 2010 and 2009, using the same three-level hierarchy of fair-value inputs described in Note 7.

	Fair Value at December 31, 2010	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plans				
Money market funds	**$ 43**	**$ —**	**$ 43**	**$ —**
U.S. Government agency and Treasury securities	**220**	**196**	**24**	**—**
U.S. bond funds	**281**	**—**	**281**	**—**
U.S. equity funds and option collars	**195**	**—**	**195**	**—**
International equity funds	**60**	**—**	**60**	**—**
Limited partnerships	**34**	**—**	**—**	**34**
Total	**$ 833**	**$ 196**	**$ 603**	**$ 34**
Assets of U.S. retiree health care plan				
Money market funds	**$ 41**	**$ —**	**$ 41**	**$ —**
U.S. bond funds	**165**	**165**	**—**	**—**
U.S. equity funds and option collars	**144**	**41**	**103**	**—**
International equity funds	**54**	**—**	**54**	**—**
Total	**$ 404**	**$ 206**	**$ 198**	**$ —**
Assets of non-U.S. defined benefit plans				
Money market funds	**$ 19**	**$ —**	**$ 19**	**$ —**
Local market bond funds	**669**	**—**	**669**	**—**
International/global bond funds	**211**	**—**	**211**	**—**
Local market equity funds	**300**	**42**	**258**	**—**
International/global equity funds	**555**	**—**	**555**	**—**
Other investments	**81**	**—**	**30**	**51**
Total	**$ 1,835**	**$ 42**	**$ 1,742**	**$ 51**

	Fair Value at December 31, 2009	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plans				
Money market funds	$ 181	$ —	$ 181	$ —
U.S. Government agency and Treasury securities	193	169	24	—
U.S. bond funds	242	—	242	—
U.S. equity funds and option collars	154	—	154	—
International equity funds	55	—	55	—
Limited partnerships	34	—	—	34
Total	$ 859	$ 169	$ 656	$ 34
Assets of U.S. retiree health care plan				
Money market funds	$ 40	$ —	$ 40	$ —
U.S. bond funds	142	142	—	—
U.S. equity funds and option collars	143	80	63	—
International equity funds	49	—	49	—
Total	$ 374	$ 222	$ 152	$ —
Assets of non-U.S. defined benefit plans				
Money market funds	$ 3	$ —	$ 3	$ —
Local market bond funds	647	—	647	—
International/global bond funds	176	—	176	—
Local market equity funds	275	38	237	—
International/global equity funds	496	—	496	—
Other investments	75	—	26	49
Total	$ 1,672	$ 38	$ 1,585	$ 49

The following table summarizes the change in the fair values for Level 3 plan assets for the years ending December 31, 2010 and 2009:

	Level 3 Plan Assets	
	U.S. Defined Benefit	Non-U.S. Defined Benefit
Balance, December 31, 2008	$ 28	$ 56
Redemptions	—	(9)
Unrealized gain	6	2
Balance, December 31, 2009	34	49
Redemptions	**—**	**(4)**
Unrealized gain	**—**	**6**
Balance, December 31, 2010	**$ 34**	**$ 51**

The investments in our major benefit plans largely consist of low-cost, broad-market index funds to mitigate risks of concentration within market sectors. In recent years, our investment policy has shifted toward a closer matching of the interest-rate sensitivity of the plan assets and liabilities. The appropriate mix of equity and bond investments is determined primarily through the use of detailed asset-liability modeling studies that look to balance the impact of changes in the discount rate against the need to provide asset growth to cover future service cost. Most of our plans around the world have added a greater proportion of fixed income securities with return characteristics that are more closely aligned with changes in the liabilities caused by discount rate volatility. For the U.S. plans, we utilize an option collar strategy to reduce the volatility of returns on investments in U.S. equity funds.

The only Level 3 assets in our worldwide benefit plans are certain private equity limited partnerships in our U.S. pension plan and diversified hedge funds in a non-U.S. pension plan. These investments are valued using inputs from the fund managers and internal models.

Assumptions and investment policies

	Defined Benefit		U.S. Retiree Health Care	
	2010	**2009**	**2010**	**2009**
Weighted average assumptions used to determine benefit obligations:				
U.S. discount rate	**5.58%**	6.00%	**5.48%**	5.54%
Non-U.S. discount rate	**2.79%**	3.23%		
U.S. average long-term pay progression	**3.40%**	3.00%		
Non-U.S. average long-term pay progression	**3.24%**	3.06%		
Weighted average assumptions used to determine net periodic benefit cost:				
U.S. discount rate	**5.61%**	6.05%	**5.54%**	6.02%
Non-U.S. discount rate	**3.23%**	3.35%		
U.S. long-term rate of return on plan assets	**6.50%**	6.50%	**6.00%**	7.00%
Non-U.S. long-term rate of return on plan assets	**4.23%**	4.59%		
U.S. average long-term pay progression	**3.00%**	3.50%		
Non-U.S. average long-term pay progression	**3.06%**	3.12%		

We utilize a variety of methods to select an appropriate discount rate depending on the depth of the corporate bond market in the country in which the benefit plan operates. In the U.S., we use a settlement approach whereby a portfolio of bonds is selected from the universe of actively traded high-quality U.S. corporate bonds. The selected portfolio is designed to provide cash flows sufficient to pay the plan's expected benefit payments when due. The resulting discount rate reflects the rate of return of the selected portfolio of bonds. For our non-U.S. locations with a sufficient number of actively traded high-quality bonds, an analysis is performed in which the projected cash flows from the defined benefit plans are discounted against a yield curve constructed with an appropriate universe of high-quality corporate bonds available in each country. In this manner, a present value is developed. The discount rate selected is the single equivalent rate that produces the same present value. Both the settlement approach and the yield curve approach produce a discount rate that recognizes each plan's distinct liability characteristics. For countries that lack a sufficient corporate bond market, a government bond index adjusted for an appropriate risk premium is used to establish the discount rate.

Assumptions for the expected long-term rate of return on plan assets are based on future expectations for returns for each asset class and the effect of periodic target asset allocation rebalancing. We adjust the results for the payment of reasonable expenses of the plan from plan assets. We believe our assumptions are appropriate based on the investment mix and long-term nature of the plans' investments.

Assumptions used for the non-U.S. defined benefit plans reflect the different economic environments within the various countries.

The table below shows target allocation ranges for the plans that hold a substantial majority of the defined benefit assets.

Asset category	**U.S. Defined Benefit**	**U.S. Retiree Health Care**	**Non-U.S. Defined Benefit**
Equity securities	35%	50%	25% - 60%
Fixed income securities and cash equivalents	65%	50%	40% - 75%

We intend to rebalance the plans' investments when they are not within the target allocation ranges. Additional contributions are invested consistent with the target ranges and may be used to rebalance the portfolio. The investment allocations and individual investments are chosen with regard to the duration of the obligations of each plan. Most of the assets in the retiree health care benefit plan are invested in a series of Voluntary Employee Benefit Association (VEBA) trusts.

Weighted average asset allocations at December 31, are as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
Asset category	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Equity securities	**35%**	28%	**49%**	51%	**49%**	49%
Fixed income securities	**60%**	51%	**41%**	38%	**50%**	50%
Cash equivalents	**5%**	21%	**10%**	11%	**1%**	1%

None of the plan assets related to the defined benefit pension plans and retiree health care benefit plan are directly invested in TI common stock. As of December 31, 2010, we do not expect to return any of the plans' assets to TI in the next 12 months.

Contributions to the plans meet or exceed all minimum funding requirements. We expect to contribute to our retirement plans in 2011 as we have in recent years.

The following table shows the benefits we expect to pay to participants from the plans in the next ten years. Almost all of the payments will be made from plan assets and not company assets.

