

**Prepared Remarks  
2012 Annual Meeting of Stockholders  
“Big Decisions, Big Moves”**

**by**

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Over the last year, we made big decisions and we made big moves. We strengthened our position in Analog and in industrial markets with the acquisition of National Semiconductor. We adjusted our Wireless strategy for a post-baseband era, which has been long-anticipated and is finally fast-approaching. We went “all in” on microcontrollers, betting big that ultra low-power will become an even more important differentiator of the future. We committed to extending our history of innovating disruptive technologies by funding R&D initiatives around the globe – in Silicon Valley, in India and in Shanghai. We challenged our sales team, giving them more products to sell. We continued to pour more resources into the fastest growing regions and markets, reallocating them from areas that did not hold similar promise, and pruning the portfolio where it made sense.

We did all this, despite a year that was marked by a steady drumbeat of challenges that literally spanned the year.

- Early in the year, we were impacted by a devastating earthquake and tsunami in Japan that crippled 10 percent of our manufacturing capacity, while disrupting the electronics markets, customers and suppliers based in the region, and dampening our revenue for a good part of the year.
- Political and economic uncertainty simmered during the summer, causing the markets to hold their collective breaths and in the process unravel a fledgling recovery.
- This uncertainty then led to a no-mistaking-it semiconductor downturn, as customers grew cautious, harvesting inventory and drying up chip orders in the process.

Bottom line, a recovery that we had predicted in the second half of 2011 was not to be. And the year saw top-line revenue growth prove elusive, despite share gains in both Analog and Embedded Processing.

Despite these challenges, however, I've never been more excited by what's going on in our industry and TI's prospects in a highly charged and changing market environment. Let me explain.

We all know that chips are becoming more pervasive, touching lives in ways we couldn't have imagined even as little as ten years ago. That frankly has been the mantra of our industry almost from its inception when Jack Kilby first integrated that first circuit in 1958 at Texas Instruments about a quarter mile from where I stand today.

But I believe technology in general and our industry in particular are in the midst of a major sea change. What's different today is how visible and integrated technology has become in our everyday lives and the sheer breadth of that accessible technology. No longer is it locked behind closed doors in a no-window server room, or limited to white-collar workers at their workplace desktops. No longer is a cellphone limited to voice only.

Technology is on the move. It's become portable. It's become personal. It's become pervasive. It's frankly become addictive. We take it with us. We use it throughout the day. It's ingrained in our lifestyles. We monitor. We share. We find information. We do it on the fly. We do it with purpose. We do it instantaneously.

Services that most of us couldn't imagine are flourishing. More than unique hardware, many of today's innovators are delivering electronic services and solutions to make people's lives easier, more convenient, more efficient, more connected or just more fun. Increasingly, innovations are not based on a device that you hold, instead using the cloud to deliver their products.

Our lives are in a constant state of acceleration as a result of technology. I won't argue whether that is good or bad, it is simply a statement of fact. Technology enables us to access information 24-7 and form an opinion and act on it nearly instantaneously. By the time world events are printed in a newspaper or broadcast on the evening news, they are no longer news as most of us saw a tweet on our smartphone within a few minutes of the event. Where once people would unwind at the end of the day with a book, today we unwind with an electronic book on a tablet and, often as not, we are using that same device to interact with vast numbers of friends from our past and present, often from all over the world. And the role that social networks can play in the world order has never been more evident than this past year as we witnessed the political unrest in North Africa and the Middle East. A decade ago, most of these products were not even conceived.

But technology creates change. And amidst all this change, you will find Texas Instruments technology entrenched, embedded and enabling. It's who we are. It's what we do. It's frankly what we're good at.

Stripped down to its basic components, our products are what make this new world work. The behind-the-scenes algorithms that crunch numbers and control systems are embedded on our chips. The technology that enables tiny batteries to last for days and weeks are in our power management chips and microcontrollers.

These products aren't sexy and high profile, or likely to be splashed across the cover of the latest business magazine. But they are absolutely essential to making this new world work. And that's good news for our company and our shareholders. If you look at all the pieces of the puzzle that have to work together to create and sustain this new world of on-the-go embedded technology, we can play in each of those pieces – be it the form factor of the product itself, the power efficiency required to make it run, or the interoperable networks and clouds that host it. The sheer breadth of our portfolio makes TI uniquely positioned to participate and to succeed.

Let's take a quick recap of our strategy and why we're convinced it's the right one for this environment. Then we'll take a deeper look at what we did over the last year, why we did it, and why we think these actions hold significant and strategic importance for the company and our role in this exciting new world.

Our focus – our business model – is based on Analog and Embedded Processing – two solid businesses that have proven, long-term benefits that are both real and sustainable.

