

**Formal Remarks
2010 Shareholders' Meeting**

"Accelerating the Momentum"

by

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It's been quite a year since standing in front of you in April of 2009. This time last year, as I stood before you, the world was literally teetering, unsure whether it would pull up from an economic spiral or get sucked into the vortex of what was occurring at the time.

Our own revenue had declined almost 40% in two quarters.

By the time the year was finished, what we experienced was a historic whipsawing of contraction, followed by growth.

I'm pleased to say that in the face of these extremes, we accelerated our commitment to Analog and Embedded Processing by investing in new products, redeploying resources and adding manufacturing capacity. The soundness of our strategy was underscored as we improved our growth relative to our competitors each quarter of the year, and left 2009 with strong momentum.

Through the downturn, we continued to increase investment in areas that will fuel future growth. For example:

- We expanded our field sales and applications engineering resource to serve customers in fast-growing regions like China, India and Eastern Europe.
- We made strategic acquisitions to bolster the portfolios of our core businesses. Luminary Micro expanded our Embedded Processing microcontroller offerings, while CICLON Semiconductor strengthened our Analog power management portfolio.
- We expanded Kilby Labs, which provides an environment where TI technologists can innovate and collaborate and test their new ideas. We're continuing to invest in Kilby Labs this year, doubling its size, taking the number of projects from 8 to 25. Of the 8 projects that we had housed in the Labs during 2009, 5 of these teams have already developed and demonstrated silicon. Work in the Labs also

resulted in 60 new patent submissions and became an important attraction for many visiting customers. In 2010, we're talking about taking Kilby Labs international, and in fact opening a satellite location that will be announced later.

- In addition, we invested in new product lines to penetrate new markets or important opportunities such as LED lighting, such as smart metering and areas like solar energy.
- We were one of the very few semiconductor companies to expand our manufacturing capacity in the downturn to position our company for future growth:
 - We began to outfit the world's first 300-millimeter analog manufacturing facility, called RFAB, in Richardson, Texas, which will let us ship an additional \$1 billion of Analog products when the first phase is fully operational. Our test lines processed the first wafers in January, and we are on schedule to begin shipping products by the end of the year. This ramp is happening at a superior speed and a superior cost effectiveness, and eventually it will have the potential to deliver a total of \$3 billion per year of additional revenue for our Analog business.
 - We also added 800,000 square feet of assembly-and-test capacity with our new TI Clark facility that's located in the Philippines.

Perhaps most important, our financial performance in 2009 offered a glimpse of what we think the power of the business model can be by being focused on Analog and Embedded Processing.

By the time the downturn troughed in the first quarter of 2009, TI revenue had declined 38 percent from six months earlier. This was one of the steepest drops in our history. This decline was then followed by a very sharp snapback and an unprecedented 44 percent growth cumulatively in the following three quarters.

Yet, through all that, TI remained profitable, demonstrating a resiliency that has often eluded us in previous downturns. For the year, our revenue dropped 17 percent, but our operating margin was virtually unchanged from 2008, and in the fourth quarter of 2009, our operating margin set a new record high.

In this environment, our manufacturing operations demonstrated their agility. As demand declined, we slowed and temporarily suspended many of our operations to minimize costs, while being careful not to impair our long-term ability to grow. When demand unexpectedly turned up, we put our operations back in high speed, and they responded, doubling production inside of six months. And even with that, we also made the choice to add additional capital to catch up and try to get ahead of our customers' demand.

We also returned value directly to you as shareholders by continuing to repurchase our stock and paying higher dividends. While many companies suspended their stock repurchases in the downturn, TI bought back our stock in every quarter of 2009, repurchasing almost \$1 billion in total and reducing our share count another 3 percent. As a result, we have now reduced our outstanding shares by almost 30% in the last five years. Fewer shares in total means that each share of stock you own now represents a bigger slice of ownership of TI.

In addition, we paid over half a billion dollars in dividends and raised our dividend for the sixth consecutive year. Even with the capacity expansions and new capital spending, the stock repurchases and the dividends, our cash and short-term investments increased by \$385 million to more than \$2.9 billion.

The most important thing that we learned from 2009 is that our work is not yet done. Our positions in Analog and Embedded Processing are strong, but we have a great opportunity to make them much stronger.

And that is our mission for 2010.

As this new decade begins, we are transforming TI to grow faster and generate better returns for our shareholders.

We are on a path to be a company whose core businesses of Analog and Embedded Processing literally grow twice as fast as the semiconductor market, excluding memory. In fact, it is already starting: our revenue in Analog plus Embedded Processing in fourth quarter of 2009 was already back to the pre-downturn levels – it outgrew our competitors and it outgrew the market during that timeframe.

I've said in past years that these marketplaces are great markets for us. They are large. Analog was \$32 billion in 2009. Embedded Processing was \$14 billion. And we have strong positions in each of those: 13% share makes us number 1 in Analog, and 11% share now makes TI number 2 in Embedded Processing. At these share levels, it's also clear that we have opportunity to grow.

So why do I think that we can grow at 2x the market in these focused areas? There are a number of reasons, but today I'll pick and talk about just four.

The first one, and you see it with our customers every day that we spend time with them, is that the breadth of our product portfolio makes us unique from our competitors. Most of them are focused on just a specific category of Analog, and we can resolve all the needs in any category: be it power management, be it data converters, be it interface or be it amplifiers. While competitors in the Embedded Processing business usually offer one type of processor, we can deliver microcontrollers or we can deliver digital signal processors, and we can do so with a wide range of performance and power consumption. Our advantage is that we can solve not just one, but many of the problems that our customers need to solve – in any system, and on any of their boards.

Second, our investment in our own technology and manufacturing capacity makes us unique. We can, and do, invest in capacity at a level that is difficult for our competitors to imitate. The significant expansion of our assembly/test capacity and the opening of RFAB, which I described earlier, are testament to that.

Third, our size allows us to put more sales and application engineers on the street, calling on more customers, literally living in our customers' neighborhoods. In fact, our sales force is 3 times larger than our nearest Analog competitor.

And fourth, we have a good and expanding position in the fastest-growing regions of the world, and we're well-positioned with long histories in all regions.

When I add those together with the fact that I believe our leaders have a stronger commitment today than at any time in history to solving customers' problems, and that they have higher expectations and are instituting a culture of strong accountability, I believe we have the right recipe for high-quality growth.

Recently, I read an article that included some interesting history about the semiconductor industry. It's actually entering its seventh decade. It pointed out that only one company has remained in the top 10 throughout the industry's first six decades. And that's our company. It's a legacy we take seriously, and it's one that we intend to pass on to the next generation.

In closing, I can say with confidence that we are focused on customers and on growing our business in 2010, and we are doing it with a great team of people at TI. I want to thank TIers throughout the world for all they have done – for their tenacity and their commitment. TIers don't cower when things get hard, and they don't coast when things are good. They are constant in their mission and in their determination to do what's right for our customers and for our shareholders, and to do it first and foremost with a dedication to ethics that is the hallmark of this company. We have the finest people in the industry, and as I enter my 30th year with TI, I'm more proud than ever to carry a card that says Texas Instruments.

I also thank you, as our shareholders, for joining us today in person and those that have joined over the web. You trust us with your investments, and we are dedicated to helping them grow.

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