	U.S. Defined Benefit	U.S. Retiree Health Care	Medicare Subsidy	Non-U.S. Defined Benefit
2011	$ 147	$ 35	$ (4)	$ 72
2012	73	36	(4)	75
2013	83	38	(5)	80
2014	81	40	(5)	82
2015	82	41	(2)	88
2016–2020	380	209	(11)	504

Assumed health care cost trend rates for the U.S. retiree health care plan at December 31 are:

	U.S. Retiree Health Care	
	2010	2009
Assumed health care cost trend rate for next year	**9.0%**	9.0%
Ultimate trend rate	**5.0%**	5.0%
Year in which ultimate trend rate is reached	**2016**	2016

Increasing or decreasing health care cost trend rates by one percentage point would have increased or decreased the accumulated postretirement benefit obligation for the U.S. retiree health care plan at December 31, 2010, by $21 million or $19 million and increased or decreased the service cost and interest cost components of 2010 plan expense by $1 million.

Deferred compensation arrangements

We have a deferred compensation plan, which allows U.S. employees whose base salary and management responsibility exceed a certain level to defer receipt of a portion of their cash compensation. Payments under this plan are made based on the participant's distribution election and plan balance. Participants can earn a return on their deferred compensation based on notional investments in the same investment funds that are offered in our defined contribution plans.

As of December 31, 2010, our liability to participants of the deferred compensation plan was $159 million and is recorded in Deferred credits and other liabilities on our balance sheets. This amount reflects the accumulated participant deferrals and earnings thereon as of that date. No assets are held in trust for the deferred compensation plan and so we remain liable to the participants. To serve as an economic hedge against changes in fair values of this liability, we invest in similar mutual funds that are recorded in Long-term investments. We record changes in the fair value of the liability and the related investment in SG&A expense (see Note 7).

11. Debt and lines of credit

As of December 31, 2010 and 2009, we had no outstanding debt. We maintain lines of credit to support commercial paper borrowings, if any, and to provide additional liquidity through bank loans. As of December 31, 2010, we had a revolving credit facility that allows us to borrow up to $1 billion until August 2011, and $920 million thereafter through August 2012. These facilities would carry a variable rate of interest indexed to the London Interbank Offered Rate (LIBOR), if drawn. As of December 31, 2010, this credit facility was undrawn, and no commercial paper was outstanding.

Interest incurred on loans in 2010, 2009 and 2008 was not material.

12. Commitments and contingencies

Operating leases: We conduct certain operations in leased facilities and also lease a portion of our data processing and other equipment. In addition, certain long-term supply agreements to purchase industrial gases are accounted for as operating leases. Lease agreements frequently include purchase and renewal provisions and require us to pay taxes, insurance and maintenance costs. Rental and lease expense incurred was $100 million, $114 million and $124 million in 2010, 2009 and 2008.

Capitalized software licenses: We have licenses for certain internal-use electronic design automation software that we account for as capital leases. The related liabilities are apportioned between Accounts payable and Deferred credits and other liabilities on our balance sheets, depending on the contractual timing of the payment.

Purchase commitments: Some of our purchase commitments entered in the ordinary course of business provide for minimum payments.

Summary: At December 31, 2010, we had committed to make the following minimum payments under our non-cancellable operating leases, capitalized software licenses and purchase commitments:

	Operating Leases	Capitalized Software Licenses	Purchase Commitments
2011	$ 80	$ 67	$ 221
2012	65	54	105
2013	50	7	38
2014	45	6	8
2015	39	—	2
Thereafter	80	—	1

Indemnification guarantees: We routinely sell products with an intellectual property indemnification included in the terms of sale. Historically, we have had only minimal, infrequent losses associated with these indemnities. Consequently, we cannot reasonably estimate or accrue for any future liabilities that may result.

Warranty costs/product liabilities: We accrue for known product-related claims if a loss is probable and can be reasonably estimated. During the periods presented, there have been no material accruals or payments regarding product warranty or product liability. Historically, we have experienced a low rate of payments on product claims. Although we cannot predict the likelihood or amount of any future claims, we do not believe they will have a material adverse effect on our financial condition, results of operations or liquidity. Consistent with general industry practice, we enter into formal contracts with certain customers that include negotiated warranty remedies. Typically, under these agreements our warranty for semiconductor products includes: three years coverage; an obligation to repair, replace or refund; and a maxi mum payment obligation tied to the price paid for our products. In some cases, product claims may exceed the price of our products.

General: We are subject to various legal and administrative proceedings. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity. From time to time, we also negotiate contingent consideration payment arrangements associated with certain acquisitions, which are recorded at fair value.

Discontinued operations indemnity: In connection with the 2006 sale of the former Sensors & Controls business, we have agreed to indemnify Sensata Technologies, Inc., for specified litigation matters and certain liabilities, including environmental liabilities. Our indemnification obligations with respect to breaches of representations and warranties and the specified litigation matters are generally subject to a total deductible of $30 million and our maximum potential exposure is limited to $300 million. We have not made any indemnity payments related to this matter and do not expect that any potential payments related to this indemnity obligation would have a material adverse effect on our financial condition, results of operations or liquidity in future periods.

13. Stockholders' equity

We are authorized to issue 10,000,000 shares of preferred stock. No preferred stock is currently outstanding.

Treasury shares acquired in connection with the board-authorized stock repurchase program in 2010, 2009 and 2008 were 93,522,896 shares, 45,544,800 shares and 77,162,667 shares. As of December 31, 2010, $7.6 billion of stock repurchase authorizations remain and no expiration date has been specified.

14. Supplemental financial information

Other income (expense) net	**2010**	**2009**	**2008**
Interest income	**$ 13**	$ 24	$ 76
Other (a)	**24**	2	(32)
Total	**$ 37**	$ 26	$ 44

(a) Includes lease income of approximately $20 million per year, primarily from the purchaser of a former business. As of December 31, 2010, the aggregate amount of non-cancellable future lease payments to be received from these leases is $79 million. These leases contain renewal options. Other also includes miscellaneous non-operational items such as: interest income and expense related to non-investment items such as taxes; gains and losses from our equity method investments; realized gains and losses associated with former equity investments; gains and losses related to former businesses; gains and losses from currency exchange rate changes; and gains and losses from our derivative financial instruments (primarily forward foreign currency exchange contracts).

Inventories	December 31, 2010	2009
Raw materials and purchased parts	**$ 122**	$ 93
Work in process	**919**	758
Finished goods	**479**	351
Total	**$ 1,520**	$ 1,202

Finished goods include inventory placed on consignment of $130 million and $118 million as of December 31, 2010 and 2009, respectively.

Property, plant and equipment at cost	Depreciable Lives	December 31, 2010	2009
Land	—	**$ 92**	$ 83
Buildings and improvements	5-40 years	**2,815**	2,867
Machinery and equipment	3-10 years	**4,000**	3,755
Total		**$ 6,907**	$ 6,705

Authorizations for property, plant and equipment expenditures in future years were $386 million at December 31, 2010.

Accrued expenses and other liabilities	December 31, 2010	2009
Customer incentive programs and allowances	**$ 118**	$ 118
Property and other non-income taxes	**108**	89
Other	**396**	363
Total	**$ 622**	$ 570

Accumulated other comprehensive income (loss), net of taxes	December 31, 2010	2009
Unrealized losses on available-for-sale investments	**$ (13)**	$ (20)
Postretirement benefit plans:		
Net actuarial loss	**(704)**	(615)
Prior service cost	**16**	14
Total	**$ (701)**	$ (621)

15. Segment and geographic area data

Our financial reporting structure comprises three reportable segments. These reportable segments, which are established along major product lines having unique design and development requirements, are as follows:

Analog – Analog semiconductors change real-world signals – such as sound, temperature, pressure or images – by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as DSPs. Analog semiconductors are also used to manage power distribution and consumption. Analog includes high-volume analog & logic, high-performance analog and power management products.

Embedded Processing – Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. We make and sell standard, or catalog, Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless – Growth in the wireless handset market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and enable expanded functionality. Smartphones and tablets also use other semiconductors to enable connectivity through means other than the cellular network (for example, Bluetooth® devices, WiFi networks, GPS location services, or Near Field Communication (NFC)). Our connectivity products and OMAP applications processors enable us to take advantage of the increasing demand for more powerful and more functional mobile devices. We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes, and our Wireless portfolio includes both standard products and custom products.