Both represent big, fragmented markets with diverse customer bases. That translates into broad, horizontal markets with lots of places we can engage in and grow. The sheer numbers of markets and applications means we aren't tied to the fate of only a few markets or customers and, consequently, aren't subject to so many up and down swings as the high-volume, narrow vertical markets. With this market profile, more steady, stable growth is one of the outcomes that should result. Though we're No. 1 in Analog with about 15 percent share last year and we have about 12 percent in Embedded Processing, there's still plenty of room for us to grow.

Besides being in great markets, both Analog and Embedded Processing have long histories of profitability and low capital intensity. Because neither demands leading-edge manufacturing equipment, we're not forced into a constant churn of investing in advanced capacity to stay at the top of the competitive heap, draining cash and diverting resources in the process. Instead, our in-house manufacturing capacity has shelf lives measured in decades. That allows us to harvest our profitability in more diverse ways. To fuel growth, we can use it to target portfolio investments, fund innovative R&D, expand capital expenditures, or make targeted acquisitions to fuel growth or quickly fill a gap in our expertise. After we've invested in any or all of these growth strategies, we can also return money directly to our shareholders in the form of dividends and stock repurchases. We've done all of these in the last few years.

Let's take a closer look at how the year has played out since we last met. While we experienced setbacks during the year as a result of natural disasters, we believe the year was marked by significant strategic progress.

### **National**

First and foremost, we completed our acquisition of National Semiconductor and are well on our way to integrating the portfolio, the people and the customers into the fabric of our company.

National was a big acquisition for us, but we believe it holds big promise and big returns for our future. We added more than 12,000 complementary analog products to our portfolio. We significantly increased our footprint in the important industrial market overnight, gaining deeper access to this diverse, broad market. We invigorated our talent base with the addition of National's large pool of analog design engineers – a valuable and scarce resource in our industry – and gave them access to more customers and more technology on which to unleash their talents. We gained more analog capacity with two more fabs and one assembly/test site that are capable of supporting an additional \$2 billion of analog revenue.

The National integration is also proceeding well on the customer front, where the reception has been outstanding. Customers have expressed an enthusiasm to engage now that National is part of TI. Together, we can offer customers an unparalleled suite of analog solutions, and look forward to building on this customer enthusiasm.

Bottom line, this strategic acquisition accelerated a journey we were already on to become a company strongly rooted in Analog. Today, half of our revenue comes from this product line and it will only become larger in the years ahead.

### **Embedded Processing**

In Embedded Processing, we continued to focus resources on microcontrollers, a product line where we still have ample room to grow and whose ultra-low power capabilities make it an attractive solution for our customers. Since 2008, we've grown our microcontroller portfolio by a factor of four. Meanwhile, we continued to leverage our expertise in DSPs, a technology we pioneered 30 years ago, as we gained share in this market.

Like Analog, our Embedded Processing portfolio is broad, enabling customers to find just the right level of power and performance they need. So whatever their application – ranging from automotive advanced radar or infotainment systems, to robotics, to mobile or connected computing – customers can find their answer at Texas Instruments.

In addition, the software and ecosystem that are part and parcel of embedded processing are compatible across our generations of technology, meaning once customers invest in a TI solution we tend to have a much more long-term, strategic relationship with them, and they can focus their engineering energies on innovating ideas versus rewriting their code.

### **Wireless**

In Wireless, two significant things have occurred. First, as we enter 2012, our exit from the baseband market is nearing completion. Our baseband revenue is now only a couple percent of our total revenue and it no longer defines who we are in Wireless. While this product line was shrinking, we've been harvesting its profit and focusing our Wireless resources on applications processors and connectivity products, areas that we believe will form the underpinnings of a wireless world that is increasingly portable, personal, connected and easy to use.

Today, we see this world through the lens of markets like smartphones and tablets. Tomorrow, we believe wireless applications will become much broader in scope – and even more pervasive. To better intersect with that environment, we’re expanding our reach and going after broader markets, where our sales force footprint and broad distribution channels give us excellent access, and where success is not determined by picking a winning customer. That broad access is something our more narrowly focused competitors don’t have and can’t easily duplicate, and we believe it will give us a competitive advantage as wireless becomes even more pervasive.

As a result, over time our OMAP applications processors and connectivity products will be more closely aligned with our Embedded Processing strategy instead of standalone smartphone and tablet technologies.

I cannot wait to see what the rest of this decade will hold for our industry and our company. To the TI people here and around the world, I offer my thanks for your efforts this past year. Your creativity and commitment are key to helping TI outperform our competition and take TI to the next level. To our shareholders, we are committed to returning value to you that justifies your long-term support and belief in our company and its strategy. I have an unshakable belief that the best is yet to come as technology makes a better world – one that is more exciting, more interactive, more connected and more efficient, and Texas Instruments, rooted in analog and embedded processing, will play a central role in that world’s creation.