We also have Other, which includes other operating segments that neither meet the quantitative thresholds for individually reportable segments nor are they aggregated with other operating segments. These operating segments primarily include our smaller semiconductor product lines such as DLP products (primarily used in projectors to create high-definition images) and custom semiconductors known as ASICs, and our handheld graphing and scientific calculators. Other also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements entered into in connection with acquisitions and divestitures.

Other may also include certain unallocated income and expenses such as gains and losses on sales of assets; sales tax refunds; and certain litigation costs, settlements or reserves. Except for these few unallocated items, we allocate all of our expenses associated with corporate activities to our operating segments based on specific methodologies, such as percentage of operating expenses or headcount.

With the exception of goodwill, we do not identify or allocate assets by operating segment, nor does the chief operating decision maker evaluate operating segments using discrete asset information. There was no significant intersegment revenue. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segment information

In the first quarter of 2010, we transferred a low-power wireless product line previously in the Analog segment to the Wireless segment. For 2009, revenue from this product line was $68 million, and it operated at a loss of $17 million. For 2008, revenue from this product line was $68 million, and it operated at a loss of $24 million. All segment results for prior periods have been restated to conform to this new classification.

	Analog	Embedded Processing	Wireless	Other	Total
Revenue					
2010	**$ 5,979**	**$ 2,073**	**$ 2,978**	**$ 2,936**	**$ 13,966**
2009	4,202	1,471	2,626	2,128	10,427
2008	4,789	1,631	3,451	2,630	12,501
Operating profit					
2010	**$ 1,876**	**$ 491**	**$ 683**	**$ 1,464(a)**	**$ 4,514**
2009	770	194	315	712	1,991
2008	1,074	268	323	772	2,437

(a) Includes $144 million gain on the sale of a product line.

See Note 2 for restructuring expenses impacting segment results.

Geographic area information

The following geographic area data includes revenue, based on product shipment destination and royalty payor location, and property, plant and equipment, based on physical location:

	U.S.	Asia	Europe	Japan	Rest of World	Total
Revenue						
2010	**$ 1,539**	**$ 8,903**	**$ 1,760**	**$ 1,366**	**$ 398**	**$ 13,966**
2009	1,140	6,575	1,408	976	328	10,427
2008	1,551	7,387	1,875	1,268	420	12,501
Property, plant and equipment, net						
2010	**$ 1,694**	**$ 1,575**	**$ 139**	**$ 249**	**$ 23**	**$ 3,680**
2009	1,727	1,013	161	244	13	3,158
2008	1,785	988	200	314	17	3,304

Major customer

Sales to the Nokia group of companies, including sales to indirect contract manufacturers, accounted for 19 percent, 24 percent and 22 percent of our 2010, 2009 and 2008 revenue. Revenue from sales to Nokia is reflected primarily in our Wireless segment.

Report of independent registered public accounting firm

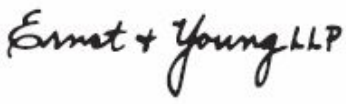
The Board of Directors
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheets of Texas Instruments Incorporated and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Texas Instruments Incorporated and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011 expressed an unqualified opinion thereon.



Dallas, Texas
February 25, 2011

Report by management on internal control over financial reporting

The management of TI is responsible for establishing and maintaining effective internal control over financial reporting. TI's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements issued for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TI management assessed the effectiveness of internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) in *Internal Control – Integrated Framework*. Based on our assessment we believe that, as of December 31, 2010, our internal control over financial reporting is effective based on the COSO criteria.

TI's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which immediately follows this report.

Report of independent registered public accounting firm on internal control over financial reporting

The Board of Directors
Texas Instruments Incorporated

We have audited Texas Instruments Incorporated's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Texas Instruments Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report By Management On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

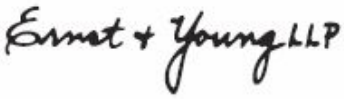
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of m anagement and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Texas Instruments Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Texas Instruments Incorporated and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated February 25, 2011 expressed an unqualified opinion thereon.



Dallas, Texas
February 25, 2011

Summary of selected financial data	Years Ended December 31, 2010	2009	2008	2007	2006
[Millions of dollars, except share and per-share amounts]					
Revenue	**$ 13,966**	$ 10,427	$ 12,501	$ 13,835	$ 14,255
Operating costs and expenses (a) (b)	**9,452**	8,436	10,064	10,338	10,888
Operating profit	**4,514**	1,991	2,437	3,497	3,367
Other income (expense) net	**37**	26	44	195	258
Income from continuing operations before income taxes	**4,551**	2,017	2,481	3,692	3,625
Provision for income taxes	**1,323**	547	561	1,051	987
Income from continuing operations	**3,228**	1,470	1,920	2,641	2,638
Income from discontinued operations, net of income taxes	**—**	—	—	16	1,703
Net income	**$ 3,228**	$ 1,470	$ 1,920	$ 2,657	$ 4,341
Basic income from continuing operations per common share	**$ 2.66**	$ 1.16	$ 1.46	$ 1.86	$ 1.72
Diluted income from continuing operations per common share	**$ 2.62**	$ 1.15	$ 1.44	$ 1.82	$ 1.69
Dividends declared per common share	**$ 0.49**	$ 0.45	$ 0.41	$ 0.30	$ 0.13
Average dilutive potential common shares outstanding during year, in thousands	**1,212,940**	1,268,533	1,321,250	1,444,163	1,558,208

(a) Includes restructuring expense of $33 million, $212 million, $254 million and $52 million in 2010, 2009, 2008 and 2007.

(b) Includes gains from sales of product lines of $144 million in 2010 and $39 million in 2007.

	December 31, 2010	2009	2008	2007	2006
Working capital	**$ 5,079**	$ 4,527	$ 4,258	$ 4,893	$ 5,776
Property, plant and equipment, net	**3,680**	3,158	3,304	3,609	3,950
Total assets	**13,401**	12,119	11,923	12,667	13,930
Stockholders' equity	**10,437**	9,722	9,326	9,975	11,360
Employees	**28,412**	26,584	29,537	30,175	30,986
Stockholders of record	**20,525**	24,190	25,107	26,037	27,976

	Years Ended December 31, 2010	2009	2008	2007	2006
Net cash provided by operating activities	**$ 3,820**	$ 2,643	$ 3,330	$ 4,407	$ 2,456
Capital expenditures	**1,199**	753	763	686	1,272
Dividends paid	**592**	567	537	425	199
Stock repurchases	**2,454**	954	2,122	4,886	5,302

See Notes to Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations

The following should be read in conjunction with the Financial Statements and the related Notes that appear elsewhere in this document. All dollar amounts in the tables in this discussion are stated in millions of U.S. dollars, except per-share amounts. All amounts in this discussion reference continuing operations unless otherwise noted.

Overview

We design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 30 countries. We have four segments: Analog, Embedded Processing, Wireless and Other. We expect Analog and Embedded Processing to be our primary growth engines in the years ahead, and we therefore focus our resources on these segments.

We were the world's fourth largest semiconductor company in 2010 as measured by revenue, according to preliminary estimates from an external source. Additionally, we sell calculators and related products.

Product information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors come in two basic forms: individual transistors and integrated circuits (generally known as "chips") that combine multiple transistors on a single piece of material to form a complete electronic circuit. Our semiconductors are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. Our portfolio includes products that are integral to almost all electronic equipment.

We sell custom and standard semiconductor products. Custom products are designed for a specific customer for a specific application, are sold only to that customer and are typically sold directly to the customer. The life cycles of custom products are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months. Standard products are designed for use by many customers and/or many applications and are generally sold through both distribution and direct channels. They include both proprietary and commodity products. The life cycles of standard products are generally longer than for custom products.

Additional information regarding each segment's products follows.

Analog

Analog semiconductors change real-world signals – such as sound, temperature, pressure or images – by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales to our Analog segment's more than 80,000 customers generated 43 percent of our revenue in 2010. According to external sources, the worldwide market for analog semiconductors was about $42 billion in 2010. Our Analog segment's revenue in 2010 was about $6 billion, or about 14 percent of this market, the leading position. We believe that we are well positioned to increase our market share over time.

Our Analog product lines are: high-volume analog & logic, high-performance analog and power management.

High-volume analog & logic products: High-volume analog includes products for specific applications, including custom products. The life cycles of our high-volume analog products are generally shorter than those of our high-performance analog products. End markets for high-volume analog products include communications, automotive, computing and many consumer electronics products. Logic and standard linear includes commodity products marketed to many different customers for many different applications.

High-performance analog products: These include standard analog semiconductors, such as amplifiers, data converters and interface semiconductors (our portfolio includes nearly 16,000 products), that we market to many different customers who use them in manufacturing a wide range of products sold in many end markets, including the industrial, communications, computing and consumer electronics markets. High-performance analog products generally have long life cycles, often more than 10 years.

Power management products: These include both standard and custom semiconductors that help customers manage power in any type of electronic system. We design and manufacture power management semiconductors for both portable devices (battery-powered devices, such as handheld consumer electronics, laptop computers and cordless power tools) and line-powered systems (products that require an external electrical source, such as computers, digital TVs, wireless base stations and high-voltage industrial equipment).

Embedded Processing

Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products generated 15 percent of our revenue in 2010. According to external sources, the worldwide market for embedded processors was about $18 billion in 2010. Our Embedded Processing segment's revenue in 2010 was about $2 billion, or about 11 percent of this fragmented market. We believe we are well positioned to increase our market share over time.

An important characteristic of our Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because customers prefer to re-use software from one product generation to the next. We make and sell standard, or catalog, Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless

Growth in the wireless handset market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and to enable the expanding functionality that has made smartphones the fastest growing wireless segment. Smartphones and tablets also use other semiconductors to enable connectivity through means other than the cellular network (such as Bluetooth® devices, WiFi networks, GPS location services, and Near Field Communication (NFC)).

We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes, and our Wireless portfolio includes both standard products and custom products. Sales of Wireless products generated about $3 billion, or 21 percent of our revenue, in 2010, with a significant portion of those sales to a single customer.

Our Wireless investments are concentrated on our connectivity products and OMAP applications processors, areas we believe offer significant growth opportunities and which will enable us to take advantage of the increasing demand for more powerful and more functional mobile devices. We no longer invest in development of baseband products (products that allow a cell phone to connect to the cellular network), an area we believe offers far less promising growth prospects. Almost all of our baseband products are sold to a single customer. We expect substantially all of our baseband revenue, which was $1.7 billion in 2010, to cease by the end of 2012.

Other

Our Other segment includes revenue from our smaller semiconductor product lines and from sales of our handheld graphing and scientific calculators. It also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements entered into in connection with acquisitions and divestitures. The semiconductor products in our Other segment include DLP® products (primarily used in projectors to create high-definition images) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment generated about $3 billion, or 21 percent of our revenue, in 2010.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. Because of the longer product life cycles of standard products and their inherently lower risk of obsolescence, we generally carry more of those products than custom products. Additionally, we sometimes maintain standard-product inventory in unfinished wafer form, as well as higher finished goods inventory of low-volume products, allowing greater flexibility in periods of high demand. We also have consignment inventory programs in place for our largest customers and some distributors.

Manufacturing

Semiconductor manufacturing begins with a sequence of photo-lithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is tested and the wafer is cut into pieces called chips. Each chip is assembled into a package that then is usually retested. The entire process typically requires between 12 and 18 weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing facilities in North America, Asia and Europe. These include both high-volume wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of capacity, potentially hurting our profit margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by product. Our Analog products and most of our Embedded Processing products can be manufactured using older, less expensive equipment than is needed for manufacturing advanced logic products, such as our Wireless products. Advanced logic wafer manufacturing continually requires new and expensive processes and equipment. In contrast, the processes and equipment required for manufacturing our Analog products and most of our Embedded Processing products do not have this requirement.

To supplement our internal wafer fabrication capacity and maximize our responsiveness to customer demand and return on capital, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. We source about 25 percent of our wafers from external foundries, with the vast majority of this outsourcing being for advanced logic wafers. In 2010, external foundries provided 60 percent of the fabricated wafers for our advanced logic manufacturing needs. We expect the proportion of our advanced logic wafers provided by foundries will increase over time. We expect to maintain sufficient internal wafer fabrication capacity to meet the vast majority of our analog production needs.

In addition to using foundries to supplement our wafer fabrication capacity, we selectively use subcontractors to supplement our assembly/test capacity. We generally use subcontractors for assembly/test of products that would be less cost-efficient to complete in-house (e.g., relatively low-volume products that are unlikely to keep internal equipment fully utilized), or when demand temporarily exceeds our internal capacity. We believe we often have a cost advantage from maintaining internal assembly/test capacity.

Our internal/external manufacturing strategy reduces the level of our required capital expenditures, and thereby reduces our subsequent levels of depreciation below what it would be if we sourced all manufacturing internally. Consequently, we experience less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities.

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing processes. Semiconductor prices and manufacturing costs tend to decline over time as manufacturing processes and product life cycles mature. Typically, new chips are produced in limited quantities at first and then ramp to high-volume production over time. Consequently, new products tend not to have a significant revenue impact for one or more quarters after their introduction. In the results discussions below, changes in our shipments are caused by changing demand for our products unless otherwise noted.

Market cycle

The “semiconductor cycle” is an important concept that refers to the ebb and flow of supply. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. This cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Our semiconductor sales generally are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and other consumer electronics devices, which have stronger sales later in the year as manufacturers prepare for the major holiday selling seasons. Calculator revenue is tied to the U.S. back-to-school season and is therefore at its highest in the second and third quarters. Royalty revenue is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreements.

Tax considerations

We operate in a number of tax jurisdictions and are subject to several types of taxes including those that are based on income, capital, property and payroll, as well as sales and other transactional taxes. The timing of the final determination of our tax liabilities varies by jurisdiction and taxing authority. As a result, during any particular reporting period we might reflect in our financial statements one or more tax refunds or assessments, or changes to tax liabilities, involving one or more taxing authorities.

Results of operations

2010 compared with 2009

Our 2010 revenue was $13.97 billion, net income was $3.23 billion and earnings per share (EPS) were $2.62.

2010 was an important year in the transformation of TI to a company focused on Analog and Embedded Processing. We saw strong revenue growth of 34 percent led by those businesses as well as the part of our Wireless segment that is focused on smartphones and tablet computers. Each of these core businesses grew more than 40 percent and gained significant market share. Success in these businesses let us again return cash to shareholders by repurchasing $2.45 billion of our stock and paying dividends of nearly $600 million. In 2010, we continued to expand our analog manufacturing capacity through the acquisitions of wafer fabrication facilities in Japan and China, and the purchase and installation of analog wafer manufacturing equipment. These manufacturing assets were purchased at very cost-effective pricing such that the impact to depreciat ion will be minimal. In total, the equipment and factories purchased at discounted prices since late 2009 will support more than $5 billion of total additional revenue once fully operational.

Statement of operations — selected items

Segment information for 2009 and 2008 has been restated to reflect the transfer of a low-power wireless product line from our Analog segment to our Wireless segment in the first quarter of 2010. For 2009, revenue from this product line was $68 million, and it operated at a loss of $17 million. For 2008, revenue from this product line was $68 million, and it operated at a loss of $24 million.

	For the Years Ended December 31,		
	2010	**2009**	**2008**
Revenue by segment:			
Analog	**$ 5,979**	$ 4,202	$ 4,789
Embedded Processing	**2,073**	1,471	1,631
Wireless	**2,978**	2,626	3,451
Other	**2,936**	2,128	2,630
Revenue	**13,966**	10,427	12,501
Cost of revenue	**6,474**	5,428	6,256
Gross profit	**7,492**	4,999	6,245
Gross profit % of revenue	**53.6%**	47.9%	50.0%
Research and development (R&D) expense	**1,570**	1,476	1,940
R&D % of revenue	**11.2%**	14.2%	15.5%
Selling, general and administrative (SG&A) expense	**1,519**	1,320	1,614
SG&A % of revenue	**10.9%**	12.6%	12.9%
Restructuring expense	**33**	212	254
Gain on divestiture	**(144)**	—	—
Operating profit	**4,514**	1,991	2,437
Operating profit % of revenue	**32.3%**	19.1%	19.5%
Other income (expense) net	**37**	26	44
Income before income taxes	**4,551**	2,017	2,481
Provision for income taxes	**1,323**	547	561
Net income	**$ 3,228**	$ 1,470	$ 1,920
Diluted income per common share	**$ 2.62**	$ 1.15	$ 1.44

As required by accounting rules, net income allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents is excluded from the calculation of EPS. The amount excluded from earnings per common share was $44 million, $14 million and $12 million for the years ended December 31, 2010, December 31, 2009, and December 31, 2008.

Details of 2010 financial results

Revenue in 2010 was $13.97 billion, up $3.54 billion, or 34 percent, from 2009. Revenue in all segments increased over the year-ago period, with particular strength in our core businesses, due to increased shipments across a broad range of products.

Gross profit was $7.49 billion, an increase of $2.49 billion, or 50 percent, from 2009. This increase was primarily due to higher revenue, and to a lesser extent, the impact of improved factory utilization. Improved factory utilization increased our gross profit by $291 million from the year-ago period. Gross profit margin was 53.6 percent of revenue compared with 47.9 percent in 2009.

Operating expenses were $1.57 billion for R&D and $1.52 billion for SG&A. R&D expense increased $94 million, or 6 percent, from 2009 due to higher compensation-related costs. R&D expense as a percent of revenue was 11.2 percent compared with 14.2 percent in the year-ago period. R&D expense increased in the core businesses.

SG&A expense increased $199 million, or 15 percent, from 2009 primarily due to higher compensation-related costs, and to a lesser extent, higher sales and marketing costs. SG&A expense as a percent of revenue was 10.9 percent compared with 12.6 percent in the year-ago period.

Restructuring charges were $33 million compared with $212 million in 2009. See Note 2 to the Financial Statements for additional information.

In 2010 we recognized a gain of $144 million from the sale of a product line previously included in our Other segment.

Operating profit was $4.51 billion, or 32.3 percent of revenue, compared with $1.99 billion, or 19.1 percent of revenue, in 2009. This increase was due to the increase in revenue and the associated gross profit. Operating profit increased from 2009 in all segments.

The tax provision for 2010 was $1.32 billion compared with $547 million for the prior year. The increase was due to higher income before income taxes. In December 2010, the President signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which reinstated the federal research tax credit with effect retroactively to January 1, 2010. The effect of the reinstatement of this tax credit was recorded in the fourth quarter. See Note 5 to the Financial Statements for a reconciliation of tax rates to the statutory federal tax rate.

Net income was $3.23 billion, an increase of $1.76 billion from 2009. EPS for 2010 was $2.62 compared with $1.15 for 2009. EPS benefited $0.12 from a lower number of average shares outstanding as a result of our stock repurchase program.

Orders were $13.93 billion, an increase of 23 percent compared with 2009. The increase reflected higher demand across a broad range of products.

Segment results

A detailed discussion of our segment results appears below.

Analog

	2010	2009	2010 vs. 2009
Revenue	**$ 5,979**	$ 4,202	42%
Operating profit	**1,876**	770	144%
Operating profit % of revenue	**31.4%**	18.3%	
Restructuring expense*	**$ 13**	$ 84	

* Included in operating profit

Analog revenue increased $1.78 billion, or 42 percent, from 2009 due to increased shipments of, in decreasing order, high-volume analog & logic, power management and high-performance analog products.

Operating profit was $1.88 billion, or 31.4 percent of revenue. This was an increase of $1.11 billion, or 144 percent, compared with 2009 due to higher revenue and associated gross profit.

Embedded Processing

	2010	2009	2010 vs. 2009
Revenue	**$ 2,073**	$ 1,471	41%
Operating profit	**491**	194	153%
Operating profit % of revenue	**23.7%**	13.2%	
Restructuring expense*	**$ 6**	$ 43	

* Included in operating profit

Embedded Processing revenue increased $602 million, or 41 percent, compared with 2009 primarily due to increased shipments of catalog products, and to a lesser extent, products sold into communications infrastructure and automotive applications.

Operating profit was $491 million, or 23.7 percent of revenue. This was an increase of $297 million, or 153 percent, compared with 2009 due to higher revenue and associated gross profit.

Wireless

	2010	2009	2010 vs. 2009
Revenue	**$ 2,978**	$ 2,626	13%
Operating profit	**683**	315	117%
Operating profit % of revenue	**22.9%**	12.0%	
Restructuring expense*	**$ 10**	$ 62	

* Included in operating profit

Wireless revenue increased $352 million, or 13 percent, from 2009 primarily due to increased shipments of connectivity products, and to a lesser extent, OMAP applications processors. Baseband revenue for 2010 was $1.71 billion, about even compared with 2009.

Operating profit was $683 million, or 22.9 percent of revenue. This was an increase of $368 million, or 117 percent, compared with 2009 primarily due to higher revenue and associated gross profit.

Other

	2010	2009	2010 vs. 2009
Revenue	**$ 2,936**	$ 2,128	38%
Operating profit	**1,464**	712	106%
Operating profit % of revenue	**49.9%**	33.5%	
Restructuring expense*	**$ 4**	$ 23	
Gain on divestiture*	**144**	—	

* Included in operating profit

Revenue from Other was $2.94 billion in 2010. This was an increase of $808 million, or 38 percent, from 2009 primarily due to increased shipments of DLP products and, to a lesser extent, custom ASIC products. Also contributing to the increase in revenue were higher royalties, and revenue from transitional supply agreements associated with recently acquired factories and from increased shipments of calculators.

Operating profit for 2010 from Other was $1.46 billion, or 49.9 percent of revenue. This was an increase of $752 million, or 106 percent, compared with 2009 due to higher revenue and associated gross profit and, to a lesser extent, the gain on the sale of a product line.

Prior results of operations

2009 compared with 2008

Our 2009 revenue was $10.43 billion, net income was $1.47 billion and EPS was $1.15.

During 2009, despite a severe global economic downturn, we increased our focus on Analog and Embedded Processing. In addition, we completed actions that significantly reduced our costs. Our major actions during 2009 included implementing a voluntary retirement program and an involuntary reduction program, staffing Kilby Labs (a creative research facility in Dallas), acquiring two companies to support our Analog and Embedded Processing objectives and opening an assembly/test site located in the Philippines and the world's first 300-millimeter analog wafer factory, located in Richardson, Texas, outfitting both with manufacturing equipment purchased in a weak market at extremely attractive prices.

Details of 2009 financial results

Revenue in 2009 was $10.43 billion, down $2.07 billion, or 17 percent, from 2008. Revenue for all segments declined compared with the year-ago period. Growth resumed on a sequential basis in the second quarter of 2009 and on a year-on-year basis in the fourth quarter.

Gross profit was $5.00 billion, a decrease of $1.25 billion, or 20 percent, from 2008. This decline was due to lower revenue. About $160 million of the decline in gross profit resulted from lower factory utilization, with the vast majority of the underutilization expense incurred in the first half of 2009.

Operating expenses were $1.48 billion for R&D and $1.32 billion for SG&A. R&D expense decreased $464 million, or 24 percent, from 2008, with the largest impact in Wireless. SG&A expense decreased $294 million, or 18 percent, from 2008. The operating expense decreases in both comparisons were primarily due to the combination of the effects of our previously-announced employment reductions and, to a lesser extent, our other cost-control efforts throughout the year.

Charges for restructuring actions were $212 million compared with $254 million in 2008. The restructuring charges in 2009 consisted of $201 million for severance and benefit costs and $11 million related to impairments of long-lived assets. This compared with restructuring charges in 2008 that consisted of $218 million for severance and benefit costs and $36 million related to impairments of long-lived assets. These actions eliminated about 3,900 jobs and were completed in 2009.

Operating profit was $1.99 billion, or 19.1 percent of revenue, compared with $2.44 billion, or 19.5 percent of revenue, in 2008. This was an 18 percent decrease due to the decline in revenue and the associated gross profit. This decrease more than offset a reduction in operating expenses and lower restructuring charges. Operating profit decreased from 2008 in all segments.

Other income (expense) net (OI&E) was $26 million, a decrease of $18 million from 2008 due to lower interest income. The decrease in interest income from a year ago was due to lower interest rates, which more than offset higher average balances of interest-bearing investments. Additionally, we had expenses associated with former businesses in 2008 that did not recur in 2009.

The tax provision was $547 million compared with $561 million for 2008. The decrease was primarily due to lower income before income taxes, partially offset by lower discrete tax benefits, and to a lesser extent, a lower federal R&D tax credit. The tax provision for 2009 contained net discrete tax benefits of $7 million. The tax provision for 2008 contained net discrete tax benefits of $122 million, primarily resulting from our decision to indefinitely reinvest the accumulated earnings of a non-U.S. subsidiary.

Income from continuing operations was $1.47 billion, a decrease of $450 million from 2008. EPS for 2009 was $1.15 compared with $1.44 for 2008. EPS in 2009 benefited $0.05 from a lower number of average shares outstanding as a result of our stock repurchase program.

Orders were $11.36 billion, which was 4 percent lower than 2008. The decline reflected lower demand for baseband wireless products.

Segment results

Results for the Analog and Wireless segments for 2009 and 2008 have been restated due to the transfer of a low-power wireless product line from the Analog segment to the Wireless segment in the first quarter of 2010. For 2009, revenue from this product line was $68 million, and it operated at a loss of $17 million. For 2008, revenue from this product line was $68 million, and it operated at a loss of $24 million.

Analog

	2009	2008	2009 vs. 2008
Revenue	**$ 4,202**	$ 4,789	-12%
Operating profit	**770**	1,074	-28%
Operating profit % of revenue	**18.3%**	22.4%	
Restructuring expense*	**$ 84**	$ 58	

* Included in operating profit

Analog revenue declined $587 million, or 12 percent, from 2008 primarily due to lower shipments of high-volume analog & logic products. Also contributing to the decline, but to a lesser extent, was high-performance analog, where although shipments were about flat compared with 2008, revenue fell due to a higher proportion of shipments of lower-priced products. Revenue from power management products was about flat.

Operating profit was $770 million, or 18.3 percent of revenue. This was a decrease of $304 million from 2008 due to lower revenue and associated gross profit, partially offset by lower operating expenses.

Embedded Processing

	2009	2008	2009 vs. 2008
Revenue	**$ 1,471**	$ 1,631	-10%
Operating profit	**194**	268	-28%
Operating profit % of revenue	**13.2%**	16.5%	
Restructuring expense*	**$ 43**	$ 24	

* Included in operating profit

Embedded Processing revenue declined $160 million, or 10 percent, compared with 2008 primarily due to lower revenue from catalog products. The decline in catalog revenue was primarily due to a higher proportion of shipments of lower-priced products. Lower shipments of products for automotive applications contributed to a lesser extent to the segment's revenue decline.

Operating profit was $194 million, or 13.2 percent of revenue. This was a decrease of $74 million, or 28 percent, compared with 2008 due to lower revenue and associated gross profit, partially offset by lower operating expenses.

Wireless

	2009	2008	2009 vs. 2008
Revenue	**$ 2,626**	$ 3,451	-24%
Operating profit	**315**	323	-2%
Operating profit % of revenue	**12.0%**	9.3%	
Restructuring expense*	**$ 62**	$ 132	

* Included in operating profit

Wireless revenue declined $825 million, or 24 percent, from 2008 primarily due to lower shipments of baseband products, and to a lesser extent, lower shipments of OMAP applications processors. These decreases more than offset higher shipments of connectivity products. Baseband revenue for 2009 was $1.73 billion, a decrease of $813 million, or 32 percent, from 2008.

Operating profit was $315 million, or 12.0 percent of revenue. This was a decrease of $8 million, or 2 percent, from 2008 due to lower revenue and associated gross profit, partially offset by lower operating and restructuring expenses. As noted above, most of our reductions in R&D were in Wireless.

Other

	2009	2008	2009 vs. 2008
Revenue	**$ 2,128**	$ 2,630	-19%
Operating profit	**712**	772	-8%
Operating profit % of revenue	**33.5%**	29.3%	
Restructuring expense*	**$ 23**	$ 40	

* Included in operating profit

Revenue from Other was $2.13 billion in 2009. This was a decline of $502 million, or 19 percent, from 2008 due to a decrease in shipments across a broad range of products, especially RISC microprocessors.

Operating profit for 2009 from Other was $712 million, or 33.5 percent of revenue. This was a decrease of $60 million, or 8 percent, compared with 2008 due to lower revenue and associated gross profit, partially offset by lower operating expenses.

Financial condition

At the end of 2010, total cash (cash and cash equivalents plus short-term investments) was $3.07 billion, an increase of $147 million from the end of 2009.

Accounts receivable were $1.52 billion at the end of 2010. This was an increase of $241 million compared with the end of 2009. Days sales outstanding were 39 at the end of 2010 compared with 38 at the end of 2009. The increase in accounts receivable was the result of higher revenue.

Inventory was $1.52 billion at the end of 2010. This was an increase of $318 million from the end of 2009. Days of inventory at the end of 2010 were 83 compared with 76 at the end of 2009. Eighty-three days approximates a more normal carrying level of inventory for our current business model.

Liquidity and capital resources

Our sources of liquidity are cash flow from operations, cash and cash equivalents, short-term investments, and a revolving credit facility.

Our primary source of liquidity is cash flow from operations. Cash flow from operations for 2010 was $3.82 billion, an increase of $1.18 billion from the prior year due to higher net income.

We had $1.32 billion of cash and cash equivalents and $1.75 billion of short-term investments as of December 31, 2010. We have a variable-rate revolving credit facility that allows us to borrow up to $1 billion until August 2011 and up to $920 million from August 2011 until August 2012. As of December 31, 2010, this credit facility was not being utilized. See Note 11 to the Financial Statements for additional information.

In 2010, investing activities used $1.06 billion in cash, primarily for capital expenditures, and to a lesser extent, acquisitions. For 2010, capital expenditures were $1.20 billion compared with $753 million used in 2009. Capital expenditures in 2010 were for assembly/test equipment and analog wafer manufacturing equipment. Additionally, in 2010 we used $199 million for business acquisitions that included wafer fabrication facilities and related equipment. See Note 8 to the Financial Statements for details regarding acquisitions. In comparison, we used $155 million for acquisitions in 2009.

For 2010, net cash used in financing activities was $2.63 billion compared with $1.41 billion in 2009. We used $2.45 billion to repurchase 94 million shares of our common stock in 2010, compared with $954 million used to repurchase 45 million shares of our common stock in 2009. Dividends paid in 2010 of $592 million, compared with $567 million in 2009, reflect the effect of increases in the quarterly dividend rate, partially offset by the lower number of shares outstanding. Employee exercises of TI stock options are also reflected in cash from financing activities. In 2010, these exercises provided cash proceeds of $407 million compared with $109 million in 2009.

Cumulatively, our board of directors has authorized $27.50 billion in stock repurchases since the beginning of September 2004. At year-end 2010, $7.64 billion of these authorizations remained. From September 2004 through December 2010, we reduced our shares outstanding by 32.4 percent.

We believe we have the necessary financial resources and operating plans to fund our working capital needs, capital expenditures, dividend payments and other business requirements for at least the next 12 months.

Long-term contractual obligations

Contractual obligations	Payments Due by Period				
	2011	2012/2013	2014/2015	Thereafter	Total
Operating lease obligations (a)	$ 80	$ 115	$ 84	$ 80	**$ 359**
Software license obligations (b)	67	61	6	—	**134**
Purchase obligations (c)	221	143	10	1	**375**
Deferred compensation plan (d)	17	46	22	74	**159**
Total (e)	$ 385	$ 365	$ 122	$ 155	**$ 1,027**

(a) Includes minimum payments for leased facilities and equipment, as well as purchases of industrial gases under contracts accounted for as an operating lease.
(b) Includes payments under license agreements for electronic design automation software.
(c) Includes contractual arrangements with suppliers where there is a fixed non-cancellable payment schedule or minimum payments due with a reduced delivery schedule. Excluded from the table are cancellable arrangements. However, depending on when certain purchase arrangements may be cancelled, an additional $7 million of cancellation penalties may be required to be paid, which are not reflected in the table.
(d) Includes an estimate of payments under this plan for the liability that existed at December 31, 2010.
(e) The table excludes $103 million of uncertain tax liabilities under ASC 740 because of the difficulty in making reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities. In addition, the table excludes planned funding contributions to our retirement plans of $117 million in 2011; funding projections beyond 2011 are not practical to estimate due to the rules affecting tax-deductible contributions and the impact of the plans' asset performance, interest rates and potential U.S. and international legislation.

Critical accounting policies

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States, we use statistical analyses, estimates and projections that affect the reported amounts and related disclosures and may vary from actual results. We consider the following accounting policies to be both those that are most important to the portrayal of our financial condition and that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a significant effect on our financial statements.

Revenue recognition

Revenue from sales of our products, including sales to our distributors, is recognized upon shipment or delivery, depending upon the terms of the sales order, provided that persuasive evidence of a sales arrangement exists, title and risk of loss have transferred to the customer, the sales amount is fixed or determinable and collection of the revenue is reasonably assured. Revenue from sales of our products that are subject to inventory consignment agreements is recognized when the customer or distributor pulls product from consignment inventory that we store at designated locations. In 2010, about 35 percent of our revenue was generated from sales of our products subject to inventory consignment agreements.

We reduce revenue based on estimates of future credits to be granted to customers. Credits include volume-based incentives, other special pricing arrangements and product returns due to quality issues. We also grant discounts to some distributors for prompt payments. Our estimates of future credits are based on historical experience, analysis of product shipments and contractual arrangements with customers and distributors.

In 2010, about 37 percent of our revenue was generated from sales of our products to distributors. We recognize distributor revenue net of allowances, which are management's estimates based on analysis of historical data, current economic conditions and contractual terms. These allowances recognize the impact of credits granted to distributors under certain programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities, or are allowed to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. Historical claims data are maintained for each o f the programs, with differences among geographic regions taken into consideration. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in distributor revenue and inventory levels. Allowances are also adjusted when recent historical data do not represent anticipated future activity. About 30 percent of our distributor revenue is generated from sales of consigned inventory, and we expect this proportion to grow over time. The allowances we record against this revenue are not material.

In addition, we monitor collectability of accounts receivable primarily through review of the accounts receivable aging. When collection is at risk, we assess the impact on amounts recorded for bad debts and, if necessary, will record a charge in the period such determination is made.

Income taxes

In determining net income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax provisions and the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

In the ordinary course of global business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on an estimate of the ultimate resolution of whether, and the extent to which, additional taxes will be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our financial process, we must assess the likelihood that our deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior years that can be used to absorb net operating losses and credit carrybacks, and taxable income in future years. Our judgment regarding future recoverability of our deferred tax assets based on these criteria may change due to various factors, including changes in U.S. or international tax laws and changes in market conditions and their impa ct on our assessment of taxable income in future periods. These changes, if any, may require material adjustments to the deferred tax assets and an accompanying reduction or increase in net income in the period when such determinations are made.

In addition to the factors described above, the effective tax rate reflected in forward-looking statements is based on then-current tax law. Significant changes during the year in enacted tax law could affect these estimates.

Inventory valuation allowances

Inventory is valued net of allowances for unsalable or obsolete raw materials, work-in-process and finished goods. Allowances are determined quarterly by comparing inventory levels of individual materials and parts to historical usage rates, current backlog and estimated future sales and by analyzing the age of inventory, in order to identify specific components of inventory that are judged unlikely to be sold. Allowances are also calculated quarterly for instances where inventoried costs for individual products are in excess of market prices for those products. In addition to this specific identification process, statistical allowances are calculated for remaining inventory based on historical write-offs of inventory for salability and obsolescence reasons. Actual future write-offs of inventory for salability and obsolescence reasons may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, technology shifts and other factors.

Impairment of long-lived assets, intangibles and goodwill

We review long-lived assets for impairment when certain indicators suggest the carrying amount may not be recoverable. This review process primarily focuses on acquisition-related intangible assets; property, plant and equipment; and software for internal use or embedded in products sold to customers. Factors considered include the under-performance of an asset compared with expectations and shortened useful lives due to planned changes in the use of the assets. Recoverability is determined by comparing the carrying amount of long-lived assets to estimated future undiscounted cash flows. If future undiscounted cash flows are less than the carrying amount of the long-lived assets, an impairment charge would be recognized for the excess of the carrying amount over fair value determined by either a quoted market price, if any, or a value det ermined by utilizing a discounted cash-flow technique. Additionally, in the case of assets that will continue to be used in future periods, a shortened depreciable life may be utilized if appropriate, resulting in accelerated amortization or depreciation based upon the expected net realizable value of the asset at the date the asset will no longer be utilized. Actual results may vary from estimates due to, among other things, differences in operating results, shorter useful lives of assets and lower market values for excess assets. Additionally, we review goodwill for impairment annually, or more frequently if certain impairment indicators arise such as significant changes in business climate, operating performance or competition, or upon the disposition of a significant portion of a reporting unit. This review compares the fair value for each reporting unit containing goodwill to its carrying value.

Changes in accounting standards

See Changes in Accounting Standards in Note 1 to the Financial Statements for a discussion of new accounting and reporting standards that have not yet been adopted.

Off-balance sheet arrangements

As of December 31, 2010, we had no significant off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Commitments and contingencies

See Note 12 to the Financial Statements for a discussion of our commitments and contingencies.

Quantitative and qualitative disclosures about market risk

Foreign exchange risk

The U.S. dollar is the functional currency for financial reporting. We use forward currency exchange contracts to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. For example, at year-end 2010, we had forward currency exchange contracts outstanding with a notional value of $439 million to hedge net balance sheet exposures (including $236 million to sell Japanese yen, $69 million to sell euros and $33 million to sell British pound sterling). Similar hedging activities existed at year-end 2009.

Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by these forward currency exchange contracts, based on year-end 2010 balances and currency exchange rates, a hypothetical 10 percent plus or minus fluctuation in non-U.S. currency exchange rates would result in a pre-tax currency exchange gain or loss of approximately $1 million.

Interest rate risk

As of December 31, 2010 and 2009, we had no debt. Therefore, our primary exposure to changes in interest rates is limited to the effect on the fair values of our investments in cash equivalents and short-term investments. The effect of changes in interest rates on the fair value of our cash equivalents and short-term investments has not been material during 2010 or 2009 due to the primarily short-term duration of our investments. A hypothetical increase or decrease of 100 basis points in the applicable interest rates associated with these investments as of year-end 2010 would have resulted in a decrease of approximately $16 million and an increase of approximately $4 million in the fair value of these securities, respectively (in the instance of falling rates, the hypothetical change in value assumes that no interest rate on any individua l security could drop below zero). Because the coupon rates applicable to our auction-rate securities reset every 7, 28 or 35 days to maximum rates indexed to short-term interest rate benchmarks defined for each security, a change in the general level of interest rates is not expected to cause a significant change in the fair value of our long-term investments in those securities. While an increase in interest rates reduces the fair value of the investment portfolio, we will not recognize the losses in other income (expense) net unless the individual securities are sold prior to recovery or the impairment is determined to be other-than-temporary.

Equity risk

Long-term investments at year-end 2010 include the following:

- Investments in mutual funds – includes mutual funds that were selected to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The mutual funds hold a variety of debt and equity investments.
- Investments in venture capital funds – includes investments in limited partnerships (accounted for under either the equity or cost method).
- Equity investments – includes non-marketable (non-publicly traded) equity securities.

Investments in mutual funds are stated at fair value. Changes in prices of the mutual fund investments are expected to offset related changes in deferred compensation liabilities such that a 10 percent increase or decrease in the investments' fair values would not materially affect operating results. Non-marketable equity securities and some venture capital funds are stated at cost. Impairments deemed to be other-than-temporary are expensed in net income. Investments in the remaining venture capital funds are stated using the equity method. See Note 7 to the Financial Statements for details of equity and other long-term investments.

Quarterly financial data
[Millions of dollars, except per-share amounts]

2010	Quarter 1st	2nd	3rd	4th
Revenue	**$ 3,205**	**$ 3,496**	**$ 3,740**	**$ 3,525**
Gross profit	**1,689**	**1,894**	**2,039**	**1,869**
Operating profit	**950**	**1,107**	**1,227**	**1,230**
Net income	**$ 658**	**$ 769**	**$ 859**	**$ 942**
Earnings per common share:				
Basic earnings per common share	**$ 0.53**	**$ 0.63**	**$ 0.71**	**$ 0.79**
Diluted earnings per common share	**$ 0.52**	**$ 0.62**	**$ 0.71**	**$ 0.78**

2009	Quarter 1st	2nd	3rd	4th
Revenue	$ 2,086	$ 2,457	$ 2,880	$ 3,005
Gross profit	806	1,124	1,481	1,589
Operating profit	10	343	763	875
Net income	$ 17	$ 260	$ 538	$ 655
Earnings per common share:				
Basic earnings per common share	$ 0.01	$ 0.20	$ 0.42	$ 0.52
Diluted earnings per common share	$ 0.01	$ 0.20	$ 0.42	$ 0.52

Included in the results above were the following items:

2010	Quarter 1st	2nd	3rd	4th
Restructuring expense (a)	**$ 10**	**$ 17**	**$ 4**	**$ 1**
Gain on sale of product line (b)	**$ —**	**$ —**	**$ —**	**$ 144**
Federal research tax credit benefit (c)	**$ —**	**$ —**	**$ 4**	**$ 50**

2009	Quarter 1st	2nd	3rd	4th
Restructuring expense (a)	$ 105	$ 85	$ 10	$ 12

(a) See Note 2 to the Financial Statements for additional information.
(b) See Note 8 to the Financial Statements for additional information.
(c) The fourth quarter amount of $50 million was related to the U.S. federal research tax credit, which was reinstated in December 2010 and was retroactive to the beginning of 2010.

Common stock prices and dividends

TI common stock is listed on the New York Stock Exchange and traded principally in that market. The table below shows the high and low closing prices of TI common stock as reported by Bloomberg L.P. and the dividends paid per common share for each quarter during the past two years.

		Quarter 1st	2nd	3rd	4th
Stock prices:					
2010	**High**	**$ 26.34**	**$ 27.16**	**$ 27.14**	**$ 33.75**
	Low	**22.50**	**23.28**	**23.02**	**27.21**
2009	High	$ 17.63	$ 21.85	$ 25.35	$ 27.00
	Low	13.70	16.00	20.11	22.26
Dividends paid:					
2010		**$ 0.12**	**$ 0.12**	**$ 0.12**	**$ 0.13**
2009		$ 0.11	$ 0.11	$ 0.11	$ 0.12

Exhibit 21

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
LIST OF SUBSIDIARIES OF THE REGISTRANT

The following are current subsidiaries of the Registrant.

Subsidiary and Name Under Which Business is Done	Where Organized
Benchmarq Microelectronics Corporation of South Korea	Delaware
Burr-Brown International Holding Corporation	Delaware
Butterfly Communications Inc.	Delaware
Integrated Circuit Designs, Inc.	Maryland
Luminary Micro Europe Limited	United Kingdom
Luminary Micro India Private Limited	India
Telogy Networks, Inc.	Delaware
Texas Instruments Asia Limited	Delaware
Texas Instruments Austin Incorporated	Delaware
Texas Instruments Australia Pty Limited	Australia
Texas Instruments Belgium S.A.	Belgium
Texas Instruments Business Expansion GmbH	Germany
Texas Instruments Canada Limited	Canada
Texas Instruments China Incorporated	Delaware
Texas Instruments China Trading Limited	Hong Kong
Texas Instruments (Cork) Limited	Ireland
Texas Instruments CZ, s.r.o.	Czech Republic
Texas Instruments de Mexico, S. de R.L. de C.V.	Mexico
Texas Instruments Denmark A/S	Denmark
Texas Instruments Deutschland GmbH	Germany
Texas Instruments Espana, S.A.	Spain
Texas Instruments Foreign Sales Corporation	Barbados
Texas Instruments France S.A.	France
Texas Instruments Gesellschaft m.b.H.	Austria
Texas Instruments Holland B.V.	Netherlands
Texas Instruments Hong Kong Limited	Hong Kong
Texas Instruments (India) Private Limited	India
Texas Instruments International Capital Corporation	Delaware
Texas Instruments International Holding Company S.à R.L.	Luxembourg
Texas Instruments International Management Company S.à R.L.	Luxembourg
Texas Instruments International (Overseas) Limited	United Kingdom
Texas Instruments International Trade Corporation	Delaware
Texas Instruments International (U.S.A.) Inc.	Delaware
Texas Instruments (Ireland) Limited	Ireland
Texas Instruments Israel Ltd.	Israel
Texas Instruments Israel Medical (2009) Ltd.	Israel
Texas Instruments Israel Trading (2003) Ltd.	Israel
Texas Instruments Japan Limited	Japan
Texas Instruments Japan Semiconductor Limited	Japan
Texas Instruments Korea Limited	Korea
Texas Instruments Lehigh Valley Incorporated	Delaware
Texas Instruments Limited	United Kingdom
Texas Instruments Low Power Wireless San Diego LLC	Delaware
Texas Instruments Malaysia Sdn. Bhd.	Malaysia
Texas Instruments Marketing & Finance GmbH & Co. KG	Germany
Texas Instruments Melbourne Incorporated	Florida
Texas Instruments Northern Virginia Incorporated	Delaware
Texas Instruments Norway AS	Norway
Texas Instruments Oy	Finland
Texas Instruments Palo Alto Incorporated	California

Texas Instruments (Philippines) LLC	Delaware
Texas Instruments Richardson LLC	Delaware
Texas Instruments Santa Rosa Incorporated	California
Texas Instruments Semiconductor Manufacturing (Chengdu) Co., Ltd.	China
Texas Instruments Semiconductor Technologies (Shanghai) Co., Ltd.	China
Texas Instruments Semiconductores e Tecnologias Ltda.	Brazil
Texas Instruments (Shanghai) Co., Ltd.	China
Texas Instruments Singapore (Pte) Limited	Singapore
Texas Instruments Sunnyvale Incorporated	Delaware
Texas Instruments Taiwan Limited	Taiwan
Texas Instruments Tucson Corporation	Delaware
TI Europe Limited	United Kingdom
TI (Philippines), Inc.	Philippines
TI Verwaltungs GmbH	Germany
Unitrode Corporation	Maryland
Unitrode-Maine	Maine

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report on Form 10-K of Texas Instruments Incorporated of our reports dated February 25, 2011, with respect to the consolidated financial statements of Texas Instruments Incorporated and the effectiveness of internal control over financial reporting of Texas Instruments Incorporated, included in the 2010 Annual Report to Stockholders of Texas Instruments Incorporated.

We also consent to the incorporation by reference in the following registration statements, and in the related prospectuses thereto, of our reports dated February 25, 2011, with respect to the consolidated financial statements of Texas Instruments Incorporated, and the effectiveness of internal control over financial reporting of Texas Instruments Incorporated, incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 2010: Registration Statements (Forms S-8) No. 333-158933, No. 333-158934, No. 33-42172, No. 33-54615, No. 33-61154, No. 333-07127 (as amended), No. 333-41913, No. 333-41919, No. 333-31321 (as amended), No. 333-31323, No. 333-48389, No. 333-44662, No. 333-107759, No. 333-107760, No. 333-107761, and No. 333-127021; Registration Statement (Forms S-3) No. 333-165045; and Registration Statements (Forms S-4) No. 333-89433 (as amended), No. 333-87199, No. 333-80157 (as amended), and No. 333-41030 (as amended).

/S/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

Dallas, Texas
February 25, 2011

Exhibit 31(a)

CERTIFICATIONS

I, Richard K. Templeton, certify that:

1. I have reviewed this report on Form 10-K of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Kevin P. March, certify that:

1. I have reviewed this report on Form 10-K of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer

Exhibit 32(a)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Richard K. Templeton, Chairman, President and Chief Executive Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2011

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

Exhibit 32(b)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Kevin P. March, Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2011

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer