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, 2008

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 x 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 x

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 x 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. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	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 x

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $36,021,867,805 as of June 28, 2008.

1,276,555,254 (Number of shares of common stock outstanding as of January 31, 2009)

Parts I, II and IV hereof incorporate information by reference to the Registrant's 2008 annual report to stockholders. Part III hereof incorporates information by reference to the Registrant's proxy statement for the 2009 annual meeting of stockholders.

PART I

ITEM 1. Business.

Company Overview

At Texas Instruments Incorporated (TI), we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930 and are incorporated in Delaware. We are 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 2008 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" on pages 31 and 32 of TI's 2008 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 different 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 two general categories of semiconductor products: custom and standard. A custom product is designed for a specific customer for a specific application, is sold only to that customer and is typically sold directly to the customer. A standard product is designed for use by many customers and/or many applications and is generally sold through both distribution and direct channels. Standard products include both proprietary and commodity 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 so the signals can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales from our Analog segment accounted for about 40 percent of our revenue in 2008. The worldwide market for analog semiconductors was about $36 billion in 2008. According to external sources, we have about a 12 percent share in the fragmented analog semiconductor market, which is a leading position. We believe that we are well positioned to increase our share over time.

During 2008, we discussed our Analog business by reference to high-performance analog and high-volume analog & logic.

High-performance analog products: These include standard analog semiconductors, such as amplifiers, data converters, low-power radio frequency devices, and interface and power management semiconductors (our standard analog portfolio includes more than 20,000 products), that we market to many different customers (nearly 80,000) who use them in a wide range of products across the industrial, communications, computing and consumer markets. High-performance analog products generally have long life cycles, often 10 to 20 years.

High-volume analog & logic products: These include two product types. The first, high-volume analog, includes products for specific applications, including custom products for specific customers. 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. The second product type, standard linear and logic, includes commodity products marketed to many different customers for many different applications.

Beginning with the first quarter of 2009, we will discuss power management semiconductors as a separate category of Analog products, separating it from the high-performance category.

Embedded Processing

Our Embedded Processing products include our DSPs (other than DSPs specific to our Wireless segment) and microcontrollers. DSPs perform mathematical computations almost instantaneously to process and improve digital data. Microcontrollers are microprocessors that are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products accounted for about 15 percent of our revenue in 2008. The worldwide market for embedded processors was about $17 billion in 2008. According to external sources, we have about a 10 percent share in this fragmented market, and we believe we are well positioned to increase our share over time.

An important characteristic of 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

Cell phones require a modem or "baseband" to connect to the wireless carrier's network. Many of today's advanced cell phones also require an applications processor to run the phone's software and services, and semiconductors to enable connectivity to Bluetooth® devices, WiFi networks or GPS location services. 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 (or merchant) products and custom products. Sales of Wireless products accounted for about 25 percent of our revenue in 2008, and a significant portion of our Wireless sales were to a single customer.

As wireless communications have proliferated, consumers have demanded capabilities beyond voice. Smartphones (phones that contain email, media, games and computing capability) represent one of the fastest growing wireless markets. These phones tend to include many semiconductor products. Major handset manufacturers are actively pursuing the smartphone market and increasingly focusing their R&D on applications and services. As a result, we believe customer demand for applications processors will grow as handset manufacturers seek to differentiate their products by providing software and a unique user experience. Our OMAP™ product line has a leading position in the applications processor market and is used by most of the top handset manufacturers.

Our Wireless segment has been shifting focus from baseband chips, a market with shrinking competitive barriers and slowing growth rates, to applications processors, a market we expect will grow faster than the baseband market. Consistent with this shift in market focus, we are concentrating our Wireless investments on our applications processors and connectivity products. We continue to sell custom baseband products but have discontinued further development of merchant baseband products.

Other

Our Other segment includes revenue from smaller semiconductor product lines and handheld graphing and scientific calculators, and from royalties received for our patented technology that we license to other electronics companies. The semiconductor products in our Other segment include DLP® products (primarily used to create high-definition images for business and home theater projectors, televisions and movie projectors), reduced-instruction set computing (RISC) microprocessors (designed to provide very fast computing and often implemented in servers) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment accounted for about 20 percent of our revenue in 2008.

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 (48% of product revenue)	Cell phones and infrastructure equipment (wireless) Mobile connectivity solutions (including wireless LAN, global positioning systems, Bluetooth®) Broadband (including high-speed wireless home networking, cable modem) High-frequency radio, telecom accessories (hands-free and voice-enhancement solutions), navigation systems	Analog, Embedded Processing, Wireless, Other
Computing (22% of product revenue)	Printers Hard disk drives Monitors and projectors Notebook and desktop personal computers and servers	Analog, Embedded Processing, Other
Industrial (10% 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)	Analog, Embedded Processing
Consumer Electronics (10% of product revenue)	Medical (biophysical monitoring, digital hearing aids, medical imagery, personal and portable medical devices) Digital cameras Digital audio players Portable media players Car audio (radios and CD players) DVD players and recorders Home theater systems High-definition televisions	Analog, Embedded Processing, Other
Automotive (6% of product revenue)	Body systems Chassis systems Driver information/telemetrics	Analog, Embedded Processing, Other

	Entertainment Powertrain Safety systems Security systems	
Education (4% 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 methods. Chip prices and manufacturing costs tend to decline over time as manufacturing methods 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, with relatively stable demand. 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.

Although there are similarities with past cycles, we do not believe the market environment in the second half of 2008 and early 2009 is simply a surplus-driven inventory correction. Instead, we believe it is a broad economic slowdown in which consumer and industrial consumption has dramatically weakened and likely will weaken further.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Sales of our semiconductor products are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and consumer electronics applications that have stronger sales later in the year as manufacturers prepare for the holiday selling season. Calculator revenue is tied to the U.S. back-to-school season and, as a result, is 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. We believe that competitive performance in the semiconductor market generally depends on several factors, including the breadth of a company's product line, technological innovation, technical support, customer service, quality, reliability, price and scale. With expertise in both digital signal processing and analog at the system level, we believe we are capable of providing best-in-class products that integrate both technologies onto a single chip. In addition, our ability to deliver integrated solutions and system-level knowledge allows our customers to create more advanced systems and products and bring their products to market sooner.

The primary competitive factors in the Analog market include design proficiency, a diverse product portfolio to meet wide-ranging customer needs, manufacturing process technologies that provide differentiated levels of performance and manufacturing expertise. Our primary Analog competitors include Analog Devices, Inc.; Freescale Semiconductor, Inc.; Infineon Technologies AG; Intersil Corporation; Linear Technology Corporation; Maxim Integrated Products, Inc.; National Semiconductor Corporation; NXP B.V.; 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 support and a product's performance and power characteristics. Primary competitors of our Embedded Processing segment include Freescale Semiconductor, Inc.; Infineon Technologies AG; NEC Electronics and Renesas Technology Corp.

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, installed base of software, software expertise, applications support and a product's performance and power characteristics. Primary Wireless competitors include Broadcom Corp.; Freescale Semiconductor, Inc.; Infineon Technologies AG; Marvell Technology Group, Ltd.; QUALCOMM Incorporated and STMicroelectronics NV.

Manufacturing

Semiconductor manufacturing begins with the wafer fabrication manufacturing process: 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 may be retested. The entire process typically requires between twelve and eighteen weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing sites in North America, Asia and Europe. These facilities include high-volume wafer fabrication plants and assembly/test sites. 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 costs do not decline with reductions in customer demand or utilization of capacity and can adversely affect our profit margins as a result. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

Most of our Analog semiconductors require a lower level of capital investment in manufacturing and equipment than is needed for equivalent production levels of our Embedded Processing and Wireless semiconductors, which are manufactured using advanced logic wafer manufacturing equipment. While analog chips benefit from unique, proprietary wafer manufacturing processes, these processes can be applied using older, less expensive equipment. In addition, these processes and equipment remain usable for much longer than the manufacturing processes and equipment required for advanced logic wafer manufacturing.

To supplement our internal advanced logic wafer fabrication capacity, maximize our responsiveness to customer demand and minimize our overall capital expenditures, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. Our strategy involves installing internal wafer fabrication capacity to a level we believe will remain fully utilized over the equipment's useful lifetime and then outsourcing remaining capacity needs to foundries. In 2008, external foundries provided about 50 percent of the fabricated wafers for our advanced logic manufacturing needs, but during the fourth quarter of 2008, we significantly reduced our foundry purchases. 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 substantially all 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 in the event demand temporarily exceeds our internal capacity. We believe we often have a cost advantage in maintaining internal assembly/test capacity. Accordingly, we have nearly completed an environmentally efficient assembly/test facility in the Philippines, and the facility is in the initial stages of production.

This internal/external manufacturing strategy is designed to reduce the level of our required capital expenditures, and thereby reduce our subsequent levels of depreciation. Expected end results include less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities. As our internal manufacturing efforts shift to a higher percentage of analog products, an increasing proportion of our capital expenditures is devoted to assembly/test facilities and equipment. This is primarily due to the lower capital needs of analog wafer manufacturing equipment.

Inventory

While our inventory practices differ by product, we generally maintain inventory levels that are consistent with our expectations of customer demand.

For custom semiconductor products, where the risk of obsolescence is higher, we carry lower levels of inventory when possible. These products have a single customer, are sold in high volumes and have comparatively shorter life cycles. Life cycles of these products are often determined by end-equipment upgrade cycles and can be as short as 12 to 24 months.

For standard semiconductor products, where the risk of obsolescence is low, we generally carry higher levels of inventory. These products usually have many customers and long life cycles, and are often ordered in small quantities. Standard product inventory is sometimes held in unfinished wafer form, giving us greater flexibility to meet final package and test configurations.

As a result of the following trends, we now tend to carry relatively higher levels of inventory than in past years: standard products have become a larger part of our portfolio; we have increased consignment programs with our largest customers; and our distributors now carry relatively less inventory on average than in the past.

We manage calculator inventory consistent with expected seasonality.

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 2008 was an OEM, the Nokia group of companies. Sales to Nokia were about 20 percent of our revenue in 2008, and a majority of this revenue was in our Wireless segment.

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. Distributors located around the world account for about 30 percent of our revenue, and a majority of our revenue from many standard products. 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. We ship a substantial number of orders in the quarter in which they are received. Our backlog of orders was $0.86 billion at December 31, 2008, and $1.50 billion at December 31, 2007.

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 external industry consortia and universities and 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 $1.94 billion in 2008, compared with $2.14 billion in 2007 and $2.20 billion in 2006.

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	47	Senior Vice President
R. Gregory Delagi	46	Senior Vice President
Arthur L. George, Jr.	47	Senior Vice President
Michael J. Hames	50	Senior Vice President
David K. Heacock	48	Senior Vice President
Joseph F. Hubach	51	Senior Vice President, Secretary and General Counsel
Melendy E. Lovett	50	Senior Vice President (President, Education Technology)
Gregg A. Lowe	46	Senior Vice President
Kevin P. March	51	Senior Vice President and Chief Financial Officer
Robert K. Novak	43	Senior Vice President
Kevin J. Ritchie	52	Senior Vice President
Richard K. Templeton	50	Director; Chairman of the Board; President and Chief Executive Officer
Teresa L. West	48	Senior Vice President
Darla H. Whitaker	43	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. Ms. West and Messrs. Hames, Hubach, Lowe, March and Templeton have served as executive officers of the company for more than five years. Ms. Lovett and Mr. Ritchie became executive officers of the company in 2004. Mr. George and Ms. Whitaker became executive officers 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.

Employees

At December 31, 2008, we had 29,537 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 financial 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 these markets or key end-equipment markets such as communications, consumer electronics, computing, automotive and industrial 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 are fixed. In general, these 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. 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 contractually agreed to indemnify them against damages 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 agreements.

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 industries, but we generate a significant amount of revenue from sales to customers in the communications- and computer-related industries. Within these industries, 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 in 2008 more than 85 percent of our revenue came 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. Also, as discussed in more detail on page 47 of our 2008 annual report to stockholders, we use forward currency exchange contracts to reduce the adverse earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. Nevertheless, 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 of operations 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, including 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 Taxation.

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

We maintain bank accounts, multi-year revolving credit agreements, 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.

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 connection 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(1)	X		
Houston, Texas	X	X	
Miho, Japan	X	X	X
Kuala Lumpur, Malaysia(1)	X	X	
Freising, Germany	X	X	X
Baguio, Philippines(1)	X	X	X
Taipei, Taiwan(1)	X	X	X
Hiji, Japan	X	X	X
Tucson, Arizona(1)	X		
Bangalore, India(1)	X	X	X
Nice, France(1)	X		X
Aguascalientes, Mexico(2)	X		
Pampanga (Clark), Philippines(1)	X	X	
Tokyo, Japan(2)	X	X	X

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

(2) Leased.

Our facilities in the United States contained approximately 14.1 million square feet at December 31, 2008, of which approximately 1.7 million square feet were leased. Our facilities outside the United States contained approximately 6.2 million square feet at December 31, 2008, of which approximately 1.5 million square feet were leased.

At the end of 2008, 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 8 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. Submission of Matters to a Vote of Security Holders.

Not applicable.

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" on page 49 of TI's 2008 annual report to stockholders, and the information concerning the number of stockholders of record at December 31, 2008, on page 36 of 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 2008:

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, 2008	19,411,488	$18.86	19,411,488	$3.55 billion
November 1 through November 30, 2008	0		0	$3.55 billion
December 1 through December 31, 2008	0		0	$3.55 billion
Total	19,411,488	$18.86	19,411,488(2)(3)	$3.55 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. No expiration date has been specified for this authorization.

(2) All purchases during the quarter were made through open-market purchases except for 445,000 shares that were acquired in October through a privately negotiated forward purchase contract with a non-affiliated financial institution. The forward purchase contract was designed to minimize the impact on our earnings from the effect of stock market value fluctuations on the portion of our deferred compensation obligations denominated in TI stock.

(3) The table does not include the purchase of 879,644 shares pursuant to orders placed in the third quarter, for which trades were settled in the first three business days of the fourth quarter for $20 million. The purchase of these shares was reflected in Part II, Item 2 in the company's report on Form 10-Q for the quarter ended September 30, 2008.

ITEM 6. Selected Financial Data.

The "Summary of selected financial data" for the years 2004 through 2008, which appears on page 36 of TI's 2008 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" on pages 37 through 48 of TI's 2008 annual report to stockholders is incorporated herein by reference to such annual report.

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

The information concerning market risk contained on pages 47 and 48 of TI's 2008 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, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and the report thereon of the independent registered public accounting firm, on pages 2 through 33 of TI's 2008 annual report to stockholders, are incorporated herein by reference to such annual report.

The "Quarterly financial data" on page 48 of TI's 2008 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 in providing reasonable assurance that information required to be disclosed by TI in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Internal Control over Financial Reporting

Management's assessment of our internal control over financial reporting is contained in the report by management on internal control over financial reporting on page 34 of our 2008 annual report to stockholders and is incorporated herein by reference to such annual report.

The report of independent registered public accounting firm on internal control over financial reporting opining on our internal control over financial reporting is contained on page 35 of our 2008 annual report to stockholders and 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 2009 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to the company's audit committee financial expert contained under the caption "Board organization" in our proxy statement for the 2009 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 2009 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

A list of our executive officers and their biographical information appear 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

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The following directors are members of TI's Audit Committee: Pamela H. Patsley (Chair), David L. Boren, Stephen P. MacMillan and Wayne R. Sanders.

ITEM 11. Executive Compensation.

The information contained under the captions "Director compensation" and "Executive compensation" in our proxy statement for the 2009 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 information that is contained under the caption "Equity compensation plan information" in our proxy statement for the 2009 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

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 management" in our proxy statement for the 2009 annual meeting of stockholders is incorporated herein by reference to such proxy statement. The information concerning ownership of TI's common stock by each of the directors, which is contained under the caption "Directors' ages, service and stock ownership" in such proxy statement, is also 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 the company's proxy statement for the 2009 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption "Director independence" in the company's proxy statement for the 2009 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 2009 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 23 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).
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).

Designation of Exhibit in this Report	Description of Exhibit
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)	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).*
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).*

Designation of Exhibit in this Report	Description of Exhibit
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.*
10(f)	Texas Instruments 2003 Long-Term Incentive Plan as amended October 16, 2008.
10(g)	Texas Instruments Executive Officer Performance Plan as amended October 16, 2008.*
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).
10(k)	Texas Instruments 2003 Director Compensation Plan as amended October 16, 2008.
10(l)	Form of Stock Option Agreement for Executive Officers under the Texas Instruments 2000 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(l) to the Registrant's Annual Report on Form 10-K for the year 2006).*
10(m)	Form of Restricted Stock Unit Agreement under the Texas Instruments 2000 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(m) to the Registrant's Annual Report on Form 10-K for the year 2006).*
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).

13	Portions of Registrant’s 2008 Annual Report to Stockholders incorporated by reference herein.
21	List of Subsidiaries of the Registrant.

Designation of Exhibit in this Report	Description of Exhibit
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.

* Management compensation plans and arrangements.

“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, entertainment electronics and computing;
- 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;
- 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;
- The ability of TI and its customers and suppliers to access their bank accounts and lines of credit or otherwise access the capital markets;

- 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 TI undertakes 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 24, 2009

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, 2008, 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 and 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 24th day of February 2009.

Signature	Title
/s/ James R. Adams **James R. Adams**	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.

TEXAS INSTRUMENTS 2000 LONG-TERM INCENTIVE PLAN

As Amended October 16, 2008

SECTION 1. *Purpose.*

The Texas Instruments 2000 Long-Term Incentive Plan is designed to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

SECTION 2. *Definitions.*

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "**Affiliate**" shall mean (i) any entity that, directly or indirectly, is controlled by the Company or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "**Award**" shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) "**Award Agreement**" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(d) "**Board**" shall mean the board of directors of the Company.

(e) "**Cash Flow**" for a period shall mean net cash provided by operating activities as determined by the Company's independent auditors in accordance with Generally Accepted Accounting Principles (GAAP) and reported to the Committee.

(f) "**Change of Control**" shall mean the first to occur of:

(i) an individual, corporation, partnership, group, associate or other entity or person, as such term is defined in Section 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any employee benefit plan(s) sponsored by the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors;

(ii) individuals who constitute the Board of Directors of the Company on the effective date of the Plan (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any Approved Director, as hereinafter defined, shall be, for purposes of this subsection (ii), considered as though such person were a member of the Incumbent Board. An "Approved Director," for purposes of this subsection (ii), shall mean any person becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee of the Company for director), but shall not include any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or person other than the Board;

(iii) the approval by the stockholders of the Company of a plan or agreement providing (A) for a merger or consolidation of the Company other than with a wholly-owned subsidiary and other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) for a sale, exchange or other disposition of all or substantially all of the assets of the Company. If any of the events enumerated in this subsection (iii) occurs, the Committee shall determine the effective date of the Change of Control resulting therefrom for purposes of the Plan;

(iv) In addition to the events described in subsections (i), (ii) and (iii), it shall be a "Change of Control" for purposes hereof for any Participant principally employed in the business of a Designated Business Unit, as hereinafter defined, if an event described in subsections (i), (ii) or (iii) shall occur, except that for purposes of this subsection (iv), references in such subsections to the "Company" shall be deemed to refer to the Designated Business Unit in the business of which the Participant is principally employed. A Change in Control described in this subsection (iv) shall apply only to a Participant employed principally by the affected Designated Business Unit. For purposes of this subsection (iv), "Designated Business Unit" shall mean any business down to the SBE minus 2 level sold by the Company in which the Company does not retain an equity interest and any other business unit identified as a Designated Business Unit by the Committee from time to time.

(g) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "**Committee**" shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under the Plan.

(i) "**Company**" shall mean Texas Instruments Incorporated, together with any successor thereto.

(j) "**Cycle Time Improvement**" shall mean a reduction of the actual time a specific process relating to a product or service of the Company takes to accomplish.

(k) “**Earnings Before Income Taxes, Depreciation and Amortization (EBITDA)**” shall mean net income from continuing operations plus (a) provision for income taxes, (b) depreciation expense and (c) amortization expense as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(l) “**Earnings Per Share**” for a period shall mean diluted earnings per common share from continuing operation before extraordinary items as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(m) “**Executive Group**” shall mean every person who is expected by the Committee to be both (i) a “covered employee” as defined in Section 162(m) of the Code as of the end of the taxable year in which payment of the Award may be deducted by the Company, and (ii) the recipient of compensation of more than $1,000,000 for that taxable year.

(n) “**Fair Market Value**” shall mean, with respect to any property (including, without limitation, any Shares or other securities) the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(o) “**Incentive Stock Option**” shall mean an option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

(p) “**Manufacturing Process Yield**” shall mean the good units produced as a percent of the total units processed.

(q) “**Market Share**” shall mean the percent of sales of the total available market in an industry, product line or product attained by the Company or one of its business units during a time period.

(r) “**Net Revenue Per Employee**” in a period shall mean net revenue divided by the average number of employees of the Company, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

(s) “**Non-Qualified Stock Option**” shall mean an option granted under Section 6 that is not intended to be an Incentive Stock Option.

(t) “**Option**” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(u) “**Other Stock-Based Award**” shall mean any right granted under Section 9.

(v) “**Participant**” shall mean an individual granted an Award under the Plan.

(w) “**Performance Unit**” shall mean any right granted under Section 8.

(x) “**Plan**” shall mean this Texas Instruments 2000 Long-Term Incentive Plan.

(y) “**Profit from Operations**” for a period shall mean the profit from operations as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(z) “**Profit from Operations Dollar Growth**” for a period shall mean the percentage change of profit from operations from one period to another as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(aa) “**Profit from Operations Percentage Growth**” for a period shall mean the percentage change of profit from operations as a percent of revenue from one period to another as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(bb) “**Restricted Stock**” shall mean any Share granted under Section 7.

(cc) “**Restricted Stock Unit**” shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

(dd) “**Return On Capital**” for a period shall mean net income divided by stockholders’ equity as determined by the Company’s independent auditors in accordance with GAAP and reported to the Committee.

(ee) “**Return On Common Equity**” for a period shall mean net income less preferred stock dividends divided by total stockholders’ equity, less amounts, if any, attributable to preferred stock.

(ff) “**Return On Net Assets**” for a period shall mean net income less preferred stock dividends divided by the difference of average total assets less average non-debt liabilities, with average defined as the sum of assets or liabilities at the beginning and ending of the period divided by two.

(gg) “**Revenue Growth**” shall mean the percentage change in revenue (as defined in Statement of Financial Accounting Concepts No. 6, published by the Financial Accounting Standards Board) from one period to another.

(hh) “**Shares**” shall mean shares of the common stock of the Company, $1.00 par value.

(ii) "**Substitute Awards**" shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

(jj) "**Total Stockholder Return**" shall mean the sum of the appreciation in the Company's stock price and dividends paid on the common stock of the Company over a given period of time.

SECTION 3. *Eligibility.*

(a) Any individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor, including any officer or employee-director, shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

(c) Directors who are not full-time or part-time officers or employees are not eligible to receive Awards hereunder.

(d) Holders of options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder in connection with such acquisition or combination transaction.

SECTION 4. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. No member or alternate member of the Committee shall be eligible, while a member or alternate member, for participation in the Plan. A director may serve as a member or alternate member of the Committee only during periods in which a director is an "outside director" as described in Section 162(m) of the Code. The Committee may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine, consistent with Section 10(h), whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 60,000,000 shares, plus any Shares remaining available for grant of awards under the Company's 1996 Long-Term Incentive Plan on the effective date of the Plan. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(e), (i) no Participant may receive Options and stock appreciation rights under the Plan in any calendar year that relate to more than 1,000,000 Shares and (ii) the maximum number of Shares with respect to which Awards may be made under Sections 7, 8 and 9 is 6,700,000. Awards may be made under Sections 7 and 9 without regard to such limit if (x) such Awards are made in satisfaction of Company obligations to employees that would otherwise be paid in cash or (y) such Awards are issued in connection with the exercise of an Option or other Award hereunder.

(b) If, after the effective date of the Plan, any Shares covered by an Award, or to which such an Award relates, are forfeited, or if such an Award otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan. For purposes of this Section 5(b), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards.

(c) In the event that any Option or other Award granted hereunder (other than a Substitute Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld. For purposes of this Section 5(c), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(e) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall equitably adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of

Awards, including the aggregate and individual limits specified in Section 5(a), (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a “stock right” outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6. *Options.*

The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(a) The purchase price per Share under an Option shall be determined by the Committee; *provided*, *however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(d) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

(e) Under no circumstances may stock option awards be made which provide by their terms for the automatic award of additional stock options upon the exercise of such awards.

SECTION 7. *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. If the vesting conditions applicable to an Award of Restricted Stock or Restricted Stock Units relate exclusively to the passage of time and continued employment or provision of services, or refraining therefrom, such time period shall consist of not less than 36 months, except that the foregoing restriction shall not apply to such Awards if they meet any of the conditions described in Section 5(a)(x) or (y).

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

SECTION 8. *Performance Units.*

(a) The Committee is hereby authorized to grant Performance Units to Participants.

(b) Subject to the terms of the Plan, a Performance Unit granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Unit, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit shall be determined by the Committee.

SECTION 9. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to Participants such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 9 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 10. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with Section 10(h) and rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Unless the Committee shall otherwise determine, (i) no Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided, however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant; (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; and (iii) no Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The restrictions imposed by this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) Every Award (other than an option or stock appreciation right) to a member of the Executive Group that the Committee determines should meet the deductibility requirements of Section 162(m) of the Code shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement by the Company or any unit thereof during a performance period or periods, as determined by the Committee, of a level or levels, as determined by the Committee, of one or more of the following performance measures: (i) Cash Flow, (ii) Cycle Time Improvement, (iii) Earnings Per Share, (iv) EBITDA, (v) Manufacturing Process Yield, (vi) Market Share, (vii) Net Revenue Per Employee, (viii) Profit from Operations, (ix) Profit from Operations Dollar Growth, (x) Profit from Operations Percentage Growth, (xi) Return on Capital, (xii) Return on Common Equity, (xiii) Return on Net Assets, (xiv) Revenue Growth or (xv) Total Stockholder Return. For any Award (other than an option or stock appreciation right) subject to any such pre-established formula, no more than $5,000,000 can be paid in satisfaction of such Award to any Participant; provided if such Award is denominated in shares, the maximum limit shall be 2,000,000 shares in lieu of such dollar limit.

(g) Unless specifically provided to the contrary in any Award Agreement, upon a Change in Control, all Awards shall become fully vested and exercisable, and any restrictions applicable to any Award shall automatically lapse.

(h) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, Restricted Stock or Other Stock-Based Award in the form of a stock appreciation right is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee explicitly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and the election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representations or covenants that any Award granted under the Plan will comply with Section 409A.

SECTION 11. *Amendment and Termination.*

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however,* that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award; *provided, however,* that no such action shall impair the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan; and *provided further* that, except as provided in Section 5(e), no such action shall reduce the exercise price of any Option established at the time of grant thereof. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Company makes no representations or covenants that any action taken pursuant to this Section 11(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such action with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. However, the Company makes no representations or covenants that Awards will comply with Section 409A.

(d) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 12. *Miscellaneous.*

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to another committee of the Board of Directors, one or more officers or managers of the Company, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by, employees who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act; *provided, however,* that any delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy the required tax withholding based on the minimum statutory withholding rates.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

SECTION 13. *Effective Date of Plan.*

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

SECTION 14. *Term of the Plan.*

No Award shall be granted under the Plan after the tenth anniversary of the effective date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

Exhibit 10(f)

TEXAS INSTRUMENTS 2003 LONG-TERM INCENTIVE PLAN

As Amended October 16, 2008

SECTION 1. *Purpose*.

The Texas Instruments 2003 Long-Term Incentive Plan is designed to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

SECTION 2. *Definitions*.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "**Affiliate**" shall mean (i) any entity that, directly or indirectly, is controlled by the Company or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "**Award**" shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) "**Award Agreement**" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(d) "**Board**" shall mean the board of directors of the Company.

(e) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "**Committee**" shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board shall be the Committee under the Plan.

(g) "**Company**" shall mean Texas Instruments Incorporated, together with any successor thereto.

(h) "**Exchange Act**" shall mean the Securities Exchange Act of 1934 as amended from time to time.

(i) "**Executive Officer**" shall mean an individual who is an executive officer of the Company as defined by Rule 3b-7 under the Exchange Act.

(j) "**Fair Market Value**" shall mean, with respect to any property (including, without limitation, any Shares or other securities) the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(k) "**Incentive Stock Option**" shall mean an option that meets the requirements of Section 422 of the Code, or any successor provision thereto.

(l) "**Inducement Award**" shall mean an Award granted to an individual to induce such individual to accept employment with the Company or an Affiliate to provide services to the Company or an Affiliate.

(m) "**Management**" shall mean all (i) officers of the Company, including Executive Officers, and (ii) employees of the Company in Pay Range 1 and 2.

(n) "**Option**" shall mean an option granted under Section 6.

(o) "**Other Stock-Based Award**" shall mean any right granted under Section 9.

(p) "**Participant**" shall mean an individual granted an Award under the Plan.

(q) "**Performance Unit**" shall mean any right granted under Section 8.

(r) "**Plan**" shall mean this Texas Instruments 2003 Long-Term Incentive Plan.

(s) "**Restricted Stock**" shall mean any Share granted under Section 7.

(t) "**Restricted Stock Unit**" shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) upon the terms and conditions set forth in the Plan and the applicable Award agreement.

(u) "**Shares**" shall mean shares of the common stock of the Company, $1.00 par value.

(v) "**Substitute Awards**" shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

SECTION 3. *Eligibility*.

(a) Any non-Management individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept non-Management employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

(c) Directors are not eligible to receive Awards hereunder.

(d) Holders of options and other types of equity-based awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder in connection with such acquisition or combination transaction, provided that such holders are not Management or Directors at the time of grant.

(e) Awards may be granted to the trustee of a trust or the appropriate legal representative of a similar entity or arrangement established for the benefit of the individuals specified in paragraphs (a), (b) and (d) above, if necessary to realize tax, accounting, regulatory or other benefits in a jurisdiction other than the United States.

SECTION 4. *Administration*.

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. The Committee may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award, including, but not limited to, the inclusion of a provision for the recovery of profits realized from the exercise of an Award if the Participant competes with the Company or becomes employed by a competitor of the Company; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine, consistent with Section 10(f), whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation, adopt rules, procedures, and sub-plans to the Plan relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures in foreign jurisdictions; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 240,000,000 shares.

(b) Any Shares underlying Substitute Awards or Inducement Awards shall not be counted against the Shares available for issuance under the Plan.

(c) If, after the effective date of the Plan, any Shares covered by an Award (other than a Substitute Award or an Inducement Award), or to which such an Award relates, are forfeited, or if such an Award otherwise terminates without the delivery of Shares or of other consideration or without delivery of the full number of shares underlying such Award, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.

(d) In the event that any Option or other Award granted hereunder (other than a Substitute Award or an Inducement Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

(e) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(f) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall equitably adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, the Committee may make provision for a cash payment to the holder of an outstanding Award; provided, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a “stock right” outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6. *Options*.

The Committee is hereby authorized to grant Options to eligible individuals as designated in Section 3 with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(a) The purchase price per Share under an Option shall be determined by the Committee; *provided*, *however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(d) Notwithstanding any provision of the Plan to the contrary, no incentive stock options (ISOs) shall be granted under this Plan.

(e) Under no circumstances may stock option awards be made that provide by their terms for the automatic award of additional stock options upon the exercise of such awards.

SECTION 7. *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to eligible individuals as designated in Section 3.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; *provided*, *however*, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

SECTION 8. *Performance Units*.

(a) The Committee is hereby authorized to grant Performance Units to eligible individuals as designated in Section 3.

(b) Subject to the terms of the Plan, a Performance Unit granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Unit, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit shall be determined by the Committee.

SECTION 9. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to eligible individuals as designated in Section 3 such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 9 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 10. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with Section 10(f) and rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Unless the Committee shall otherwise determine, (i) no Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided*, *however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant; (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; and (iii) no Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The restrictions imposed by this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, Restricted Stock or Other Stock-Based Award in the form of a stock appreciation right is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee explicitly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representations or covenants that any Award granted under the Plan will comply with Section 409A.

SECTION 11. *Amendment and Termination.*

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however,* that no such amendment, alteration, suspension, discontinuation or termination shall be made without the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award; *provided, however,* that any such action that would adversely affect the rights of any Participant or holder or beneficiary under any Award theretofore granted under the Plan shall not to that extent be effective without the consent of such affected Participant, holder or beneficiary; and *provided further* that, except as provided in Section 5(f), no such action shall reduce the exercise price of any Option established at the time of grant thereof. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Company makes no representations or covenants that any action taken pursuant to this Section 11(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with requirements of Section 409A. However, the Company makes no representations or covenants that Awards will comply with Section 409A.

(d) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 12. *Miscellaneous.*

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to another committee of the Board, one or more officers or managers of the Company, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to eligible individuals or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by Participants; *provided*, *however*, that any delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy the required tax withholding.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

SECTION 13. *Effective Date of Plan.*

The Plan shall be effective as of the date of its approval by the Board.

SECTION 14. *Term of the Plan*.

No Award shall be granted under the Plan after the tenth anniversary of the effective date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS EXECUTIVE OFFICER PERFORMANCE PLAN

As Amended October 16, 2008

The purpose of the Plan is to promote the success of the Company by providing performance-based compensation for executive officers.

For purposes of the Plan, unless otherwise indicated, the term “TI” shall mean Texas Instruments Incorporated, “Company” shall mean TI and its subsidiaries, and “Board” shall mean the Board of Directors of TI.

The Plan is intended to provide qualified performance-based compensation in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended, and regulations thereunder (“Code”) and will be so interpreted.

Covered Employees

The executive officers of TI (within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934 as amended from time to time) as of March 30 of each calendar year (“performance year”) shall receive awards under the Plan for such performance year. An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall receive an award as provided below.

Administration of Plan

The Plan shall be administered by a Committee of the Board which shall be known as the Compensation Committee (the “Committee”). The Committee shall be appointed by a majority of the whole Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee, who may replace any absent or disqualified member at any meeting of the Committee. A director may serve as a member or alternate member of the Committee only during periods in which the director is an “outside director” as described in Section 162(m) of the Code. The Committee shall have full power and authority to construe, interpret and administer the Plan. It may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum and all decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the employees.

The Committee shall have the full and exclusive right to make reductions in awards under the Plan. In determining whether to reduce any award and the amount of any reduction, the Committee shall take into consideration such factors as the Committee shall determine.

Expenses of Administration

The expenses of the administration of this Plan, including the interest provided in the Plan, shall be borne by the Company.

Amendments

The Board may, at any time and from time to time, alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper and in the best interests of the Company, provided, however, that no such action shall (i) affect or impair the rights under any award theretofore granted under the Plan, except that in the case of a covered employee employed outside the United States the Committee may vary the provisions of the Plan as it may deem appropriate to conform with local laws, practices and procedures or (ii) increase the maximum amount of any award above the amount described below.

Awards

Subject to the Committee’s discretion to reduce such awards, each covered employee shall be entitled to an award for each performance year equal to 0.5% of the Company’s consolidated income from continuing operations before (i) provision for income taxes, (ii) awards under the Plan, (iii) any pretax gain or loss exceeding $25 million recognized for the year related to divestiture of a business and (iv) any write-off of in process research and development expenses exceeding $25 million associated with an acquisition, as determined and reported to the Committee by TI’s independent auditors (“Consolidated Income”).

An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall be entitled to a prorated award for that performance year which shall be 0.5% of the Company’s Consolidated Income, as defined above, for such performance year multiplied by a fraction, the numerator of which is the number of complete calendar quarters of such year following the date on which the individual becomes an executive officer and the denominator of which is 4. Such prorated award shall be subject to the Committee’s discretion to reduce awards.

Scope of the Plan

Nothing in this Plan shall be construed as precluding or prohibiting the Company from establishing or maintaining other bonus or compensation arrangements, which may be generally applicable or applicable only to selected employees or officers.

Report of Awards; Committee Discretion to Reduce

As soon as practicable after the end of each performance year, TI’s independent auditors shall determine and report to the Committee and the Committee shall certify the amount of each award for that year under the provisions of this Plan.

The Committee, in its sole discretion, based on any factors the Committee deems appropriate, may reduce the award to any covered employee in any year (including reduction to zero if the Committee so determines). The Committee shall make a determination of whether and to what extent to reduce awards under the Plan for each year at such time or times following the close of the performance year as the Committee shall deem appropriate. The reduction in the amount of an award to any covered employee for a performance year shall have no effect on the amount of the award to any other covered employee for such year.

Payment of Awards

Except to the extent deferred pursuant to the terms and provisions of the TI Deferred Compensation Plan or as provided in the next paragraph, awards and any installments thereof shall be paid in a cash lump sum as soon as practicable after the amount of the awards has been determined, but in no event later than March 15 of the year following the performance year.

The Committee may direct the awards to the covered employees or any of them for any year to be paid in a single amount or in installments of equal or varying amounts or may defer payment of any awards and may prescribe such terms and conditions concerning payment of awards as it deems appropriate, including completion of specific periods of employment with the Company, provided that such terms and conditions are not more favorable to a covered employee than those expressly set forth in the Plan. In the event the Committee designates a time or form of payment of any award different from the time and form specified in the preceding paragraph, the Committee's designation shall be in writing and made not later than a time that will meet the requirements of Treas. Reg. Section 1.409A-2(a)(2). The Committee may determine that interest will be payable with respect to any payment of any award. The Committee may at any time amend any such direction or amend or delete any such terms and conditions if the Committee deems it appropriate, provided that any such change will be made in a manner that will meet the requirements for subsequent elections of Treas. Reg. Section 1.409A-2(b) and no such change shall accelerate any payment except as permitted by Section 409A of the Code. The Committee's actions under this paragraph shall be subject to and in accordance with the rules governing qualified performance based compensation in Section 162(m) of the Code.

Payments of awards to covered employees who are employees of subsidiaries of the Company shall be paid directly by such subsidiaries.

TEXAS INSTRUMENTS 2003 DIRECTOR COMPENSATION PLAN

As Amended October 16, 2008

SECTION 1. PURPOSE.

The Texas Instruments 2003 Director Compensation Plan is designed to attract and retain qualified individuals to serve as directors of the Company and to increase the proprietary and vested interest of such directors in the growth and performance of the Company.

SECTION 2. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) *"Account"* means a Cash Account or Stock Unit Account established under Section 8 of the Plan.

(b) *"Administrator"* means the Board or a committee of directors designated by the Board to administer the Plan.

(c) *"Award"* means any Option, Restricted Stock Unit or other stock-based award under the Plan.

(d) *"Award Agreement"* means any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Director.

(e) *"Board"* means the Board of Directors of the Company, as constituted from time to time.

(f) *"Cash Account"* means the bookkeeping accounts established pursuant to Section 8(b)(i) on behalf of each Director who elects pursuant to Section 8(b) to have any of his or her Deferred Compensation credited to a cash account.

(g) *"Change in Control"* means an event when (i) any Person, alone or together with its Affiliates and Associates or otherwise, shall become an Acquiring Person otherwise than pursuant to a transaction or agreement approved by the Board prior to the time the Acquiring Person became such, or (ii) a majority of the Board shall change within any 24-month period unless the election or the nomination for election by the Company's stockholders of each new director has been approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period. For the purposes hereof, the terms Person, Affiliates, Associates and Acquiring Person shall have the meanings given to such terms in the Rights Agreement dated as of June 17, 1998 between the Company and Harris Trust and Savings Bank. Notwithstanding the foregoing, if a Restricted Stock Unit granted under this Plan is or becomes subject to Section 409(A) of the Code, then with respect to such Restricted Stock Unit "Change in Control" means a change in control event as to the Company, as defined in Section 409(A) of the Code and the regulations thereunder.

(h) *"Code"* means the Internal Revenue Code of 1986, as amended.

(i) *"Company"* means Texas Instruments Incorporated, together with any successor thereto.

(j) *"Deferred Cash Compensation"* means that portion of any Director's Eligible Compensation that is payable in cash and that he or she elects pursuant to Section 8(a) to be deferred in accordance with this Plan.

(k) *"Deferred Compensation"* means that portion of any Director's Eligible Compensation that he or she elects pursuant to Section 8(a) to be deferred in accordance with this Plan.

(l) *"Director"* means a member of the Board who is not an employee of the Company or any subsidiary thereof.

(m) "Eligible Compensation" means (i) the cash portion of any compensation payable by the Company to a Director for his or her services as a Director but shall not include any reimbursement by the Company of expenses incurred by a Director incidental to attendance at a meeting of the Company's stockholders, the Board, or any committee of the Board, or of any other expense incurred on behalf of the Company, (ii) any Restricted Stock Units granted by the Company after November 30, 2006, to a Director for his or her services as a Director, and (iii) any dividend equivalents paid on Restricted Stock Units pursuant to Section 7(b).

(n) *"Fair Market Value"* means the closing price of the Shares on the date specified (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal" or by WSJ.com or Bloomberg L.P., or if unavailable, then by reference to any other source as may be deemed appropriate by the Administrator.

(o) *"G&SR Committee"* means the Governance and Stockholder Relations Committee of the Board or any successor committee.

(p) *"Option"* means an option granted under Section 6.

(q) *"Participant"* means an individual who has received an Award or established an Account under the Plan.

(r) *"Plan"* means this Texas Instruments 2003 Director Compensation Plan.

(s) *"Post-2004 Account"* means a Cash Account or Stock Unit Account containing amounts earned and deferred on or after January 1, 2005, and Restricted Stock Units granted after November 30, 2006, the receipt of which a Director has elected to defer.

(t) *"Pre-2005 Account"* means a Cash Account or Stock Unit Account containing amounts earned and deferred prior to January 1, 2005.

(u) *"Restricted Stock Unit"* means a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive a Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

(v) *"Secretary"* means the Secretary of the Company.

(w) "*Separation from Service"* means a termination of services provided by a Participant as a member of the Board or of the board of directors of any other member of the controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Company (referred to hereinafter for purposes of this Section 2(w) as the Company, and such other controlled group members are referred to as "ERISA Affiliates"), whether such termination is voluntary or involuntary, as determined by the Administrator in accordance with Treas. Reg. §1.409A-1(h). In determining whether a Participant has experienced a Separation from Service as a member of the Board or of a board of directors of an ERISA Affiliate, the following provisions shall apply:

(i) If a Director also provides services to the Company or any ERISA Affiliate as an employee at the time of his Separation from Service as a member of the Board, the services such Participant provides as an employee shall not be taken into account in determining whether the Participant has a Separation from Service as a Director for purposes of this Plan (provided that this Plan is not, at the time of such determination, aggregated under Treas. Reg. §1.409A-1(c)(2)(ii) with any plan in which the Participant participates as an employee).

(ii) A Participant shall be considered to have experienced a termination of services when the facts and circumstances indicate that the Participant, the Company and each ERISA Affiliate reasonably anticipate that the Participant will perform no further services for the Company or any ERISA Affiliate as a member of the Board (or the board of directors of any ERISA Affiliate), and the Participant's term as a member of the Board has expired.

(iii) If a Director is also providing additional services to the Company as an independent contractor, he or she cannot have a Separation from Service for purposes of Section 409A until he or she has separated from service both as a Director and as an independent contractor.

(x) *"Shares"* shall mean shares of the common stock of the Company, $1.00 par value.

(y) *"Specified Employee"* means any Participant who is determined to be a "key employee" (as defined under Section 416(i) of the Code without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Administrator in accordance with Treas. Reg. §1.409A-1(i). In determining whether a Participant is a Specified Employee, the following provisions shall apply:

(i) Identification of the individuals who fall within the above-referenced definition of "key employee" shall be based upon the 12-month period ending on each December 31st (referred to below as the "identification date"). In applying the applicable provisions of Code Section 416(i) to identify such individuals, "compensation" shall be determined in accordance with Treas. Reg. §1.415(c)2(a) without regard to (i) any safe harbor provided in Treas. Reg. §1.415(c)-2(d), (ii) any of the special timing rules provided in Treas. Reg. §1.415(c)-2(e), and (iii) any of the special rules provided in Treas. Reg. §1.415(c)-2(g); and

(ii) Each Participant who is among the individuals identified as a "key employee" in accordance with part (i) of this Section 2(y) shall be treated as a Specified Employee for purposes of this Plan if such Participant experiences a Separation from Service during the 12-month period that begins on the April 1st following the applicable identification date.

(z) *"Stock Unit Account"* means the bookkeeping accounts established, pursuant to Section 8(b)(ii), on behalf of each Director who elects, pursuant to Section 8(b), to have any of his or her Deferred Cash Compensation credited to a stock unit account.

(aa) *"Unforeseeable Emergency"* means a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant or the Participant's spouse, beneficiary, or dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B) of the Code), (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control, all as determined by the Administrator based on the relevant facts and circumstances and as provided for in Treas. Reg. §1.409A-3(i)(3) or any successor provision.

(bb) *"Year"* means a calendar year.

SECTION 3. ELIGIBILITY.

Each Director shall be eligible to defer Eligible Compensation and to receive Awards under the Plan.

SECTION 4. ADMINISTRATION.

This Plan shall be administered by the Administrator. Subject to the terms of the Plan and applicable law, the Administrator shall have full power and authority to: (i) interpret, construe and administer the Plan and any instrument or agreement relating to, or Award granted or Accounts established under, the Plan; (ii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that it deems necessary or desirable for the administration of this Plan. All decisions of the Administrator shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Directors.

SECTION 5. SHARES SUBJECT TO THE PLAN.

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 2,000,000 Shares.

(b) If, after the effective date of the Plan, any Shares covered by an Award or Stock Unit Account, or to which such an Award relates, are forfeited, or if such an Award or Account otherwise terminates without the delivery of Shares, then such Shares, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.

(c) In the event that any Award granted hereunder is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

(d) Any Shares delivered pursuant to an Award or Stock Unit Account may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(e) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall equitably adjust any or all of (i) the number of outstanding Restricted Stock Units, (ii) the number and type of Shares credited to Stock Unit Accounts, (iii) the number and type of Shares subject to Options, (iv) the exercise price with respect to any Option or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Option, and (v) the aggregate limit specified in Section 5(a); provided, however, that no fractional Restricted Stock Units or Shares shall be issued or outstanding hereunder. Any such adjustment with respect to a “stock right” outstanding under the Plan, as defined in Section 409A of the Code, will be made in a manner that is intended to avoid imposition of any additional tax and penalty under Section 409A.

SECTION 6. OPTIONS.

After the effective date of this Plan, each Director will be granted annually an Option to purchase 7,000 Shares. The Options granted will be nonstatutory stock options not intended to qualify under Section 422 of the Code and shall have the following terms and conditions:

(a) *Price and Term of Options*. The purchase price per share of Shares deliverable upon the exercise of each Option shall be 100% of the Fair Market Value per share of the Shares on the date the Option is granted. In each Year, the effective date for the annual grant of options to the Company’s executive officers by the Compensation Committee of the Board (or any successor committee) shall be the date Options are granted; provided that in any Year in which the Compensation Committee does not grant options in connection with the annual compensation review process, then the effective date of the first options granted by the Compensation Committee in such Year shall be the date Options are granted. Each Option shall have a term not to exceed ten years from the date of grant.

(b) *Payment*. The Secretary shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which payment of the exercise price with respect to an Option may be made or deemed to have been made.

(c) *Exercisability.* Subject to Sections 6(d) and 6(e), Options shall become exercisable in four equal annual installments commencing on the first anniversary date of the grant.

(d) *Change in Control*. In the event of a Change in Control, the provisions of Sections 6(c) and 6(e) shall not apply (except for Section 6(e)(iv)(B), which shall apply) and Options outstanding under the Plan shall be immediately exercisable in full and continue to full term.

(e) *Termination of Service as a Director.* Except under the circumstances described in Section 6(d), the effect of a Participant’s termination of service as a member of the Board shall be as follows:

(i) Termination for cause: All outstanding Options held by the Participant shall be canceled immediately upon termination.

(ii) Death: All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c), and shall be exercisable by such Participant’s heirs or legal representatives.

(iii) Permanent disability, termination after 8 years of service, termination by reason of ineligibility to stand for reelection under the Company’s By-Laws: All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c).

(iv) Other: For any termination other than those specified above, all outstanding Options held by the Participant shall be exercisable for 30 days after the date of termination, only to the extent that such Options were exercisable on the date of termination, except as follows:

(A) If the Participant dies within 30 days after his or her termination, then such Participant’s heirs may exercise the Options for a period of up to one year after the Participant’s death, but only to the extent any unexercised portion was exercisable on the date of termination.

(B) If the Participant’s termination occurs within 30 days before the effective date of a Change in Control, then the Change in Control will be deemed to have occurred first and the Options outstanding shall be immediately exercisable in full by the Participant as of the date of the Change in Control and continue to full term.

(f) *Option Agreement*. Each Option granted hereunder shall be evidenced by an Award Agreement with the Company, which shall contain the terms and provisions set forth herein and shall otherwise be consistent with the provisions of the Plan.

SECTION 7. RESTRICTED STOCK UNITS.

(a) *Grants of Restricted Stock Units*.

(i) Following the effective date of this Plan, each Director shall, effective as of the date of such individual's initial election or appointment to the Board, be granted 2,000 Restricted Stock Units.

(ii) Effective November 30, 2006, each Director shall also be granted annually 2,500 Restricted Stock Units. In each Year, the effective date for the annual grant of restricted stock units to the Company's executive officers by the Compensation Committee of the Board (or any successor committee) shall be the date Restricted Stock Units are granted; provided that in any Year in which the Compensation Committee does not grant restricted stock units in connection with the annual compensation review process, then the effective date of the first restricted stock units granted by the Compensation Committee in such Year shall be the date Restricted Stock Units are granted.

(iii) Each Restricted Stock Unit granted pursuant to this Section 7(a) shall be paid or settled by the issuance of one Share.

(iv) Vesting and Settlement.

(A) Restricted Stock Units granted prior to November 30, 2006:

(1) Vesting. Restricted Stock Units granted prior to November 30, 2006, shall vest upon the earliest to occur of (I) the member of the Board reaching the age at which he or she is ineligible under the Company's By-Laws to stand for reelection to the Board, (II) completion of eight years of service as the member of the Board, (III) the death or disability of the member of the Board, and (IV) a Change in Control as defined in Section 2(g). In the event the recipient of a Restricted Stock Unit terminates Board service prior to the events described in (I) or (II) of this Section 7(a)(iv)(A)(1), for reasons other than death or disability, the recipient's Restricted Stock Units shall terminate and all of the rights, title and interest of the recipient thereunder shall be forfeited in their entirety.

(2) Settlement.

(I) Each Restricted Stock Unit granted prior to November 30, 2006, that vests prior to January 1, 2005, shall be paid or settled upon the termination of the recipient's service as a member of the Board.

(II) Each Restricted Stock Unit granted prior to November 30, 2006, that vests on or after January 1, 2005, shall be paid or settled upon the recipient's Separation from Service as a member of the Board; provided, however, that no such payment or settlement may be made to a Specified Employee before the date that is six months after the date of Separation from Service or, if earlier, the date of death.

(B) Restricted Stock Units granted on or after November 30, 2006:

(1) Vesting and Settlement. Subject to Section 7(a)(iv)(B)(2) and subject to a Director's election to defer the settlement of Restricted Stock Units pursuant to Section 8, the shares covered by the Restricted Stock Units shall be paid or settled as soon as practicable after the fourth anniversary of the date of grant.

(2) Change in Control. In the event of a Change in Control, the provisions of Section 7(a)(iv)(B)(1) and (3) (except (3)(IV)) shall not apply, any election by a Director to defer settlement of such Restricted Stock Units pursuant to Section 8 shall be cancelled and any such Restricted Stock Units outstanding under this Plan shall vest and be paid immediately.

(3) Termination of Service as a Director. The effect of a Participant's termination of service as a member of the Board shall be as follows:

(I) *Death*. All outstanding Restricted Stock Units held by the Participant shall continue to full term subject to the other terms and conditions of this Plan, and shares shall be issued to such Participant's heirs at such times and in such manner as if the Participant were still a member of the Board.

(II) *Permanent disability, termination after 8 years of service, termination by reason of ineligibility to stand for reelection under the Company's By-Laws*. All outstanding Restricted Stock Units held by the Participant shall continue to full term subject to the other terms and conditions of this Plan, and shares shall be issued to such Participant at such times and in such manner as if the Participant were still a member of the Board.

(III) *Other.* For any termination other than those specified above, all outstanding Restricted Stock Units held by the Participant shall terminate and become void without any shares being issued, except as provided in Section 7(a)(iv)(B)(2).

(IV) If a Participant's termination of service (other than for cause) occurs within 30 days of a Change in Control, then the Change in Control shall be deemed to have occurred first and the provisions of Section 7(a)(iv)(B)(2) shall apply.

(C) Restricted Stock Unit Agreement. Each Restricted Stock Unit granted under this Section 7(a) shall be evidenced by an Award Agreement with the Company, which shall contain the terms and conditions set forth herein and shall otherwise be consistent with the provisions of this Plan.

(b) *Right to Dividend Equivalents.* Each recipient of Restricted Stock Units under this Plan shall have the right, during the period when such Restricted Stock Units are outstanding and prior to the termination, forfeiture or payment or settlement thereof, to receive dividend equivalents equal to the amount or value of any cash or other distributions or dividends payable on the same number of Shares. The Company shall accumulate dividend equivalents on each dividend payment date and, unless a Director has elected to defer receipt of such dividend equivalents pursuant to Section 8, pay such accumulated amounts without interest in December of each fiscal year, but no later than March 15 of the calendar year following the calendar year in which the related dividend is declared.

(c) *Issuance of Shares*. A stock certificate or certificates shall be registered and issued or other indicia of ownership of shares shall be issued, in the name or for the benefit of the holder of Restricted Stock Units and delivered to such holder as soon as practicable after such Restricted Stock Units have become payable or settleable in accordance with the terms of the Plan.

SECTION 8. DEFERRED COMPENSATION.

(a) *Deferral Election*. Each Director may elect, with respect to any Year, that all or any percentage of his or her Eligible Compensation be deferred in accordance with the terms of this Plan.

(b) *Cash Compensation Investment Alternatives*. Each Director may elect that his or her Deferred Cash Compensation for any Year be credited to a Cash Account or a Stock Unit Account or to any combination thereof.

(i) *Cash Accounts*.

(A) The Company shall establish and maintain, as appropriate, separate unfunded Cash Accounts for each Director who has elected that any portion of his or her Deferred Cash Compensation be credited to a Cash Account. Amounts earned and deferred prior to January 1, 2005, which a Director has elected to have credited to a Cash Account, and interest earned thereon, shall be kept by the Company in a separate account (“Pre-2005 Cash Account”). Amounts earned and deferred on or after January 1, 2005, which a Director has elected to have credited to a Cash Account, and interest earned thereon, shall be kept by the Company in a separate account (“Post-2004 Cash Account”).

(B) As of the date on which any amount of a Director’s Deferred Cash Compensation becomes payable, his or her Cash Account shall be credited with an amount equal to that portion of such Deferred Cash Compensation as such Director has elected be credited to his or her Cash Account.

(C) As of the last day of each month, interest on each Cash Account shall be credited on the average of the balances on the first and last day of such month. Interest shall be credited at a rate equivalent to the average yield on corporate bonds rated Aaa by Moody’s Investors Service on September 30 of the preceding Year (or if there is no such yield reported for such date, then on the next preceding date for which such a yield is reported) as published in Federal Reserve Statistical Release H.15, or at such other rate that would qualify as a “reasonable rate of interest” as defined by Section 409A of the Code, as may be determined by the G&SR Committee for each Year.

(ii) Stock Unit Accounts.

(A) The Company shall establish and maintain, as appropriate, separate unfunded Stock Unit Accounts for each Director who has elected that any portion of his or her Deferred Cash Compensation be credited to a Stock Unit Account. Amounts earned and deferred prior to January 1, 2005, that a Director has elected to have credited to a Stock Unit Account and dividend equivalents attributable to those amounts shall be kept by the Company in a separate account (“Pre-2005 Stock Unit Account”). Amounts earned and deferred on or after January 1, 2005, that a Director has elected to have credited to a Stock Unit Account and dividend equivalents attributable to those stock units shall be kept by the Company in a separate account (“Post-2004 Stock Unit Account”). Amounts shall be credited to such Stock Unit Account as follows:

(1) As of each date on which any amount of a Director’s Deferred Cash Compensation becomes payable, his or her Stock Unit Account shall be credited with that number of units as are equal to the number of full or fractional Shares as could be purchased at the Fair Market Value on the first trading day preceding such date with the portion of such Deferred Cash Compensation as such Director has elected be credited to his or her Stock Unit Account.

(2) As of the payment date for each dividend on Shares declared by the Board, there shall be credited to each Stock Unit Account that number of units as are equal to the number of full or fractional Shares as could be purchased at the Fair Market Value on the first trading day preceding the payment date for such dividend with an amount equal to the product of: (i) the dividend per share, and (ii) the number of units in such Stock Unit Account immediately prior to the record date for such dividend.

(c) *Restricted Stock Units*. Each Director may elect to defer all or a portion of any Restricted Stock Unit granted after November 30, 2006.

(d) *Dividend Equivalents.* Each Director may elect to defer all or a portion of any dividend equivalents paid on Restricted Stock Units granted under the Plan.

(e) *Time of Election.* An election to defer all or any portion of Eligible Compensation for any Year shall be made in writing in the form ("Election Form") prescribed by the Secretary. The Election Form shall contain the Participant's elections as to the time of distribution of any compensation so deferred.

(i) A Participant may elect that his or her Pre-2005 Account be distributed at the time or times indicated below:

(A) Entire balance to be distributed immediately after termination of service for any reason other than death;

(B) Entire balance to be distributed a number of months, as specified by the Participant on the Election Form, after termination of service for any reason other than death, but not later than ten years following such termination of service.

(C) Approximately equal monthly installments for a number of months, as specified by the Participant on the Election Form, commencing the month after termination of service for any reason other than death, provided that distribution shall be completed not later than ten years following such termination of service.

(D) A percentage of the entire balance to be paid on certain dates, with such percentages and dates specified by the Participant on the Election Form, provided that distribution shall commence no earlier than termination of service for any reason other than death, and shall be completed not later than ten years following such termination of service.

(ii) A Participant may elect that his or her Post-2004 Account be distributed at the time or times indicated below:

(A) Entire balance to be distributed immediately after Separation from Service for any reason other than death;

(B) Entire balance to be distributed a number of months, as specified by the Participant on the Election Form, after Separation from Service for any reason other than death, but not later than ten years following such Separation from Service.

(C) Approximately equal monthly installments for a number of months, as specified by the Participant on the Election Form, commencing the month after Separation from Service for any reason other than death, provided that distribution shall be completed not later than ten years following such Separation from Service.

(D) A percentage of the entire balance to be paid on certain dates, with such percentages and dates specified by the Participant on the Election Form, provided that distribution shall commence no earlier than Separation from Service for any reason other than death, and shall be completed not later than ten years following such Separation from Service.

(iii) A Participant may revoke an election as to the time of distribution and substitute a new election therefore by submitting an Election Form to the Secretary in accordance with the following criteria:

(A) With respect to his or her Pre-2005 Account, any new election must be made at least 12 months prior to the date of distribution that would otherwise have been applicable; and

(B) With respect to his or her Post-2004 Account: (I) any new election regarding the time of distribution must result in a minimum of five (5) years' lapse between the currently applicable date and the new date of distribution (as determined in accordance with the Regulations under Section 409A of the Code); and (II) the election must be made at least twelve (12) months prior to the date of distribution that would otherwise have been applicable.

(iv) Except as hereinafter provided, to be effective, an Election Form relating to payments in a Year or Restricted Stock Units that may be granted in such Year must be received by the Secretary on or before December 31 of the preceding Year. In the case of a Director's initial election to the Board, the initial Election Form must be received not more than 30 days following his or her election to the Board and, if received within such 30-day period, the Election Form shall be effective only for Eligible Compensation earned after the election becomes irrevocable pursuant to Section 8(f). The time of election and the time of distribution shall comply in all respects with the applicable requirements of Section 409A of the Code.

(f) *Irrevocability of Election.* A Director's election to defer all or any portion of his or her Eligible Compensation for any Year and a revocation and substitution of an election regarding the time of distribution shall be irrevocable upon receipt by the Secretary of a completed Election Form from the Director.

(g) *Form of Distributions*. (i) Distributions of amounts credited to each Participant's Cash Account shall be made in cash. (ii) Distributions of units credited to each Participant's Stock Unit Account shall be made by issuing to such Participant an equivalent number of Shares; provided, however, that no fractional shares will be issued and any fractional unit will be distributed by payment of cash in the amount represented by such fractional unit based on the Fair Market Value on the date preceding the date of payment.

(iii) Distribution of Shares relating to vested Restricted Stock Units the Participant has elected to defer shall be made by issuing to such Participant the whole number of Shares attributable to such vested Restricted Stock Units; provided, however, that no fractional shares will be issued and any fractional unit will be distributed by payment of cash in the amount represented by such fractional unit based on the Fair Market Value on the date preceding the date of payment.

(h) *Time of Distributions.*

(i) *Normal Distributions.* Except as otherwise hereinafter provided, distributions of Deferred Compensation in a Participant's Pre-2005 Account shall be made (A) on the first day of the month following such Director's termination of service on the Board for any reason other than death, or (B) at such later time as the Participant has elected on his or her Election Form in accordance with the terms of this Plan. Except as otherwise hereinafter provided, distributions of Deferred Compensation in a Participant's Post-2004 Account shall be made (Y) on the first day of the month following such Participant's Separation from Service on the Board for any reason other than death, or (Z) at such later time as the Participant has elected on his or her Election Form in accordance with the terms of this Plan.

Notwithstanding the foregoing, no distribution from a Post-2004 Account may be made to a Specified Employee before the date that is six months after the date of Separation from Service or, if earlier, the date of death.

(ii) *Early Distributions.* An earlier distribution may be made:

(A) For amounts in a Pre-2005 Account, at the discretion of the Administrator, upon a finding that a Participant is suffering a significant financial hardship caused by a recent event or events not within such Participant's control; provided, however, that in such event, the cash or shares distributed shall be limited to those amounts necessary to accommodate the financial hardship, as determined by the Administrator;

(B) For amounts in a Post-2004 Account, upon a finding that the Participant is suffering from an Unforeseeable Emergency, a withdrawal on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (1) through reimbursement or compensation from insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or (3) by cessation of deferrals under the Plan.

Withdrawal because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), as determined by the Administrator, in its sole discretion. The Participant must apply in writing for a payment upon an "Unforeseeable Emergency," using the form prescribed by the Administrator. The Administrator retains the sole and absolute discretion to grant or deny a payment upon an Unforeseeable Emergency. In the event of approval of a payment upon an Unforeseeable Emergency, the Participant's outstanding deferral elections under the Plan shall be cancelled.

(i) *Death of Participant*. Notwithstanding the foregoing, in the event of the death of a Participant prior to receipt by such Participant of the full amount of cash and number of shares to be distributed from the Pre-2005 Account or Post- 2004 Account, all such cash and/or shares will be distributed to the beneficiary or beneficiaries designated by the Participant, or if no beneficiary has been designated, to the Participant's estate as soon as practicable following the month in which the death occurred. Shares to be distributed to the Participant in connection with deferred Restricted Stock Units shall also be distributed as described in the preceding sentence but in no event earlier than the fourth anniversary of the date of grant.

(j) *Certain Rights Reserved by the Company*. In the event that, pursuant to Section 10, the Company suspends, modifies or terminates this Plan, the Company shall have the right to distribute to each Participant all amounts in such Participant's Cash Account or Shares equivalent to units in such Participant's Stock Unit Account, including, in the case of Stock Unit Accounts, the right to distribute cash equivalent to the units in such Accounts and all Shares attributable to vested Restricted Stock Units that a Participant has elected to defer, provided that any such suspension, modification or termination may be effected without penalty under Section 409A of the Code.

(k) *Certain Affiliations*. (i) In the event that any Participant terminates his or her membership on the Board and becomes affiliated with a government agency or with any private company or firm that the G&SR Committee believes to be in competition with the Company, the Board may, at its discretion, require a distribution of all amounts in any Participant's Pre-2005 Cash Account or shares equivalent to units in such Participant's Pre-2005 Stock Unit Account. (ii) In the event that any Participant terminates his or her membership on the Board and becomes affiliated with a government agency, all amounts in any Participant's Post-2004 Cash Account, shares equivalent to units in such Participant's Post-2004 Stock Unit Account and Shares attributable to Restricted Stock Units that vested on or after January 1, 2005, that such Participant has elected to defer will be distributed to the Participant if such payment is necessary to avoid violation of any applicable Federal, state, local or foreign ethics or conflict of interest law or if necessary to comply with an ethics agreement with the federal government.

SECTION 9. OTHER STOCK-BASED AWARDS.

The Administrator is hereby authorized to grant to Directors such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Administrator to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Administrator shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 9 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Administrator shall determine, the value of which consideration, as established by the Administrator, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted. The Company intends that such other Awards granted pursuant to this Section shall comply with Section 409A of the Code if applicable.

SECTION 10. AMENDMENT AND TERMINATION.

Except to the extent prohibited by or inconsistent with applicable law:

(a) *Amendments to the Plan*. The Board may amend, alter, suspend, discontinue or terminate the Plan, including, without limitation, the number of shares subject to Awards granted pursuant to Sections 6 and 7, without the consent of any stockholder, Participant, other holder or beneficiary of any Award, or other person; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to qualify for or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award; and *provided further*, that no such amendment or alteration shall increase the aggregate number of shares that may be issued under the Plan except as provided in Section 5(e). In addition, any such amendment shall be in compliance with Section 409A of the Code. However, the Company makes no representations or covenants that Awards will comply with Section 409A. Notwithstanding any other provision of the Plan or any Award Agreement, no such amendment, alteration, suspension, discontinuation or termination shall be made that would (1) permit Options to be granted with a per Share exercise price of less than the Fair Market Value of a Share on the date of grant thereof or (2) except as provided in Section 5(e), (x) reduce the exercise price of any Option established at the time of grant thereof, (y) be treated as a repricing under U.S. generally accepted accounting principles ("GAAP") or (z) cancel an Option at a time when its exercise price is equal to or greater than the Fair Market Value of a Share, in exchange for another Option, restricted stock unit or other equity, unless such cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. A cancellation and exchange described in clause (z) of the immediately preceding sentence is prohibited regardless of whether the option, restricted stock unit or other equity is delivered simultaneously with the cancellation and regardless of whether the cancellation and exchange is treated as a repricing under GAAP or is voluntary on the part of the Participant.

(b) *Correction of Defects, Omissions and Inconsistencies*. The Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 11. GENERAL PROVISIONS.

(a) *No Rights of Stockholders*. Neither a Participant nor a Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company in respect of any Shares issuable under the Plan in connection with any Award or Account, in whole or in part, unless and until certificates or other indicia of ownership of such shares shall have been issued.

(b) *Limits of Transfer of Awards.* No Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution. During the Participant's lifetime, rights under an Award shall be exercisable only by the Participant, or if permissible under applicable law, by the Participant's guardian or legal representative.

(c) *No Limit on Other Compensation Arrangements*. Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) *Governing Law*. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

(e) *Severability*. If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person, Award or Account, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(f) *No Trust or Fund Created*. Neither the Plan nor any Award or Account shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive an Award or Account, or Shares pursuant to an Award or Account, from the Company pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

(g) *Accounts Unsecured*. Until distributed, all amounts credited to any Cash Accounts or represented by units credited to any Stock Unit Account shall be property of the Company, available for the Company's use, and subject to the claims of general creditors of the Company. The rights of any Participant or beneficiary to distributions under this Plan are not subject to anticipation, alienation, sale, transfer, assignment, or encumbrance, and shall not be subject to the debts or liabilities of any Participant or beneficiary.

(h) *Withholding*. The Company shall be authorized to withhold from any Awards granted or any transfer made under any Award or under the Plan or from any dividend equivalents to be paid on Restricted Stock Units the amount (in cash, Shares, other securities, or other property) of any taxes required to be withheld in respect of a grant, exercise, payment or settlement of an Award or any payment of dividend equivalents under Restricted Stock Units or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of any such taxes.

(i) *No Right to Continued Board Membership*. The grant of an Award or establishment of an Account shall not be construed as giving a Participant the right to be retained as a director of the Company. The Board may at any time fail or refuse to nominate a Participant for election to the Board, and the stockholders of the Company may at any election fail or refuse to elect any Participant to the Board free from any liability or claim under this Plan or any Award or Account.

(j) *409A Compliance*. The Company makes no representations or covenants that any Award granted or Deferred Compensation arrangement maintained under the Plan will comply with Section 409A.

SECTION 12. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

SECTION 13. TERM OF THE PLAN.

No Award shall be granted or compensation deferred under the Plan after the seventh anniversary of the Effective Date of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted or Account established prior to the termination of the Plan may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or Account, or to waive any conditions or rights thereunder, and the authority of the Board to amend the Plan, shall extend beyond such date.

Consolidated statements of income

[Millions of dollars, except share and per-share amounts]

	For Years Ended December 31, 2008	2007	2006
Revenue	**$12,501**	$13,835	$14,255
Cost of revenue	**6,256**	6,466	6,996
Gross profit	**6,245**	7,369	7,259
Research and development	**1,940**	2,140	2,195
Selling, general and administrative	**1,614**	1,680	1,697
Restructuring expense	**254**	52	—
Operating profit	**2,437**	3,497	3,367
Other income (expense) net	**44**	195	258
Income from continuing operations before income taxes	**2,481**	3,692	3,625
Provision for income taxes	**561**	1,051	987
Income from continuing operations	**1,920**	2,641	2,638
Income from discontinued operations, net of income taxes	**—**	16	1,703
Net income	**$ 1,920**	$ 2,657	$ 4,341
Basic earnings per common share:			
Income from continuing operations	**$ 1.47**	$ 1.86	$ 1.73
Net income	**$ 1.47**	$ 1.88	$ 2.84
Diluted earnings per common share:			
Income from continuing operations	**$ 1.45**	$ 1.83	$ 1.69
Net income	**$ 1.45**	$ 1.84	$ 2.78
Average shares outstanding (millions):			
Basic	**1,308**	1,417	1,528
Diluted	**1,324**	1,446	1,560
Cash dividends declared per share of common stock	**$ 0.41**	$ 0.30	$ 0.13

See accompanying notes.

Consolidated statements of comprehensive income

[Millions of dollars]

	For Years Ended December 31, 2008	2007	2006
Income from continuing operations	**$1,920**	$ 2,641	$2,638
Other comprehensive income (loss):			
Available-for-sale investments:			
Unrealized gains (losses), net of tax benefit (expense) of $20, ($3) and ($2)	**(38)**	8	5
Reclassification of recognized transactions, net of tax benefit (expense) of $0, $0 and $0	**—**	(1)	(1)
Net actuarial loss of defined benefit plans:			
Annual adjustment, net of tax benefit (expense) of $282 and ($19)	**(476)**	5	—
Reclassification of recognized transactions, net of tax benefit (expense) of ($17) and ($12)	**32**	28	—
Prior service cost of defined benefit plans:			
Annual adjustment, net of tax benefit (expense) of $1 and $2	**14**	(2)	—
Reclassification of recognized transactions, net of tax benefit (expense) of ($1) and $1	**2**	1	—
Minimum pension liability adjustment:			
Annual adjustment, net of tax benefit (expense) of $0, $0 and ($33)	**—**	—	48
Total	**(466)**	39	52
Total comprehensive income from continuing operations	**1,454**	2,680	2,690
Income from discontinued operations, net of income taxes	**—**	16	1,703
Total comprehensive income	**$1,454**	$ 2,696	$4,393

See accompanying notes.

Consolidated balance sheets

[Millions of dollars, except share amounts]

	December 31, 2008	2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,046**	$ 1,328
Short-term investments	**1,494**	1,596
Accounts receivable, net of allowances	**913**	1,742
Inventories	**1,375**	1,418
Deferred income taxes	**695**	654
Prepaid expenses and other current assets	**267**	180
Total current assets	**5,790**	6,918
Property, plant and equipment at cost	**7,321**	7,568
Less accumulated depreciation	**(4,017)**	(3,959)
Property, plant and equipment, net	**3,304**	3,609
Long-term investments	**653**	267
Goodwill	**840**	838
Acquisition-related intangibles	**91**	115
Deferred income taxes	**990**	510
Capitalized software licenses, net	**182**	227
Overfunded retirement plans	**17**	105
Other assets	**56**	78
Total assets	**$ 11,923**	$ 12,667
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 324**	$ 657
Accrued expenses and other liabilities	**1,034**	1,117
Income taxes payable	**40**	53
Accrued profit sharing and retirement	**134**	198
Total current liabilities	**1,532**	2,025
Underfunded retirement plans	**640**	184
Deferred income taxes	**59**	49
Deferred credits and other liabilities	**366**	434
Total liabilities	**2,597**	2,692
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares. Participating cumulative preferred. None issued	**—**	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares. Shares issued: 2008 – 1,739,718,073; 2007 – 1,739,632,601	**1,740**	1,740
Paid-in capital	**1,022**	931
Retained earnings	**21,168**	19,788
Less treasury common stock at cost. Shares: 2008 – 461,822,215; 2007 – 396,421,798	**(13,814)**	(12,160)
Accumulated other comprehensive income (loss), net of taxes	**(790)**	(324)
Total stockholders' equity	**9,326**	9,975
Total liabilities and stockholders' equity	**$ 11,923**	$ 12,667

See accompanying notes.

Consolidated statements of cash flows

[Millions of dollars]

	For Years Ended December 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	**$ 1,920**	$ 2,657	$ 4,341
Adjustments to net income:			
Income from discontinued operations	**—**	(16)	(1,703)

Depreciation	**1,022**	1,022	1,052
Stock-based compensation	**213**	280	332
Amortization of acquisition-related intangibles	**37**	48	59
Losses (gains) on sales of assets	**6**	(39)	—
Deferred income taxes	**(182)**	34	(200)
Increase (decrease) from changes in:			
Accounts receivable	**865**	40	(116)
Inventories	**43**	11	(248)
Prepaid expenses and other current assets	**(125)**	13	(95)
Accounts payable and accrued expenses	**(382)**	77	(104)
Income taxes payable	**38**	304	(616)
Accrued profit sharing and retirement	**(84)**	33	28
Other	**(41)**	(57)	(274)
Net cash provided by operating activities of continuing operations	**3,330**	4,407	2,456
Cash flows from investing activities:			
Additions to property, plant and equipment	**(763)**	(686)	(1,272)
Proceeds from sales of assets	**—**	61	3,000
Purchases of short-term investments	**(1,746)**	(5,035)	(6,821)
Sales and maturities of short-term investments	**1,300**	5,981	8,418
Purchases of long-term investments	**(9)**	(30)	(40)
Sales of long-term investments	**55**	11	11
Acquisitions, net of cash acquired	**(19)**	(87)	(205)
Net cash (used in) provided by investing activities of continuing operations	**(1,182)**	215	3,091
Cash flows from financing activities:			
Payments on long-term debt	**—**	(43)	(586)
Dividends paid	**(537)**	(425)	(199)
Sales and other common stock transactions	**210**	761	418
Excess tax benefit from stock option exercises	**19**	116	100
Stock repurchases	**(2,122)**	(4,886)	(5,302)
Net cash used in financing activities of continuing operations	**(2,430)**	(4,477)	(5,569)
Cash flows from discontinued operations:			
Operating activities	**—**	—	7
Investing activities	**—**	—	(16)
Net cash used in discontinued operations	**—**	—	(9)
Net (decrease) increase in cash and cash equivalents	**(282)**	145	(31)
Cash and cash equivalents at beginning of year	**1,328**	1,183	1,214
Cash and cash equivalents at end of year	**$ 1,046**	$ 1,328	$ 1,183

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 Loss
Balance, December 31, 2005	$ 1,739	$ 741	$13,394	$ (3,856)	$ (81)
2006					
Net income	—	—	4,341	—	—
Dividends declared on common stock ($.13 per share)	—	—	(199)	—	—
Common stock issued on exercise of stock options	—	(329)	—	754	—
Stock repurchases	—	—	—	(5,328)	—
Stock-based compensation transactions	—	332	—	—	—
Tax benefit from exercise of options	—	146	—	—	—
Other comprehensive income, net of tax	—	—	—	—	52
Adjustment for implementation of SFAS 158 (a)	—	—	(6)	—	(334)
Other	—	(5)	(1)	—	—
Balance, December 31, 2006	1,739	885	17,529	(8,430)	(363)

2007					
Net income	—	—	2,657	—	—
Dividends declared on common stock ($.30 per share)	—	—	(425)	—	—
Common stock issued on exercise of stock options	1	(437)	—	1,191	—
Stock repurchases	—	—	—	(4,921)	—
Stock-based compensation transactions	—	280	—	—	—
Tax benefit from exercise of options	—	204	—	—	—
Other comprehensive income, net of tax	—	—	—	—	39
Adjustment for implementation of FIN 48 (b)	—	—	29	—	—
Other	—	(1)	(2)	—	—
Balance, December 31, 2007	1,740	931	19,788	(12,160)	(324)
2008					
Net income	**—**	**—**	**1,920**	**—**	**—**
Dividends declared on common stock ($.41 per share)	**—**	**—**	**(537)**	**—**	**—**
Common stock issued on exercise of stock options	**—**	**(153)**	**—**	**360**	**—**
Stock repurchases	**—**	**—**	**—**	**(2,014)**	**—**
Stock-based compensation transactions	**—**	**213**	**—**	**—**	**—**
Tax benefit 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)**

(a) Reflects the impact of recording the funded status of pension and other postretirement plans and the change in measurement date of non-U.S. pension plans (see Note 12).

(b) Reflects the impact of recording the reduction of the liability for uncertain tax positions and related accrued interest expense (see Note 5).

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. In the fourth quarter of 2008, we revised our internal reporting structure into three reportable segments, which are established along the major product categories of the former Semiconductor segment as follows:

Analog – consists of high-performance analog (includes standard power management products, data converters, amplifiers and interface products) and high-volume analog & logic,
Embedded Processing – consists of digital signal processors (DSPs) and microcontrollers used in catalog, communications infrastructure and automotive applications, and
Wireless – consists of DSPs and analog used in basebands, OMAP™ applications processors and connectivity products for handsets.

In addition, we report the results of our remaining business activities in Other. Other primarily includes DLP® products, calculators, reduced-instruction set computing (RISC) microprocessors, application-specific integrated circuits (ASIC) products and royalties received for our patented technology that we license to other electronics companies. Prior period segment presentations have been revised to conform to our new reporting structure (see Note 17).

Acquisitions – In the second quarter of 2008 we made two acquisitions, both of which were integrated into the Analog segment, for net cash of $19 million, to obtain design expertise and technology. We recognized $2 million of goodwill and $13 million of other acquisition-related intangible assets.

During 2007, to obtain design expertise and technology, we made three acquisitions, including an asset acquisition, for net cash of $87 million. The asset acquisition was integrated into the Wireless segment and the remaining two acquisitions were integrated into the Analog segment. We recognized $48 million of goodwill and $45 million of other acquisition-related intangible assets.

In January 2006, we acquired 100 percent of the equity of Chipcon Group ASA (Chipcon), a designer of short-range, low-power wireless radio frequency semiconductors, based in Oslo, Norway, for net cash of $177 million. This acquisition was integrated into the Analog segment. We recorded a $5 million charge for in-process research and development (R&D) in 2006. We also recognized $115 million of goodwill and $86 million of other acquisition-related intangible assets, acquired $6 million of cash and assumed $29 million of other net liabilities. We also made an asset acquisition, which was integrated into Other, in the second quarter of 2006, primarily to obtain a patent portfolio.

With the exception of the asset acquisitions, all acquisitions were accounted for as purchase business combinations. The results of operations for these acquisitions have been included in our consolidated statements of income from the date of their respective acquisitions. Pro forma information has not been presented for these acquisitions because it would not be materially different from amounts reported.

Dispositions – On July 31, 2007, we completed the sale of our broadband digital subscriber line (DSL) customer-premises equipment semiconductor product line, which was included in Other, to Infineon Technologies AG (Infineon) for $61 million and recognized a pre-tax gain of $39 million in cost of revenue. Based on the levels of revenue Infineon generated from this product line subsequent to the closing date, we refunded to Infineon $16 million in the fourth quarter of 2008, all of which was previously accrued.

In January 2006, we entered into a definitive agreement to sell substantially all of our former Sensors & Controls segment, excluding the radio frequency identification (RFID) systems operations, to an affiliate of Bain Capital, LLC for $3 billion in cash. The sale was completed on April 27, 2006. The operations and cash flows of the former Sensors & Controls business have been eliminated from our continuing operations, and we have no continuing involvement in the operations of that business. Beginning in the first quarter of 2006, the former Sensors & Controls business has been presented as a discontinued operation (see Note 6).

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 standard for income tax uncertainties as of January 1, 2007 (see Note 5), and
- A new standard on pensions and other postretirement benefits as of December 31, 2006 (see Note 12).

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. All amounts in the notes reference continuing operations unless otherwise indicated. We have reclassified certain amounts in the prior periods' financial statements to conform to the 2008 presentation.

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

Revenue recognition: We recognize revenue from sales of our products, including shipping fees, when title passes to the customer, which usually occurs upon shipment or delivery, depending upon the terms of the sales order and when collectibility is reasonably assured. 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 discounts for prompt payment, as well as volume-based incentives and special pricing arrangements. In addition, we record allowances for doubtful accounts for amounts of accounts receivable that we estimate may not be collected.

We recognize revenue from sales of our products to distributors, net of allowances, consistent with the principles discussed above. Title transfers to the distributors at delivery and payment is due on our standard commercial terms; payment terms are not contingent upon resale of the products. 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 for this type of credit, 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.

Our contractual agreements with intellectual property licensees determine the amount and timing of royalty revenue. 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 licensees' 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.

Stock-based compensation: We have several stock-based employee compensation plans, which are more fully described in Note 3. We account for awards granted under those plans using the fair-value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*. We estimated fair values for non-qualified stock options using the Black-Scholes option-pricing model with the weighted-average assumptions listed in Note 3.

Advertising costs: We expense advertising and other promotional costs as incurred. This expense was $123 million in 2008, $194 million in 2007 and $216 million in 2006.

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.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*. We adopted the provisions of FIN 48 effective January 1, 2007 (see Note 5).

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): The computation and reconciliation of earnings per common share from continuing operations are as follows (shares in millions):

	2008			2007			2006		
	Income from Continuing Operations	Shares	EPS	Income from Continuing Operations	Shares	EPS	Income from Continuing Operations	Shares	EPS
Basic EPS	**$ 1,920**	**1,308**	**$1.47**	$ 2,641	1,417	$1.86	$ 2,638	1,528	$1.73
Dilutives:									
Stock-based compensation plans	**—**	**16**		—	29		—	32	
Diluted EPS	**$ 1,920**	**1,324**	**$1.45**	$ 2,641	1,446	$1.83	$ 2,638	1,560	$1.69

Options to purchase 123 million, 46 million and 93 million shares of common stock were outstanding during 2008, 2007 and 2006 that were not included in the computation of diluted earnings per share because their exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

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.

Investments in debt securities are classified as available for sale and are stated at fair value, which is generally based on market prices or broker quotes (see Note 10). Changes in fair value of these investments are recorded as an increase or decrease, net of taxes, in accumulated other comprehensive income (AOCI), except where losses are considered to be other-than-temporary, in which case the losses are recorded in other income (expense) net (OI&E).

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.

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. Acquisition-related intangibles are amortized 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 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. An impairment charge, if any, 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).

Long-term investments: Long-term investments consist of non-marketable equity securities, venture capital funds, mutual funds and, beginning in the first quarter of 2008, auction-rate securities (debt instruments with variable interest rates). We determine cost or amortized cost, as appropriate, on a specific identification basis.

Investments in marketable equity securities and auction-rate securities are classified as available-for-sale and are stated at fair value (see Note 10). Changes in the fair value of these investments are recorded as an increase or decrease, net of taxes, in AOCI except where losses are considered to be other-than-temporary, in which case losses are recorded in OI&E. We generally consider marketable equity securities to be other-than-temporarily impaired if they have traded below their cost basis for more than six months. Auction-rate securities are considered to be other-than-temporarily impaired if the fair value is below par value and full recovery of the value is not anticipated during the period we expect to hold the investment.

Investments in non-marketable equity securities consist of investments in early stage development companies, are stated at historical cost and are subject to a periodic impairment review. We record any impairment considered other-than-temporary in OI&E.

Investments in venture capital funds, consisting of limited partnership interests, are accounted for under the equity method of accounting where we have more than a 3 percent limited partnership interest, and under the cost method of accounting where our limited partnership interest is less than 3 percent. For our investments accounted for under the equity method, our proportionate share of the net income or loss of the limited partnerships is recorded in OI&E. Investments in venture capital funds are subject to a periodic impairment review. We record any impairment considered other-than-temporary in OI&E.

Investments in mutual funds are classified as trading securities and stated at fair value. These mutual funds hold a variety of debt and equity investments and are intended to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. We record adjustments to fair value of both the mutual funds and the related deferred compensation liabilities in selling, general and administrative (SG&A) expense (see Note 12 for a discussion of deferred compensation arrangements).

Goodwill and intangible assets: 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 book value including goodwill. With the change in our segment reporting structure, existing goodwill included in our former Semiconductor segment was allocated to the applicable reporting units and tested for impairment (see Note 11).

We amortize intangible assets on a straight-line basis over their estimated lives, and write off fully amortized intangible assets against accumulated amortization.

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. Net currency exchange gains and losses from remeasurement are credited or charged to OI&E.

Derivatives: We use derivative financial instruments to manage exposure to foreign exchange risk. We do not apply hedge accounting to our foreign currency derivative instruments. These instruments are primarily forward foreign currency exchange contracts that are used as economic hedges to reduce the adverse 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.

Changes in accounting standards: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which provides guidance on how to measure assets and liabilities recorded at fair value. SFAS 157 does not expand the use of fair value to any new circumstances, but does require additional disclosure in annual and quarterly reports. We adopted SFAS 157 and its related amendments for financial assets and liabilities as of January 1, 2008 (see Note 10). SFAS 157 is effective for non-financial assets and liabilities for us beginning January 1, 2009. We have evaluated the non-financial assets and liabilities portion of the standard and expect it will have no significant impact on our financial condition or results of operations.

In October 2008, the FASB issued FASB Staff Position (FSP) FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies how companies should apply the fair value measurement methodologies of SFAS 157 to financial assets whose markets are illiquid or inactive. Under this FSP, companies may use their own assumptions about future cash flows and risk-adjusted discount rates when relevant observable inputs are either unavailable or based solely on transaction prices that reflect forced liquidations or distressed sales. This FSP was effective as of September 30, 2008. There was no impact to our financial condition or results of operations from the adoption of this FSP.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133*. This standard applies to derivative instruments, nonderivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under SFAS 133. SFAS 161 does not change the accounting for derivatives and hedging activities, but requires enhanced disclosure concerning the effect on the financial statements from their use. SFAS 161 is effective for us beginning January 1, 2009. Given our limited use of derivatives, we do not expect our disclosures about the use of derivatives to be significantly impacted by this standard.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. Under this standard, unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock units (RSUs), are considered participating securities for purposes of calculating EPS as disclosed in the income statement. This FSP is effective for us beginning January 1, 2009. All prior period EPS data presented in financial reports after the effective date shall be adjusted retrospectively to conform with this FSP. Early application is not permitted. We have evaluated the potential impact of this standard and determined it will result in insignificant adjustments to previously reported EPS amounts.

In December 2007, the FASB concurrently issued SFAS No. 141(R), *Business Combinations,* and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51*. SFAS 141(R) provides new guidance on the recognition, measurement and subsequent accounting for assets acquired and liabilities assumed in business combination transactions. In addition, SFAS 141(R) changes the accounting treatment for certain items in business combinations, including, for example, expensing acquisition-related costs, recording acquired contingent liabilities/assets at their acquisition-date fair value and capitalization of in-process R&D costs. If an entity owns less than a 100 percent ownership interest, SFAS 160 provides for the recognition, measurement and subsequent accounting for non-controlling (i.e., minority) interests included in an entity's consolidated financial statements. Both of these standards require measurements based on fair value as determined under the provisions of SFAS 157. In addition, both of these standards include expanded disclosure requirements. They are effective prospectively for us for transactions occurring on or after January 1, 2009. The impact that adoption of SFAS 141(R) and SFAS 160 will have on our financial condition and results of operations will depend on the specific terms of any applicable future transactions.

In November 2008, the FASB ratified EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations*. EITF 08-6 resolves several accounting issues that have arisen with the issuance of SFAS 141(R) in applying the equity method of accounting, such as how to determine the initial carrying value after an acquisition and how to assess an impairment in value of the underlying assets of an equity method investment. This EITF will be effective for us beginning January 1, 2009, consistent with the effective date of SFAS 141(R) and SFAS 160. We are currently evaluating the potential impact this standard will have on our financial condition and results of operations.

In November 2008, the FASB ratified EITF Issue No. 08-7, *Accounting for Defensive Intangible Assets*. EITF 08-7 provides guidance on how to account for intangible assets acquired in a business combination, in situations when the acquirer does not intend to actively use the assets but intends to hold (or lock up) the assets to prevent competitors from obtaining access to the assets. These are referred to as "defensive intangible assets." This EITF will be effective for defensive intangible assets acquired by us beginning January 1, 2009, consistent with the effective date of SFAS 141(R). The impact that adoption of this EITF will have on our financial condition and results of operations will depend on the specific terms of any applicable future business combinations.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*. This FSP provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan, including disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets and significant concentrations of risk. These disclosures will be required for fiscal years ending after December 15, 2009. There will be no impact to our financial condition or results of operations from the adoption of this FSP.

2. Restructuring activities

We record severance-related expenses in accordance with the provisions of SFAS No. 112, *Employer's Accounting for Post-Employment Benefits*; SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* and SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*. The determination of when we accrue for involuntary severance costs and which standard applies depends on whether the termination benefits are provided under an ongoing benefit arrangement as described in SFAS 112 or under a one-time benefit arrangement as defined by SFAS 146. We record involuntary severance-related expenses related to an ongoing benefit arrangement in accordance with the provisions of SFAS No. 112 once they are probable and the amounts are estimable. One-time, involuntary termination benefits are recorded under the provisions of SFAS No. 146 when the benefits have been communicated to employees. Voluntary termination benefits are accounted for under the provisions of SFAS No. 88 and are recorded when the employee accepts the offered benefit arrangement.

When the decision to commit to a restructuring plan requires an asset impairment review, we evaluate such impairment issues under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Because the impairment is a direct result of the restructuring, the impairment amount is included in the restructuring expense line item in the income statement and is recorded as an adjustment of 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 to be sold, we write the carrying value down to its net realizable value and cease depreciation.

2008 and 2009 actions

In October 2008, we announced actions that, when complete, will reduce annualized expenses by more than $200 million in our Wireless segment, especially our cellular baseband operation. About 650 jobs are expected to be eliminated. The total restructuring charges related to this action will be approximately $110 million and are expected to be complete by June 2009.

In January 2009 we announced actions that include employment reductions to align our spending with demand that has weakened in the slowing economy. Our employment will be reduced 12 percent through 1,800 layoffs and 1,600 voluntary retirements and departures. The total restructuring charges for this action will be about $300 million and will continue through the third quarter of 2009. Combined with the Wireless actions described above, our annualized costs will be reduced by more than $700 million.

In the fourth quarter of 2008, we recognized $230 million in restructuring charges related to these actions, which included $121 million for a portion of the actions announced in January 2009 and $109 million for the Wireless actions announced in October 2008. The restructuring costs consisted of $218 million for severance and benefits costs and $12 million related to impairments of long-lived assets. We also fully impaired $24 million of assets that were held for sale related to a 2007 action discussed below.

As of December 31, 2008, $2 million has been paid for these actions to terminated employees for severance and benefits.

2007 actions

In January 2007, we announced plans to change how we develop advanced digital manufacturing process technology. Instead of separately creating our own core process technology, we work collaboratively with our foundry partners to specify and drive the next generations of digital process technology. Additionally, we stopped production at an older digital factory. These actions are complete and as a result, about 300 jobs were eliminated by year-end 2007.

Operating profit for 2007 included a charge of $52 million related to these actions, which consisted of severance and benefits costs of $31 million and acceleration of depreciation on the impacted facilities' assets of $21 million. These amounts have been reclassified from cost of revenue ($37 million), R&D ($14 million) and SG&A ($1 million) to the restructuring expense line on the income statement to conform to the 2008 presentation.

As of December 31, 2008, $19 million has been paid for these actions to terminated employees for severance and benefits.

3. Stock-based compensation

	2008	2007	2006
Stock-based compensation expense recognized:			
Cost of revenue	**$ 41**	$ 53	$ 64
Research and development	**62**	83	101
Selling, general and administrative	**110**	144	167
Total	**$213**	$280	$332

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). In such cases, 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. In such cases, we recognize the related compensation costs on a straight-line basis over the vesting period.

Fair value assumptions:

We estimated the fair values for non-qualified stock options using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Long-term plans (a)	**2008**	2007	2006
Weighted average grant date fair value, per share	**$ 8.86**	$9.72	$11.82
Weighted average assumptions used:			
Expected volatility	**31%**	28%	34%
Expected lives	**5.7 yrs**	5.6 yrs	5.0 yrs
Risk-free interest rates	**3.01%**	4.73%	4.50%
Expected dividend yields	**1.34%**	0.57%	0.37%

(a) Includes stock options under the long-term incentive plans and the director plans.

We determine expected volatility on all options granted after July 1, 2005, using available implied volatility rates rather than on 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 share 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 has been 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 market price of our common stock on the date of grant.

The TI Employees 2005 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 the Texas Instruments 2000 Long-Term Incentive Plan, the Texas Instruments 2003 Long-Term Incentive Plan and the Texas Instruments 1996 Long-Term Incentive Plan. No further options may be granted under the 1996 plan. We also assumed stock options granted under the Burr-Brown 1993 Stock Incentive Plan and the Radia Communications, Inc. 2000 Stock Option/Stock Issuance Plan. 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 have RSUs outstanding under the 2000 Long-Term Incentive Plan and the 2003 Long-Term Incentive Plan. 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.

Under the 2000 Long-Term Incentive Plan, we may grant stock options, including incentive stock options, restricted stock and RSUs, performance units and other stock-based awards. The plan provides for the issuance of 120,000,000 shares of TI common stock. In addition, if any stock-based award under the 1996 Long-Term Incentive Plan terminates, any unissued shares subject to the terminated award become available for grant under the 2000 Long-Term Incentive Plan. No more than 13,400,000 shares of common stock may be awarded as restricted stock, RSUs or other stock-based awards (other than stock options) under the plan.

Under the 2003 Long-Term Incentive Plan, we may grant stock options (other than incentive stock options), restricted stock and RSUs, performance units and other stock-based awards to non-management employees. The plan provides for the issuance of 240,000,000 shares of TI common stock. Executive officers and approximately 200 managers are ineligible to receive awards under this plan.

Under our 2003 Director Compensation Plan, we may grant stock options, RSUs and other stock-based awards to non-employee directors, as well as issue TI common stock upon the distribution of stock units credited to deferred-compensation accounts established for such directors. The plan provides for the annual grant of a stock option to each non-employee director from January 2004 through 2010. For the years 2001 through 2006, each grant was an option to purchase 15,000 shares with an option price equal to fair market value on the date of grant. Effective in 2007, the plan reduced the annual stock option grant to 7,000 shares and included an annual grant of 2,500 RSUs to each non-employee director. Under the plan, we also make a one-time grant of 2,000 RSUs to each new non-employee director of TI. The plan provides for the issuance of 2,000,000 shares of TI common stock.

Stock option and RSU transactions under the above-mentioned long-term incentive and director compensation plans (including assumed stock options granted under the Burr-Brown and Radia Communications, Inc. plans) during 2008 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, 2007	185,967,331	$ 30.78	7,711,407	$ 28.75
Granted	**8,490,032**	**29.72**	**3,609,689**	**29.09**
Vested (RSUs)	**—**	**—**	**(628,500)**	**32.05**
Forfeited	**(3,286,978)**	**35.35**	**(341,872)**	**30.05**
Exercised	**(8,705,307)**	**17.25**	**—**	**—**
Outstanding grants, December 31, 2008	**182,465,078**	**$ 31.29**	**10,350,724**	**$ 28.63**

The weighted average grant-date fair value of RSUs granted during the years 2008, 2007 and 2006 was $29.09, $29.46 and $31.36 per share. For the years ended December 31, 2008, 2007 and 2006, the total fair value of shares vested from RSU grants was $20 million, $12 million and $13 million.

Summarized information about stock options outstanding under the various long-term plans mentioned above at December 31, 2008, is as follows:

	Stock Options Outstanding			Options Exercisable	
Range of Exercise Share 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	**125,638**	**2.1**	**$ 3.32**	**125,638**	**$ 3.32**
10.01 to 20.00	**27,250,890**	**4.0**	**16.20**	**27,225,448**	**16.20**
20.01 to 30.00	**68,899,001**	**4.6**	**25.67**	**49,150,379**	**25.00**
30.01 to 40.00	**54,957,846**	**4.8**	**33.11**	**45,895,224**	**33.24**
40.01 to 50.00	**832,732**	**1.2**	**43.80**	**832,732**	**43.80**
50.01 to 84.32	**30,398,971**	**1.5**	**54.03**	**30,398,971**	**54.03**
$ .26 to 84.32	**182,465,078**	**4.1**	**$ 31.29**	**153,628,392**	**$ 31.73**

During the years ended December 31, 2008, 2007 and 2006, the aggregate intrinsic value (i.e., the difference in the closing market price and the exercise price to be paid by the optionee) of options exercised under these plans was $110 million, $606 million and $419 million.

Summarized information as of December 31, 2008, 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)		**181,409,594**		**153,628,392**
Weighted average remaining contractual life		**4.1 years**		**3.4 years**
Weighted average exercise price per share	**$**	**31.30**	**$**	**31.73**
Intrinsic value	**$**	**3**	**$**	**3**

(a) Includes effects of expected forfeitures. Excluding the effects of expected forfeitures, the aggregate intrinsic value of stock options outstanding was $3 million.

As of December 31, 2008, the total future compensation cost related to unvested stock options and RSUs not yet recognized in the statement of income was $131 million and $150 million. Of that total, $137 million, $90 million, $49 million and $5 million will be recognized in 2009, 2010, 2011 and 2012.

<u>Employee stock purchase plan</u>
Under the TI Employees 2005 Stock Purchase Plan, 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, 2008, had an exercise price of $13.64 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 2008.

Employee stock purchase plan transactions during 2008 were as follows:

	Employee Stock Purchase Plan (shares) (a)		Weighted Average Exercise Price
Outstanding grants, December 31, 2007	551,768	$	27.50
Granted	**3,085,749**		**19.15**
Exercised	**(2,597,974)**		**23.12**
Outstanding grants, December 31, 2008	**1,039,543**	**$**	**13.64**

(a) Excludes options offered but not granted.

The weighted average grant-date fair value of options granted under the employee stock purchase plans during the years 2008, 2007 and 2006 was $3.37, $5.10 and $4.68 per share. During the years ended December 31, 2008, 2007 and 2006, the total intrinsic value of options exercised under the employee stock plans was $11 million, $11 million and $10 million.

<u>Effect on shares outstanding and treasury shares</u>
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 11,217,809 in 2008; 39,791,295 in 2007 and 26,602,306 in 2006; and previously unissued common shares of 85,472 in 2008; 511,907 in 2007 and 49,100 in 2006.

Upon vesting of RSUs, we issued treasury shares of 544,404 in 2008; 515,209 in 2007 and 128,578 in 2006; and previously unissued common shares of zero in 2008; 12,000 in 2007 and 279,082 in 2006.

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

	As of December 31, 2008	
Shares	Long-term Incentive and Director Compensation Plans	TI Employees 2005 Stock Purchase Plan
Available for future grant	**207,593,706**	**34,945,485**
Reserved for issuance	**400,526,959**	**35,985,028**

Effect on cash flows
Cash received from the exercise of options was $210 million in 2008, $761 million in 2007 and $418 million in 2006. The related net tax benefit realized was $31 million, $204 million and $146 million (which includes excess tax benefits realized of $19 million, $116 million and $100 million) in 2008, 2007 and 2006.

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 $121 million, $180 million and $149 million of profit sharing expense under the TI Employee Profit Sharing Plan in 2008, 2007 and 2006.

5. Income taxes

Income from continuing operations before income taxes

	U.S.	Non-U.S.	Total
2008	**$1,749**	**$ 732**	**$2,481**
2007	2,738	954	3,692
2006	2,582	1,043	3,625

Provision (benefit) for income taxes

	U.S. Federal	Non-U.S.	U.S. State	Total
2008:				
Current	**$ 646**	**$ 89**	**$ 8**	**$ 743**
Deferred	**(214)**	**43**	**(11)**	**(182)**
Total	**$ 432**	**$ 132**	**$ (3)**	**$ 561**
2007:				
Current	$ 823	$ 198	$ (4)	$1,017
Deferred	(3)	37	—	34
Total	$ 820	$ 235	$ (4)	$1,051
2006:				
Current	$ 885	$ 280	$ 22	$1,187
Deferred	(198)	11	(13)	(200)
Total	$ 687	$ 291	$ 9	$ 987

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

	2008	2007	2006
Computed tax at statutory rate	**$ 868**	$1,292	$1,269
Effect of non-U.S. rates	**(197)**	(94)	(80)
Research and experimentation tax credits	**(75)**	(69)	(78)
U.S. tax benefits for manufacturing and foreign sales	**(18)**	(24)	(106)
Other	**(17)**	(54)	(18)
Total provision for income taxes.	**$ 561**	$1,051	$ 987

The primary components of deferred income tax assets and liabilities at December 31 were as follows:

	December 31,	
	2008	2007
Deferred income tax assets:		
Postretirement benefit costs recognized in AOCI	**$ 441**	$ 185
Inventories and related reserves	**431**	369
Stock-based compensation	**294**	245
Accrued expenses	**366**	363
Deferred loss and tax credits	**207**	159
Investments	**53**	35
Other	**98**	86
	1,890	1,442
Less valuation allowance	**(2)**	(5)
	1,888	1,437
Deferred income tax liabilities:		
Property, plant and equipment	**(91)**	(122)
Intangibles	**(16)**	(25)
Accrued retirement costs (defined benefit and retiree health care)	**(140)**	(68)
Other	**(15)**	(107)

	(262)	(322)
Net deferred income tax asset	**$1,626**	$1,115

As of December 31, 2008 and 2007, net deferred income tax assets of $1.63 billion and $1.12 billion were presented in the balance sheets, based on tax jurisdiction, as deferred income tax assets of $1.69 billion and $1.16 billion and deferred income tax liabilities of $59 million and $49 million. The increase in net deferred income tax assets from December 31, 2007, to December 31, 2008, exceeds the $182 million deferred tax benefit primarily due to the recording of deferred tax assets associated with postretirement benefit costs recognized in 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 assets. 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) future taxable income.

We have aggregate U.S. and non-U.S. tax loss carryforwards of approximately $225 million, of which $59 million expire through the year 2025.

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 $2.75 billion at December 31, 2008) have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. It is not feasible to determine the amount of unrecognized deferred tax liability on these unremitted earnings.

Cash payments made for income taxes (net of refunds) were $772 million, $733 million and $1.83 billion for the years ended December 31, 2008, 2007 and 2006.

<u>Uncertain tax positions</u>: 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. Effective January 1, 2007, we adopted the provisions of FIN 48. FIN 48 differs from the prior standards in that it requires companies to determine that it is "more likely than not" that a tax position will be sustained by the appropriate tax authorities before any benefit can be recorded in the financial statements.

The following table summarizes the changes in the total amounts of uncertain tax positions for 2008 and 2007:

	2008	2007
Balance, January 1	**$ 137**	$ 158
Additions based on tax positions related to the current year	**18**	21
Additions for tax positions of prior years	**17**	39
Reductions for tax positions of prior years	**(24)**	(44)
Settlements with tax authorities	**—**	(37)
Balance, December 31	**$ 148**	$ 137
Interest income (expense) recognized in the year ended December 31	**$ (6)**	$ 22
Accrued interest as of December 31	**$ 11**	$ 1

Of the $148 million liability for uncertain tax positions as of December 31, 2008, $121 million represents tax positions that, if recognized, would impact the effective tax rate. If these tax positions were recognized, $70 million of deferred tax assets primarily related to the procedures for relief from double taxation would also be recognized.

As of December 31, 2008, 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; and our returns for the years 2003 through 2006 will be the subject of an appeals proceeding in 2009. Cases currently before the United States Tax Court could have an impact on the determination of our uncertain tax positions and the outcome of the 2009 appeals proceeding. It is reasonably possible that the appeals proceeding will be completed within the next 12 months.

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 (2003 onward), France (2006 onward), Japan (2001 onward) and Taiwan (2003 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 significant change to our financial condition or results of operations.

6. Discontinued operations

As discussed in Note 1, in 2006 we sold substantially all of our former Sensors & Controls segment.

The results of operations of our former Sensors & Controls business, which was renamed Sensata Technologies (Sensata), are presented as discontinued operations. The following summarizes results of the discontinued operations for the years ended December 31, 2007 and 2006, included in the consolidated statements of income:

	2007	2006
Revenue	$ —	$ 375
Operating costs and expenses	4	327
Income (loss) from discontinued operations before income taxes	(4)	48
Provision (benefit) for income taxes	(3)	19

Income (loss) from discontinued operations, net of income taxes	(1)	29
Gain on sale of discontinued operations	—	2,554
Provision (benefit) for income taxes	(17)	880
Gain on sale of discontinued operations, net of income taxes	17	1,674
Total income from discontinued operations	$ 16	$1,703
Income from discontinued operations per common share: (a)		
Basic	$0.01	$ 1.11
Diluted	$0.01	$ 1.09

(a) EPS amounts from continuing and discontinued operations may not add to net income per share due to rounding.

Total income from discontinued operations in 2007 includes an income tax benefit related to a reduction of a state tax liability associated with the sale.

7. Financial instruments and risk concentration

Financial instruments: We have derivative financial instruments of insignificant fair value as of December 31, 2008, such as forward foreign currency exchange contracts, forward purchase contracts and investment warrants. Our forward foreign currency exchange contracts outstanding at December 31, 2008, had a notional value of $600 million to hedge our non-U.S. dollar net balance sheet exposures (including $187 million to sell euros, $34 million to sell British pounds and $263 million to sell Japanese yen).

Cash equivalents, short-term investments, certain long-term investments and deferred compensation liabilities are carried at fair value. 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 and 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 the large number of customers in our customer base and their dispersion across different industries and geographic areas. We maintain an allowance for losses based on the expected collectibility 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 to Operating Results	Recoveries and Write-offs, Net	Balance at End of Year
2008	**$ 26**	**$ 7**	**$ (3)**	**$ 30**
2007	$ 26	$ —	$ —	$ 26
2006	$ 34	$ 2	$ (10)	$ 26

8. Cash, cash equivalents and short-term investments

Details of our cash, cash equivalents and short-term investment balances are as follows:

	December 31, 2008		December 31, 2007	
	Cash and Cash Equivalents	Short-term Investments	Cash and Cash Equivalents	Short-term Investments
Corporate commercial paper, bonds, time deposits	**$ 50**	**$ 590**	$ 100	$ 25
Asset-backed commercial paper	**—**	**—**	457	—
U.S. government agency securities	**—**	**409**	390	—
U.S. Treasury securities	**—**	**245**	—	—
Money market funds	**796**	**—**	157	—
Tax-exempt/municipal securities:				
Auction-rate securities	**—**	**—**	—	1,044
Tax-exempt bonds	**—**	**—**	—	35
Mortgage-backed securities — government sponsored enterprise (GSE) guaranteed	**—**	**139**	—	233
Mortgage-backed securities — senior bonds	**—**	**105**	—	241
Other	**—**	**6**	—	18
Cash on hand	**200**	**—**	224	—
Total	**$ 1,046**	**$ 1,494**	$ 1,328	$ 1,596

The primary objectives of our cash equivalent and short-term investment activities are to preserve capital and maintain liquidity while generating appropriate returns. Our investment policy allows for only high-credit-quality securities. As of December 31, 2008, over 99 percent of our cash equivalents and short-term investments were either rated AAA, Aaa or unconditionally guaranteed by a Aaa-rated U.S. government sponsored enterprise (GSE). The value and liquidity of these securities are generally affected by market interest rates, as well as the ability of the issuer to make principal and interest payments when due and the normal functioning of the markets in which they are traded. There were no material impairments of short-term investments or cash equivalents in the periods presented.

As of December 31, 2008, our cash equivalents included investments in corporate obligations guaranteed by the Federal Deposit Insurance Corporation (FDIC) and in money market funds. Our short-term investments included corporate obligations guaranteed by the FDIC or the Debt Management Office of the United Kingdom, discount notes issued by U.S. government agencies, U.S. Treasury securities and mortgage-backed securities. All of the mortgage-backed securities we held as of December 31, 2008, were either Aaa-rated or unconditionally guaranteed by a Aaa-rated U.S. GSE.

As of December 31, 2007, we held $1.04 billion of auction-rate securities at par value, which was equal to fair value as of that date. During the first quarter of 2008, we sold $473 million of these auction-rate securities at par through the normal auction process. Beginning in mid-February 2008, liquidity issues in the global credit markets caused the failure of auctions and uncertainty regarding the liquidity of these securities. As a result, beginning in the first quarter of 2008, we reclassified our investments in auction-rate securities with a par value of $571 million from short-term investments to long-term investments (see Note 9).

The following table presents the aggregate maturities of cash equivalents and short-term investments at year-end 2008:

Due	Fair Value
One year or less	$ 2,015
One to three years	75
Investments with serial maturities (primarily mortgage-backed securities)	250

Gross unrealized gains on cash equivalents and short-term investments were $6 million for the year ending December 31, 2008. There were no gross unrealized gains on cash equivalents and short-term investments for the years ending December 31, 2007 and 2006. Gross unrealized losses were $19 million, $14 million and $23 million, respectively, for these time periods. Unrealized losses for the years ending December 31, 2008 and 2007 were primarily associated with mortgage-backed securities that have been in an unrealized loss position for more than 12 months. Unrealized gains and losses resulted from changes in market interest rates and risk premiums rather than changes in the credit quality of the securities. We have determined that our investment in these cash equivalents and short-term investments are not other-than-temporarily impaired, as we have the ability and intent to hold these investments until their value can be recovered, which may include holding them to their respective maturity dates.

Proceeds from sales of these securities prior to their scheduled maturity were $1.76 billion, $2.12 billion and $5.34 billion in 2008, 2007 and 2006. Gross realized gains and losses from the sales of these securities were not significant for any periods presented.

9. Long-term investments

Details of long-term investments are as follows:

	December 31,	
	2008	2007
Equity investments:		
Marketable	**$ —**	$ 7
Non-marketable	**19**	44
Venture capital funds:		
Equity method	**53**	65
Cost method	**3**	3
Mutual funds	**96**	148
Auction-rate securities	**482**	—
Total	**$ 653**	$ 267

There were $9 million, $6 million and $6 million of gross realized gains and no gross realized losses from sales of long-term investments in 2008, 2007 and 2006. Other-than-temporary declines and impairments in the values of long-term investments recognized in OI&E were $10 million, $18 million and $8 million in 2008, 2007 and 2006.

Our long-term investments include auction-rate securities, which are debt instruments with variable interest rates that historically would periodically reset through an auction process. As of December 31, 2008, we held $482 million ($535 million par value) of auction-rate securities. The $53 million difference between fair value and par value is considered temporary and is recorded as an unrealized loss, net of taxes, in AOCI. We have determined that our investments in auction-rate securities are not other-than-temporarily impaired, as we have the ability and intent to hold these investments until their value can be recovered, which may include holding them to their respective maturity dates.

Since mid-February 2008, conditions in global credit markets have caused the failure of auctions for most auction-rate securities, including those we hold, because the amount of securities submitted for sale in those auctions exceeded the amount of bids. A failed auction is not a default by the issuer of the security. When auctions are not successful, the interest rate moves to a maximum rate defined for each security, and is generally reset periodically at a level higher than defined short-term interest benchmarks. To date, we have collected all interest on all of our auction-rate securities when due, and we 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 14 to 39 years. We understand that issuers and financial markets are working on alternatives that may improve liquidity, but it is not clear when or to what extent such efforts will be successful. We expect that we will receive the principal associated with our auction-rate securities through one of the means described above.

Since the failure of the auctions in February 2008, $36 million of our auction-rate securities have been redeemed by the issuers at par. Of these redemptions, $15 million involved securities classified as Level 2 for purposes of determining fair value, with the remaining $21 million classified as Level 3 (see Note 10).

As of December 31, 2008, $500 million par value of our auction-rate securities are backed by pools of student loans guaranteed by the U.S. Department of Education and, based on this guarantee, we continue to believe that the credit quality of these securities is high. As of December 31, 2008, these securities were all rated AAA/Aaa by the major credit rating agencies. The remaining $35 million par value of our auction-rate securities are covered by bond insurance and were rated Aa3 by Moody's as of December 31, 2008.

Subsequent to year end, $3 million of our auction-rate securities were redeemed at par in January 2009.

While our ability to liquidate our 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.

10. Fair value measurement

As discussed in Note 1, effective January 1, 2008, we adopted SFAS 157 for measuring and reporting financial assets and liabilities at fair value. SFAS 157 defines fair value 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.

SFAS 157 establishes a three-level disclosure hierarchy to indicate the 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 valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

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

Investments in auction-rate securities are our only Level 3 assets. In the first quarter of 2008, these assets were transferred from Level 2 because quoted prices from broker-dealers were unavailable due to events described in Note 9. As a result, we use a DCF model to determine the estimated fair value of these investments. Assumptions used in preparing this 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 considered relevant factors including: the formula for each 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, guarantees by other third parties, and additional credit enhancements provided through other means; and, publicly available pricing data for recently traded 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 current reduced liquidity for auction-rate securities.

The table below sets forth, by level, our financial assets and liabilities that were accounted for at fair value as of December 31, 2008. The table does not include either cash on hand or assets and liabilities that are measured at historical cost or any basis other than fair value.

	Portion of Carrying Value Measured at Fair Value Dec. 31, 2008	Level 1	Level 2	Level 3
Items measured at fair value on a recurring basis:				
Cash equivalents:				
Corporate obligations guaranteed by FDIC	**$ 50**	$ —	$ 50	$ —
Money market funds	**796**	796	—	—
Short-term investments:				
Corporate obligations guaranteed by FDIC	**435**	—	435	—
Corporate obligations guaranteed by U.K. government	**155**	—	155	—
U.S. government agency and Treasury securities	**654**	654	—	—
Mortgage-backed securities – GSE guaranteed	**139**	—	139	—
Mortgage-backed securities – senior bonds	**105**	—	105	—
Other	**6**	—	6	—
Long-term investments:				
Auction-rate securities	**482**	—	—	482
Mutual funds	**96**	96	—	—
Total assets	**$ 2,918**	$1,546	$ 890	$ 482
Deferred credits and other liabilities:				
Deferred compensation liabilities	**$ 138**	$ 138	$ —	$ —

Changes in fair value during the period (pre-tax)

	Level 3
Balance, December 31, 2007	$ —
Transfers into Level 3	**556**
Unrealized loss – included in AOCI	**(53)**
Redemptions at par	**(21)**
Balance, December 31, 2008	**$ 482**

11. Goodwill and other acquisition-related intangibles

As a result of changing our segment reporting structure, we allocated all goodwill related to the former Semiconductor reporting unit to our new reporting units for the purpose of testing goodwill for possible impairment.

Goodwill was allocated to the reporting units based on their relative fair values. Balances as of December 31, 2008, by segment are as follows:

	Analog	Embedded Processing	Wireless	Other	Total
Goodwill	**$ 567**	**$ 157**	**$ 82**	**$ 34**	**$ 840**

There was no impairment of goodwill during 2008 or 2007. The goodwill balances shown on our balance sheets are net of total accumulated amortization of $221 million at year-end 2008 and 2007.

In 2008 and 2007, we recognized intangible assets associated with acquisitions we made during the year of $13 million and $45 million, respectively, primarily for developed technology, to be amortized over three to five years.

There were no significant in-process R&D charges associated with 2008 or 2007 acquisitions. In 2006 we recorded a $5 million charge for in-process R&D as a result of the acquisition of Chipcon.

The following table shows the components of acquisition-related intangible assets that are subject to amortization:

		December 31, 2008			December 31, 2007		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquisition-related intangibles:							
Developed technology	3–10 years	**$ 124**	**$ 60**	**$ 64**	$ 141	$ 60	$ 81
Other intangibles	2–7 years	**47**	**20**	**27**	58	24	34
Total		**$ 171**	**$ 80**	**$ 91**	$ 199	$ 84	$ 115

Amortization of acquisition-related intangibles was $37 million, $48 million and $59 million for 2008, 2007 and 2006, primarily related to developed technology. Fully amortized intangible assets are written off against accumulated amortization.

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

2009	$ 33
2010	32
2011	16
2012	7
2013	3

12. Postretirement benefit plans

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS 158 requires us to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our defined benefit pension and other postretirement benefit plans on our balance sheet. Previously unrecognized net actuarial losses and prior service costs are reflected in AOCI, net of tax, and continue to be recognized in future periods as a component of net periodic benefit cost. Actuarial gains and losses and prior service costs that arise in periods subsequent to December 31, 2006, are not recognized as part of net periodic benefit cost in the period incurred but are recognized as a component of other comprehensive income. These amounts are subsequently recognized as a component of future net periodic benefit cost consistent with our past practice. We measure plan assets at fair value in accordance with SFAS 157, *Fair Value Measurements*.

<u>Plan descriptions</u>: 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.

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 remain in the qualified defined benefit pension plan 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 remain in the defined benefit pension plan, 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, 2008 and 2007, as a result of employees' elections, TI's U.S. defined contribution plans held shares of TI common stock totaling 32 million shares and 33 million shares valued at $494 million and $1.11 billion. Dividends paid on these shares for 2008 and 2007 totaled $14 million and $11 million.

Our aggregate expense for employees under the U.S. defined contribution plans was $56 million in each of 2008, 2007 and 2006.

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 federal laws and regulations plus such additional amounts as we deem appropriate. The non-qualified plans are unfunded and closed to new participants.

During 2008 and 2007, the U.S. defined benefit plans made $70 million and $45 million in total benefit payments, of which $16 million in 2008 were accounted for as plan settlements. The majority of the settlements were attributed to the non-qualified plan. During 2008 we made a $100 million contribution to the qualified pension plan. There were no contributions to this plan in 2007; however, we did make payments from non-plan assets related to our non-qualified plans of $12 million in 2008 and $3 million in 2007.

U.S. retiree health care benefit plan:

We offer most of our U.S. employees access to group medical coverage during their 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. During 2008 and 2007 we made contributions to the retiree health care related trusts of $50 million, and $10 million. In addition, we made benefit payments each year of approximately $1 million from non-plan assets.

Non-U.S. retirement plans:

We provide retirement coverage for non-U.S. employees, to the extent we deem appropriate, through separate 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. During 2008 and 2007 we contributed $87 million and $77 million to our non-U.S. retirement plans.

As of December 31, 2008 and 2007, as a result of employees' elections, TI's non-U.S. defined contribution plans held 636,983 shares of TI common stock valued at $10 million and 601,115 shares valued at $20 million. Dividends paid on these shares for 2008 and 2007 were not significant.

<u>Effect on the statements of income and balance sheets</u>

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		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Service cost	**$ 25**	$ 24	$ 26	**$ 4**	$ 4	$ 4	**$ 49**	$ 46	$ 44
Interest cost	**49**	43	45	**28**	25	25	**60**	52	46
Expected return on plan assets	**(45)**	(47)	(45)	**(27)**	(26)	(21)	**(83)**	(73)	(66)
Amortization of prior service cost	**1**	—	—	**2**	2	2	**(3)**	(3)	(3)
Recognized net actuarial loss	**16**	20	21	**8**	6	6	**5**	9	13
Net periodic benefit cost	**46**	40	47	**15**	11	16	**28**	31	34
Settlement charges	**7**	2	26	**—**	—	—	**—**	—	—
Curtailment charges	**1**	—	—	**11**	1	—	**—**	—	—
Special termination benefit charges	**18**	3	—	**—**	—	—	**—**	—	—
Total, including charges	**$ 72**	$ 45	$ 73	**$ 26**	$ 12	$ 16	**$ 28**	$ 31	$ 34

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	
	2008	2007	**2008**	2007	**2008**	2007
Change in plan benefit obligation:						

Benefit obligation at beginning of year	**$ 837**	$788	**$ 470**	$ 444	**$ 1,683**	$ 1,695
Service cost	**25**	24	**4**	4	**49**	46
Interest cost	**49**	43	**28**	25	**60**	52
Participant contributions	**—**	—	**17**	16	**4**	3
Benefits paid	**(54)**	(45)	**(46)**	(48)	**(59)**	(45)
Medicare subsidy	**—**	—	**3**	4	**—**	—
Plan amendments	**—**	5	**—**	—	**—**	—
Actuarial (gain) loss	**21**	19	**(36)**	25	**1**	(129)
Settlements	**(16)**	—	**—**	—	**—**	—
Curtailments	**(13)**	—	**9**	—	**—**	—
Special termination benefits	**18**	3	**—**	—	**—**	—
Effects of exchange rate changes	**—**	—	**—**	—	**195**	61
Benefit obligation at end of year (BO)	**$ 867**	$837	**$ 449**	$ 470	**$ 1,933**	$ 1,683
Change in plan assets:						
Fair value of plan assets at beginning of year	**$ 815**	$796	**$ 399**	$ 401	**$ 1,686**	$ 1,566
Actual return on plan assets	**(92)**	61	**(80)**	19	**(368)**	21
Employer contributions (funding of qualified plan)	**100**	—	**50**	10	**87**	77
Employer contributions (payments for non-qualified plans)	**12**	3	**1**	1	**—**	—
Participant contributions	**—**	—	**17**	16	**4**	3
Benefits paid	**(54)**	(45)	**(46)**	(48)	**(59)**	(45)
Settlements	**(16)**	—	**—**	—	**—**	—
Effects of exchange rate changes	**—**	—	**—**	—	**163**	64
Fair value of plan assets at end of year (FVPA)	**$ 765**	$815	**$ 341**	$ 399	**$ 1,513**	$ 1,686
Funded status (FVPA – BO) at end of year	**$ (102)**	$ (22)	**$ (108)**	$ (71)	**$ (420)**	$ 3

Amounts recognized on the balance sheet as of December 31, 2008:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	**$ —**	**$ —**	**$ 17**	**$ 17**
Accrued profit sharing and retirement	**(4)**	**—**	**(3)**	**(7)**
Underfunded retirement plans	**(98)**	**(108)**	**(434)**	**(640)**
Funded status (FVPA – BO) at end of year	**$ (102)**	**$ (108)**	**$ (420)**	**$ (630)**

Amounts recognized on the balance sheet as of December 31, 2007:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	$ 19	$ —	$ 86	$ 105
Accrued profit sharing and retirement	(6)	—	(5)	(11)
Underfunded retirement plans	(35)	(71)	(78)	(184)
Funded status (FVPA – BO) at end of year	$ (22)	$ (71)	$ 3	$ (90)

The preceding tables present aggregate information for all plans reported. The following table presents the obligation and asset information for only those defined benefit plans that have either projected benefit obligations in excess of plan assets or accumulated benefit obligations in excess of plan assets.

	U.S. Defined Benefit		Non-U.S. Defined Benefit	
	2008	2007	**2008**	2007
Plans with projected benefit obligations greater than assets:				
Projected benefit obligations	**$ 867**	$ 42	**$ 1,729**	$ 141
Plan assets	**765**	—	**1,292**	58
Plans with accumulated benefit obligations greater than assets:				
Accumulated benefit obligations	**$ 31**	$ 34	**$ 1,513**	$ 93
Plan assets	**—**	—	**1,279**	41

Accumulated benefit obligations were $783 million and $764 million at year-end 2008 and 2007 for the U.S. defined benefit plans, and $1.71 billion and $1.48 billion at year-end 2008 and 2007 for the non-U.S. defined benefit plans.

The amounts recorded in AOCI for the years ended December 31, 2008 and 2007, 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, 2007 (net of tax)	$ 95	$ 4	$ 95	$ 11	$ 134	$ (20)	$ 324	$ (5)
Changes in AOCI by category in 2008:								
Annual adjustments	**158**	**—**	**72**	**—**	**528**	**(13)**	**758**	**(13)**
Reclassification of recognized transactions	**(36)**	**(2)**	**(8)**	**(4)**	**(5)**	**3**	**(49)**	**(3)**
Less tax (benefit) expense	**(43)**	**—**	**(22)**	**1**	**(200)**	**(1)**	**(265)**	**—**
Total change to AOCI in 2008	**79**	**(2)**	**42**	**(3)**	**323**	**(11)**	**444**	**(16)**
AOCI Balance, December 31, 2008 (net of tax)	**$ 174**	**$ 2**	**$ 137**	**$ 8**	**$ 457**	**$ (31)**	**$ 768**	**$ (21)**

The estimated amounts of unrecognized prior service cost and net actuarial loss included in AOCI as of December 31, 2008, that are expected to be amortized into net periodic benefit cost over the next fiscal year are: $1 million and $17 million for the U.S. defined benefit plans; $2 million and $8 million for the U.S. retiree health care plan; and $(4) million and $43 million for the non-U.S. defined benefit plans.

Assumptions and investment policies

	Defined Benefit		Retiree Health Care	
	2008	2007	**2008**	2007
Weighted average assumptions used to determine benefit obligations:				
U.S. discount rate	**6.14%**	6.26%	**6.02%**	5.96%
Non-U.S. discount rate	**3.15%**	3.51%		
U.S. average long-term pay progression	**3.50%**	3.50%		
Non-U.S. average long-term pay progression	**3.12%**	3.43%		
Weighted average assumptions used to determine net periodic benefit cost:				
U.S. discount rate	**6.26%**	6.00%	**5.96%**	6.00%
Non-U.S. discount rate	**3.51%**	3.08%		
U.S. long-term rate of return on plan assets	**6.50%**	7.00%	**7.00%**	7.00%
Non-U.S. long-term rate of return on plan assets	**4.73%**	4.71%		
U.S. average long-term pay progression	**3.50%**	3.50%		
Non-U.S. average long-term pay progression	**3.43%**	3.33%		

In order to select a discount rate for purposes of valuing the plan obligations and for fiscal-year-end disclosure, an analysis is performed in which the projected cash flows from significant defined benefit and retiree health care plans are matched with a yield curve based on an appropriate universe of high-quality corporate bonds that are 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. This approach produces a discount rate that recognizes each plan's distinct liability characteristics. Assumptions used for the non-U.S. defined benefit plans reflect the different economic environments within the various countries.

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.

Our rate of return assumption for the U.S. defined benefit plan reflects a multi-year transition to an asset allocation policy with less emphasis on equity investments. This move is designed to better match the plan's assets with its liability structure as it matures.

The table below shows target allocation ranges for the plans that hold a substantial majority of the defined benefit assets. The asset allocations for the retiree health care benefit plan are generally intended to represent the long-term targeted mix rather than a current mix.

Asset Category	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit
Equity securities	35% – 50%	67%	30% – 60%
Fixed income securities and cash	50% – 65%	33%	40% – 70%

We intend to rebalance the defined benefit 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. A portion of the retiree health care benefit plan assets are invested in an account within the pension trust and are invested in a like manner as the other pension assets. The majority 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:

Asset Category	U.S. Defined Benefit 2008	U.S. Defined Benefit 2007	U.S. Retiree Health Care 2008	U.S. Retiree Health Care 2007	Non-U.S. Defined Benefit 2008	Non-U.S. Defined Benefit 2007
Equity securities	**37%**	56%	**44%**	67%	**39%**	49%
Fixed income securities	**49%**	42%	**31%**	33%	**60%**	42%
Cash and cash equivalents	**14%**	2%	**25%**	0%	**1%**	9%

There are no significant restrictions on the amount or nature of investments that may be acquired or held by the plans. 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, 2008, 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 $41 million to our non-U.S. retirement plans in 2009.

The following table shows the benefits we expect to pay to participants from the plans in the next ten years. Most 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
2009	$ 149	$ 33	$ (4)	$ 59
2010	132	36	(5)	62
2011	123	38	(5)	65
2012	84	40	(5)	70
2013	79	42	(6)	74
2014–2018	308	220	(17)	445

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

	U.S. Retiree Health Care 2008	U.S. Retiree Health Care 2007
Assumed health care cost trend rate for next year:		
Attributed to less than age 65	**8.5%**	9.0%
Attributed to age 65 or greater	**8.5%**	9.0%
Ultimate trend rate	**5.0%**	5.0%
Year in which ultimate trend rate is reached:		
Attributed to less than age 65	**2016**	2016
Attributed to age 65 or greater	**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 healthcare plan at December 31, 2008, by approximately $15 million and the service cost and interest cost components of 2008 plan expense by $1 million.

Deferred compensation arrangements

We have a non-qualified deferred compensation plan, which allows certain highly compensated employees 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 hypothetical investments in the same investment funds and TI common stock that are offered in our defined contribution plans. Changes in the market value of the participant deferrals and earnings thereon are reflected as an adjustment to the liability for deferred compensation with an offset to compensation expense.

As of December 31, 2008, our liability to participants of the deferred compensation plan was $138 million and is recorded in deferred credits and other liabilities. This amount reflects the accumulated participant deferrals and earnings thereon as of that date. We make no contributions to the deferred compensation plan and so remain liable to the participants. However, to serve as an economic hedge against changes in market values of this liability, we invest in similar mutual funds and have entered into a forward purchase contract (explained below). Changes in the fair value of these mutual fund investments are recognized in compensation expense (see Note 10).

Because no shares of TI common stock are actually held for the account of participants, as of December 31, 2008, we have a forward purchase contract with a commercial bank to acquire 430,000 shares of TI common stock at a fixed price of $18.85 per share at the end of the contract term or, at our option, to settle in cash with the bank. We can unwind all or part of this contract prior to the end of the contract term. The contract is intended to be an economic hedge to minimize the earnings impact from the effect of fluctuations in stock market prices on the portion of the deferred compensation plan obligations that are denominated in TI stock. The changes in the fair value of the forward contract are reflected in compensation expense. Since December 31, 2005, participants have been prohibited from directing any further amount of their balances into TI common stock, so this hedge will remain at or below 430,000 shares of TI common stock in the future.

13. Debt and lines of credit

On April 2, 2007, we retired $43 million of 8.75% notes at maturity. As of December 31, 2008 and 2007, 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, 2008, we had a revolving credit facility under which a group of banks has committed $1 billion through August 2011, and $920 million thereafter through August 2012. This facility would carry a variable rate of interest indexed to the London Interbank Offered Rate (LIBOR), if drawn. Our Japan subsidiary also has a revolving credit facility for an additional $175 million with a group of banks that would carry a variable rate of interest indexed to LIBOR, if drawn. At December 31, 2008 and 2007, both revolving credit facilities were undrawn, and no commercial paper was outstanding.

Interest incurred on loans in 2008, 2007 and 2006 was zero, $1 million and $12 million. Of these amounts, $5 million in 2006 was capitalized as a component of capital asset construction costs.

14. 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 $124 million, $123 million and $125 million in 2008, 2007 and 2006.

Capitalized software licenses: We have licenses for certain electronic design automation software that are accounted for in accordance with Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. The related liabilities are apportioned between current liabilities (accounts payable) and long-term liabilities (deferred credits and other liabilities) on our balance sheet.

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

Summary: At December 31, 2008, we had committed to make the following minimum payments under operating leases, capitalized software licenses and purchase commitments:

	Operating Leases	Capitalized Software Licenses	Purchase Commitments
2009	$ 81	$ 67	$ 116
2010	67	22	26
2011	54	18	18
2012	42	3	4
2013	37	—	4
Thereafter	123	—	20

Indemnification guarantees: We routinely sell products with a limited 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, and historically we have experienced a low rate of payments on product claims. 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 maximum 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 upon our financial condition, results of operations or liquidity.

Discontinued operations indemnity: In connection with the sale of the former Sensors & Controls business in 2006, we have agreed to indemnify Sensata 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.

15. 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 2008, 2007 and 2006 were 77,162,667 shares; 147,645,809 shares; and 173,580,794 shares. As of December 31, 2008, $3.55 billion of stock repurchase authorizations remain and no expiration date has been specified.

16. Supplemental financial information

Other income (expense) net

	2008	2007	2006

Interest income	**$ 76**	$157	$196
Interest on loans	**—**	(1)	(7)
Settlement of Italian grants (a)	**—**	—	28
Sales tax refunds (b)	**3**	—	20
Other (c)	**(35)**	39	21
Total	**$ 44**	$195	$258

(a) Consists of benefits recognized due to the resolution of matters relating to grants from the government of Italy to a former business.

(b) Consists of refunds of overpayments attributable to former businesses and interest on refunds relating to settlements of audits of Texas sales and use taxes.

(c) Includes lease income of approximately $20 million per year, primarily from the purchaser of a former business. As of December 31, 2008, the aggregate amount of non-cancellable future lease payments to be received from these leases is $57 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 for our proportionate share of the net income or loss of our limited partnerships accounted for under the equity method; realized gains and losses associated with former equity investments; gains and losses related to former businesses; and, gains and losses from currency exchange rate changes.

Inventories

	December 31,	
	2008	2007
Raw materials and purchased parts	**$ 99**	$ 105
Work in process	**837**	876
Finished goods	**439**	437
Total	**$1,375**	$1,418

Property, plant and equipment at cost

		December 31,	
	Depreciable Lives	**2008**	2007
Land	—	**$ 83**	$ 82
Buildings and improvements	5–40 years	**2,948**	2,895
Machinery and equipment	3–10 years	**4,290**	4,591
Total		**$7,321**	$7,568

Authorizations for property, plant and equipment expenditures in future years were $136 million at December 31, 2008.

Accrued expenses and other liabilities

	December 31,	
	2008	2007
Accrued salaries, wages and vacation pay	**$ 302**	$ 386
Restructuring	**218**	20
Customer incentive programs and allowances	**135**	206
Property and other non-income taxes	**91**	113
Other	**288**	392
Total	**$1,034**	$1,117

Accumulated other comprehensive income (loss), net of taxes

	December 31,	
	2008	2007
Unrealized losses on available-for-sale investments	**$ (43)**	$ (5)
Postretirement benefit plans:		
Prior service cost	**21**	5
Net actuarial loss	**(768)**	(324)
Total	**$(790)**	$(324)

17. Segment and geographic area data

In the fourth quarter of 2008, we revised our internal financial reporting structure to provide enhanced information about the performance of our major product categories. Prior period segment presentations have been revised to conform to our new reporting structure.

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 so the signals can be processed by other semiconductors, such as DSPs. Analog semiconductors are also used to manage power distribution and consumption. Analog includes high-performance analog and high-volume analog & logic products.

Embedded Processing – Our Embedded Processing products are DSPs (other than DSPs specific to our Wireless segment) and microcontrollers. DSPs perform mathematical computations almost instantaneously to process and improve digital data. Microcontrollers are microprocessors that 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 – Cell phones require a modem or "baseband" to connect to the wireless carrier's network. Many of today's advanced cell phones also require an applications processor to run the phone's software and services, and semiconductors to enable connectivity to Bluetooth® devices, WiFi networks or GPS location services. 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 (or merchant) 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 to create high-definition images for business and home theater projectors, televisions and movie projectors); RISC microprocessors (designed to provide very fast computing and are often implemented in servers); and, custom semiconductors known as ASICs. Other also includes handheld graphing and scientific calculators and royalties received for our patented technology that we license to other electronics companies.

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 the few unallocated items just mentioned, 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

	Analog	Embedded Processing	Wireless	Other	Total
Revenue					
2008	**$4,857**	**$ 1,631**	**$ 3,383**	**$2,630**	**$12,501**
2007	4,927	1,588	4,195	3,125	13,835
2006	4,746	1,554	4,308	3,647	14,255
Operating profit					
2008	**$1,050**	**$ 268**	**$ 347**	**$ 772**	**$ 2,437**
2007	1,548	290	763	896	3,497
2006	1,455	253	635	1,024	3,367

Operating profit for each segment includes the following restructuring charges:

	2008	2007
Analog	**$ 60**	$18
Embedded Processing	**24**	4
Wireless	**130**	20
Other	**40**	10
Total restructuring expense	**$254**	$52

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:

Geographic area information

	U.S.	Asia	Europe	Japan	Rest of World	Total
Revenue						
2008	**$1,551**	**$7,387**	**$1,875**	**$1,268**	**$ 420**	**$12,501**

2007	1,758	8,013	2,258	1,423	383	13,835
2006	1,868	7,568	2,286	2,008	525	14,255
Property, plant and equipment, net						
2008	**$1,785**	**$ 988**	**$ 200**	**$ 314**	**$ 17**	**$ 3,304**
2007	2,188	965	190	252	14	3,609
2006	2,517	944	205	271	13	3,950

Major customer
Direct sales to the Nokia group of companies were 18 percent of our revenue in 2008, 16 percent of our revenue in 2007 and 11 percent of our revenue in 2006; if indirect sales such as to contract manufacturers are included, Nokia accounted for 20 percent, 19 percent and 15 percent of our 2008, 2007 and 2006 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, 2008 and 2007, 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, 2008. 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits and income tax uncertainties effective December 31, 2006 and January 1, 2007, respectively.

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, 2008, 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 20, 2009 expressed an unqualified opinion thereon.

Ernst + Young LLP

Dallas, Texas
February 20, 2009

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, 2008. 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, 2008, 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, 2008, 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 management 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, 2008, 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, 2008 and 2007, 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, 2008 and our report dated February 20, 2009 expressed an unqualified opinion thereon.

Ernst + Young LLP

Dallas, Texas
February 20, 2009

Summary of selected financial data

(Millions of dollars, except share and per-share amounts)

	Years Ended December 31, 2008	2007	2006 (a)	2005 (b)	2004
Revenue	**$ 12,501**	$ 13,835	$ 14,255	$ 12,335	$ 11,552
Operating costs and expenses (c)	**10,064**	10,338	10,888	9,776	9,592
Operating profit	**2,437**	3,497	3,367	2,559	1,960
Other income (expense) net	**44**	195	258	196	212
Income from continuing operations before income taxes	**2,481**	3,692	3,625	2,755	2,172
Provision for income taxes	**561**	1,051	987	582	481
Income from continuing operations	**1,920**	2,641	2,638	2,173	1,691
Income from discontinued operations, net of income taxes	**—**	16	1,703	151	170
Net income	**$ 1,920**	$ 2,657	$ 4,341	$ 2,324	$ 1,861
Basic income from continuing operations per common share	**$ 1.47**	$ 1.86	$ 1.73	$ 1.33	$ 0.98
Diluted income from continuing operations per common share	**$ 1.45**	$ 1.83	$ 1.69	$ 1.30	$ 0.96
Dividends declared per common share	**$ 0.41**	$ 0.30	$ 0.13	$ 0.105	$ 0.089
Average common and dilutive potential					

common shares outstanding during year, in thousands	**1,323,856**	1,446,350	1,559,772	1,670,916	1,768,073

(a) Includes a change in depreciation method beginning January 1, 2006.

(b) Includes the impact of adopting Statement of Financial Accounting Standard No. 123(R), *Share-Based Payment,* effective July 1, 2005.

(c) Includes restructuring expenses of $254 million, $52 million and $4 million in 2008, 2007 and 2004.

	December 31,				
	2008	2007	2006	2005	2004
Working capital	**$ 4,258**	$ 4,893	$ 5,776	$ 7,035	$ 8,373
Property, plant and equipment, net	**3,304**	3,609	3,950	3,730	3,794
Total assets	**11,923**	12,667	13,930	15,063	16,299
Long-term debt	**—**	—	—	329	368
Stockholders' equity	**9,326**	9,975	11,360	11,937	13,063
Employees	**29,537**	30,175	30,986	30,068	30,446
Stockholders of record	**25,107**	26,037	27,976	29,848	27,496

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Net cash provided by operating activities	**$ 3,330**	$ 4,407	$ 2,456	$ 3,614	$ 2,973
Capital expenditures	**763**	686	1,272	1,288	1,260
Dividends paid	**537**	425	199	173	154
Stock repurchases	**2,122**	4,886	5,302	4,151	753

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

At Texas Instruments, we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930 and are incorporated in Delaware. We are 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 2008 as measured by revenue, according to preliminary estimates from an external source. Additionally, we sell calculators and related products.

<u>Product information</u>

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 different 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 two general categories of semiconductor products: custom and standard. A custom product is designed for a specific customer for a specific application, is sold only to that customer and is typically sold directly to the customer. A standard product is designed for use by many customers and/or many applications and is generally sold through both distribution and direct channels. Standard products include both proprietary and commodity 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 so the signals can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales from our Analog segment accounted for about 40 percent of our revenue in 2008. The worldwide market for analog semiconductors was about $36 billion in 2008. According to external sources, we have about a 12 percent share in the fragmented analog semiconductor market, which is a leading position. We believe that we are well positioned to increase our share over time.

During 2008, we discussed our Analog business by reference to high-performance analog and high-volume analog & logic.

High-performance analog products: These include standard analog semiconductors, such as amplifiers, data converters, low-power radio frequency devices, and interface and power management semiconductors (our standard analog portfolio includes more than 20,000 products), that we market to many different customers (nearly 80,000) who use them in a wide range of products across the industrial, communications, computing and consumer markets. High-performance analog products generally have long life cycles, often 10 to 20 years.

High-volume analog & logic products: These include two product types. The first, high-volume analog, includes products for specific applications, including custom products for specific customers. 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. The second product type, standard linear and logic, includes commodity products marketed to many different customers for many different applications.

Beginning with the first quarter of 2009, we will discuss power management semiconductors as a separate category of Analog products, separating it from the high-performance category.

Embedded Processing

Our Embedded Processing products include our DSPs (other than DSPs specific to our Wireless segment) and microcontrollers. DSPs perform mathematical computations almost instantaneously to process and improve digital data. Microcontrollers are microprocessors that are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products accounted for about 15 percent of our revenue in 2008. The worldwide market for embedded processors was about $17 billion in 2008. According to

external sources, we have about 10 percent market share in this fragmented market, and we believe we are well positioned to increase our share over time.

An important characteristic of 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

Cell phones require a modem or “baseband” to connect to the wireless carrier’s network. Many of today’s advanced cell phones also require an applications processor to run the phone’s software and services, and semiconductors to enable connectivity to Bluetooth® devices, WiFi networks or GPS location services. 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 (or merchant) products and custom products. Sales of Wireless products accounted for about 25 percent of our revenue in 2008, and a significant portion of our Wireless sales were to a single customer.

As wireless communications have proliferated, consumers have demanded capabilities beyond voice. Smartphones (phones that contain email, media, games and computing capability) represent one of the fastest growing wireless markets. These phones tend to include many semiconductor products. Major handset manufacturers are actively pursuing the smartphone market and increasingly focusing their R&D on applications and services. As a result, we believe customer demand for applications processors will grow as handset manufacturers seek to differentiate their products by providing software and a unique user experience. Our OMAP™ product line has a leading position in the applications processor market and is used by most of the top handset manufacturers.

Our Wireless segment has been shifting focus from baseband chips, a market with shrinking competitive barriers and slowing growth rates, to applications processors, a market we expect will grow faster than the baseband market. Consistent with this shift in market focus, we are concentrating our Wireless investments on our applications processors and connectivity products. We continue to sell custom baseband products but have discontinued further development of merchant baseband products.

Other

Our Other segment includes revenue from smaller semiconductor product lines and handheld graphing and scientific calculators, and from royalties received for our patented technology that we license to other electronics companies. The semiconductor products in our Other segment include DLP® products (primarily used to create high-definition images for business and home theater projectors, televisions and movie projectors), reduced-instruction set computing (RISC) microprocessors (designed to provide very fast computing and often implemented in servers) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment accounted for about 20 percent of our revenue in 2008.

Inventory

While our inventory practices differ by product, we generally maintain inventory levels that are consistent with our expectations of customer demand.

For custom semiconductor products, where the risk of obsolescence is higher, we carry lower levels of inventory when possible. These products have a single customer, are sold in high volumes and have comparatively shorter life cycles. Life cycles of these products are often determined by end-equipment upgrade cycles and can be as short as 12 to 24 months.

For standard semiconductor products, where the risk of obsolescence is low, we generally carry higher levels of inventory. These products usually have many customers and long life cycles, and are often ordered in small quantities. Standard product inventory is sometimes held in unfinished wafer form, giving us greater flexibility to meet final package and test configurations.

As a result of the following trends, we now tend to carry relatively higher levels of inventory than in past years: standard products have become a larger part of our portfolio; we have increased consignment programs with our largest customers; and our distributors now carry relatively less inventory on average than in the past.

We manage calculator inventory consistent with expected seasonality.

Manufacturing

Semiconductor manufacturing begins with the wafer fabrication manufacturing process: 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 may be retested. The entire process typically requires between twelve and eighteen weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing sites in North America, Asia and Europe. These facilities include high-volume wafer fabrication plants and assembly/test sites. 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 costs do not decline with reductions in customer demand or utilization of capacity and can adversely affect our profit margins as a result. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

Most of our Analog semiconductors require a lower level of capital investment in manufacturing and equipment than is needed for equivalent production levels of our Embedded Processing and Wireless semiconductors, which are manufactured using advanced logic wafer manufacturing equipment. While analog chips benefit from unique, proprietary wafer manufacturing processes, these processes can be applied using older, less expensive equipment. In addition, these processes and equipment remain usable for much longer than the manufacturing processes and equipment required for advanced logic wafer manufacturing.

To supplement our internal advanced logic wafer fabrication capacity, maximize our responsiveness to customer demand and minimize our overall capital expenditures, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. Our strategy involves installing internal wafer fabrication capacity to a level we believe will remain fully utilized over the equipment's useful lifetime and then outsourcing remaining capacity needs to foundries. In 2008, external foundries provided about 50 percent of the fabricated wafers for our advanced logic manufacturing needs, but during the fourth quarter of 2008, we significantly reduced our foundry purchases. 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 substantially all 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 in the event demand temporarily exceeds our internal capacity. We believe we often have a cost advantage in maintaining internal assembly/test capacity. Accordingly, we have nearly completed an environmentally efficient assembly/test facility in the Philippines, and the facility is in the initial stages of production.

This internal/external manufacturing strategy is designed to reduce the level of our required capital expenditures, and thereby reduce our subsequent levels of depreciation. Expected end results include less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities. As our internal manufacturing efforts shift to a higher percentage of analog products, an increasing proportion of our capital expenditures is devoted to assembly/test facilities and equipment. This is primarily due to the lower capital needs of analog wafer manufacturing equipment.

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing methods. Chip prices and manufacturing costs tend to decline over time as manufacturing methods 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 impact on revenue for one or more quarters after they are introduced. In the discussion 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, with relatively stable demand. 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. Sales of our semiconductor products are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and consumer electronics applications that have stronger sales later in the year as manufacturers prepare for the holiday selling season. Calculator revenue is tied to the U.S. back-to-school season and, as a result, is 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 among the various jurisdictions and their taxing authorities. 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.

Discontinued operations

In January 2006, we entered into a definitive agreement to sell substantially all of the former Sensors & Controls segment to an affiliate of Bain Capital, LLC for $3 billion in cash (see Note 6 to the Financial Statements for additional information). The sale was completed on April 27, 2006.

Results of operations

2008 compared with 2007

The year 2008 was marked by a dramatic decrease in global demand for semiconductors in the second half, a decline that accelerated in the fourth quarter. Given this significant change in the economy, we are reducing costs and realigning our expenses and inventory so that our financial performance will remain solid even in a period of prolonged economic weakness. We have focused most of our cost reductions in our non-core product areas and internal support functions. We will continue to invest aggressively in Analog and Embedded Processing and in customer support. We believe these areas will drive our future growth and allow us to achieve our financial objectives.

The cost reduction actions include an employment reduction, which we announced in January 2009, of 12 percent, through 1,800 layoffs and 1,600 voluntary retirements and departures. Charges for these employment reductions will be about $300 million, a portion of which was recognized in the fourth quarter of 2008. Annualized savings from these reductions, plus those announced in October for the restructuring of the company's Wireless business, will be about $700 million after all reductions are complete in the third quarter of 2009.

We expect our results in 2009 will be pressured by lower demand.

Statement of operations — selected items

	For the Years Ended December 31,		
	2008	2007	2006
Revenue by segment:			
Analog	$ **4,857**	$ 4,927	$ 4,746
Embedded Processing	**1,631**	1,588	1,554

Wireless	**3,383**	4,195	4,308
Other	**2,630**	3,125	3,647
Revenue	**12,501**	13,835	14,255
Cost of revenue	**6,256**	6,466	6,996
Gross profit	**6,245**	7,369	7,259
Gross profit % of revenue	**50.0%**	53.3%	50.9%
Research and development (R&D)	**1,940**	2,140	2,195
R&D % of revenue	**15.5%**	15.5%	15.4%
Selling, general and administrative (SG&A)	**1,614**	1,680	1,697
SG&A % of revenue	**12.9%**	12.1%	11.9%
Restructuring expense	**254**	52	—
Operating profit	**2,437**	3,497	3,367
Operating profit % of revenue	**19.5%**	25.3%	23.6%
Other income (expense) net	**44**	195	258
Income from continuing operations before income taxes	**2,481**	3,692	3,625
Provision for income taxes	**561**	1,051	987
Income from continuing operations	**$ 1,920**	$ 2,641	$ 2,638
Diluted income from continuing operations per common share	**$ 1.45**	$ 1.83	$ 1.69

Details of 2008 financial results

Revenue was $12.50 billion, down $1.33 billion, or 10 percent, from 2007. As the year progressed and the global economy weakened, the decline in our revenue accelerated and broadened. In the fourth quarter all segments experienced double-digit declines compared with the year-ago quarter.

Gross profit was $6.24 billion, or 50.0 percent of revenue, down 15 percent from $7.37 billion in 2007. This decline was due to lower revenue and, to a lesser extent, the impact of lower factory utilization resulting from our efforts to reduce inventory. The decline affected all segments. Last year's gross profit included a $39 million pre-tax gain on the sale of our broadband digital subscriber line (DSL) customer-premises equipment product line.

Operating expenses were $1.94 billion for R&D and $1.61 billion for SG&A. R&D expense decreased $200 million, or 9 percent, from 2007 due to the combination of expense reductions in Wireless and, to a lesser extent, the benefit from our collaborative work with foundries on advanced logic manufacturing technologies. We previously developed these manufacturing technologies almost exclusively in-house. SG&A expense decreased $66 million, or 4 percent, from 2007 due to the combination of lower compensation-related expenses and lower expenses for consumer advertisements for DLP high-definition television products.

Restructuring charges of $254 million recognized in the fourth quarter of 2008 included $121 million for a portion of the employment actions described above, $109 million for actions announced in October 2008 to re-focus our Wireless segment and $24 million for asset impairments related to an action announced in 2007 to shut down an older digital factory in connection with our decision to work with foundries on advanced logic manufacturing technology. The restructuring costs recognized consisted of $218 million for severance and benefit costs and $36 million related to impairments of long-lived assets. 2007 restructuring costs relating to the factory shutdown were $52 million, consisting of severance and benefit costs of $31 million and acceleration of depreciation on the factory's assets of $21 million. See Note 2 to the Financial Statements for additional information.

Operating profit was $2.44 billion, or 19.5 percent of revenue, compared with $3.50 billion, or 25.3 percent of revenue, in 2007. This was a 30 percent decrease due to the decline in revenue and the associated lower gross profit, the impact of underutilized manufacturing assets, and higher restructuring charges. These more than offset a reduction in operating expenses.

Other income (expense) net (OI&E) was $44 million, a decrease of $151 million from 2007 primarily due to lower interest income. The decrease in interest income from a year ago was primarily due to lower interest rates, and to a lesser extent, lower average interest-bearing investments.

The tax provision was $561 million, compared with $1.05 billion for the prior year. The decrease was primarily due to lower income before income taxes. 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. The tax provision for 2007 contained net discrete tax benefits of $28 million. See Note 5 to the Financial Statements for a reconciliation of tax rates to the statutory federal tax rate.

Our annual effective tax rate for 2009 is estimated to be about 24 percent, a decrease from 28 percent in 2008 primarily due to lower income before income taxes.

Income from continuing operations was $1.92 billion, a decrease of $721 million from 2007. EPS for 2008 was $1.45 per share, compared with $1.83 per share for 2007. The impact of restructuring costs reduced EPS by $0.12 per share in 2008 and by $0.02 per share in 2007. EPS in 2008 benefited $0.12 from a lower number of average shares outstanding as a result of our stock repurchase program.

Orders were $11.86 billion, which was 13 percent lower than 2007. In the fourth quarter of 2008, orders were $1.86 billion, which was 42 percent lower than in the third quarter of 2008. The declines in both periods reflected lower demand over a broad range of our products.

Segment results

A detailed discussion of our segment results appears below. See Note 17 to the Financial Statements for a description of changes in our segments. When reviewing each segment's results, bear in mind that restructuring charges negatively impacted each segment's operating profit as follows:

	2008	2007
Analog	**$ 60**	$ 18
Embedded Processing	**24**	4
Wireless	**130**	20
Other	**40**	10
Total restructuring	**$ 254**	$ 52

Analog

	2008	2007	2008 vs. 2007	2006	2007 vs. 2006
Revenue	**$4,857**	$4,927	-1%	$4,746	4%
Operating profit	**1,050**	1,548	-32%	1,455	6%
Operating profit % of revenue	**21.6%**	31.4%		30.7%	

Analog revenue was about even with the prior year as growth in shipments of high-performance analog products was more than offset by a decline in shipments of high-volume analog & logic products.

Operating profit was $1.05 billion, or 21.6 percent of revenue. This was a decrease of $498 million from 2007 due to lower gross profit, and to a lesser extent, higher operating expenses. Higher operating expenses were primarily due to continued investment in R&D and SG&A, reflecting the strategic importance of this segment to our future growth.

Embedded Processing

	2008	2007	2008 vs. 2007	2006	2007 vs. 2006
Revenue	**$1,631**	$1,588	3%	$1,554	2%
Operating profit	**268**	290	-7%	253	15%
Operating profit % of revenue	**16.5%**	18.3%		16.3%	

Embedded Processing revenue grew 3 percent compared with 2007 due to increased shipments during the earlier part of 2008, although revenue declined during the fourth quarter. The increase in revenue from 2007 was due to increased shipments of products for communications infrastructure applications, and to a lesser extent, catalog products. These increases more than offset lower revenue from a decline in shipments of products for automotive applications.

Operating profit was $268 million, or 16.5 percent of revenue. This was a decrease of $22 million compared with 2007 due to higher restructuring charges.

Wireless

	2008	2007	2008 vs. 2007	2006	2007 vs. 2006
Revenue	**$3,383**	$4,195	-19%	$4,308	-3%
Operating profit	**347**	763	-55%	635	20%
Operating profit % of revenue	**10.3%**	18.2%		14.7%	

Wireless revenue declined $812 million, or 19 percent, from 2007 primarily due to lower shipments of baseband products, and to a lesser extent, lower shipments of OMAP application processors. As announced in December 2006, LM Ericsson Telephone Company added a second supplier of 3G basebands for handset applications, which began to affect our results in the fourth quarter of 2007 and continued to do so in 2008.

Operating profit was $347 million, or 10.3 percent of revenue. This was a decrease of $416 million from 2007 due to lower gross profit, and to a lesser extent, higher restructuring costs. These decreases were partially offset by lower operating expenses.

In October 2008, we announced we were exploring the potential sale of our Wireless merchant baseband products operation. We have since discontinued these efforts, as we concluded that a sale would not achieve the same value that we believe we will accomplish by retaining this operation and reducing the investment levels to the minimum required to support our existing customer engagements. See Note 2 to the Financial Statements regarding the associated costs and savings.

Other

	2008	2007	2008 vs. 2007	2006	2007 vs. 2006
Revenue	**$2,630**	$3,125	-16%	$3,647	-14%
Operating profit	**772**	896	-14%	1,024	-13%
Operating profit % of revenue	**29.3%**	28.7%		28.1%	

Revenue from Other was $2.63 billion in 2008. This was a decline of $495 million, or 16 percent, from 2007 due to, in decreasing order, a decrease in shipments across a broad range of products, the effect of the sale of our DSL customer-premises equipment product line in 2007 and lower royalties.

Operating profit for 2008 from Other was $772 million, or 29.3 percent of revenue. This was a decrease of $124 million compared with 2007 due to lower revenue.

Prior results of operations

2007 compared with 2006

Certain amounts below have been reclassified to conform to the current financial statement presentation.

Revenue in 2007 was $13.83 billion, down $420 million, or 3 percent, from 2006. This decrease was primarily due to decreased shipments of RISC microprocessors and DLP products, both of which are included in Other. In addition, although our Wireless revenue benefited from increased shipments of products used in cell phone applications, this benefit was insufficient to offset normal price declines for those products. The collective declines in these areas more than offset strong Analog growth from high-performance analog products.

Gross profit was $7.37 billion, or 53.3 percent of revenue. This was an increase of $110 million from 2006 due to the combination of a greater percentage of revenue coming from more-profitable Analog and Wireless products, and continued manufacturing cost reductions.

Operating expenses were $2.14 billion for R&D and $1.68 billion for SG&A. R&D decreased $55 million from 2006 because we benefited from more efficient development of advanced logic manufacturing process technologies through our collaborative work with foundries. SG&A for 2007 decreased $17 million from 2006.

Operating profit was $3.50 billion, or 25.3 percent of revenue. This was an increase of $130 million, or 4 percent, from 2006 primarily due to strong gross profit, and to a lesser extent, lower operating expenses.

OI&E was $195 million, a decrease of $63 million primarily due to lower interest income. OI&E in 2006 included benefits from a refund of state sales tax and final settlement of matters related to grants from the Italian government regarding our former memory operations.

The tax provision was $1.05 billion, compared with $987 million for the prior year. The increase was due to the expiration of the tax benefit for export sales and, to a lesser extent, an increase in income before income taxes. These increases were partially offset by a benefit from changes in net discrete tax items. The tax provision for 2007 contained net discrete tax benefit items of $28 million. The tax provision for 2006 contained net discrete tax expense items of $14 million.

Income from continuing operations was $2.64 billion, about the same as 2006. Earnings per share from continuing operations were $1.83, up 8 percent from 2006. The increase in earnings per share was due to fewer shares outstanding as a result of our stock repurchases. Average diluted shares outstanding decreased by 114 million shares from 2006, increasing earnings per share by $0.13. Our product portfolio required less capital spending than in past years and is comprised of higher-margin products. As a result, we generated greater levels of cash that we have returned to shareholders through stock repurchases and increased dividends.

Income from discontinued operations was $16 million, compared with $1.70 billion in 2006, which included a $1.67 billion gain from the sale of our former Sensors & Controls business. Earnings per share from discontinued operations were $0.01, compared with $1.09.

Net income was $2.66 billion, or $1.84 per share, compared with $4.34 billion or $2.78 per share, in 2006.

Analog

Analog revenue in 2007 was $4.93 billion, an increase of $181 million, or 4 percent, from 2006. The increase was due to increased shipments of high-performance analog products.

Operating profit was $1.55 billion, or 31.4 percent of revenue. This was an increase of $93 million from 2006 due to higher gross profit partially offset by higher operating expenses.

Embedded Processing

Embedded Processing revenue in 2007 was $1.59 billion, an increase of $34 million, or 2 percent, from 2006, primarily due to higher revenue from automotive products.

Operating profit was $290 million, or 18.3 percent of revenue. This was an increase of $37 million from 2006 due to higher gross profit.

Wireless

Wireless revenue in 2007 was $4.19 billion, a decrease of $113 million, or 3 percent, from 2006, as increased shipments of products sold into cell phone applications were insufficient to offset normal price declines. Also, the addition by the LM Ericsson Telephone Company of another supplier of 3G basebands for handset applications began to affect our results in the fourth quarter of 2007.

Operating profit was $763 million, or 18.2 percent of revenue. This was an increase of $128 million from 2006 due primarily to higher gross profit, and to a lesser extent, lower operating expenses.

Other

Other revenue in 2007 was $3.12 billion, down $522 million, or 14 percent, from the prior year, primarily due to lower shipments of RISC microprocessors and, to a lesser extent, of DLP products. Revenue was also lower due to the divestiture of our DSL customer premises equipment product line in the third quarter of 2007.

Operating profit was $896 million, or 28.7 percent of revenue. This was a decrease of $128 million from 2006 due to lower revenue.

Financial condition

At the end of 2008, total cash (cash and cash equivalents plus short-term investments) was $2.54 billion, down $384 million from the end of 2007. Total cash at year-end 2007 included $1.04 billion of auction-rate securities, which were then classified as short-term investments. Our remaining auction-rate securities of $482 million at year-end 2008 are classified as long-term investments and are not included in total cash at that date. See Notes 8 and 9 to the Financial Statements for additional information.

Accounts receivable were $913 million at the end of 2008. This was a decrease of $829 million compared with the end of 2007. Days sales outstanding were 33 at the end of 2008, compared with 44 at the end of 2007. The sharp decrease in accounts receivable reflects the significant decrease in shipments to customers during the fourth quarter of 2008, particularly in December.

Inventory was $1.38 billion at the end of 2008, $43 million lower than a year ago, and a reduction of $200 million from the end of the third quarter of 2008, reflecting the aggressive actions taken to reduce our inventory. Days of inventory at the end of 2008 were 89, compared with 79 at the end of 2007, as the reduction in inventory was less than the decrease in our revenue.

For the year, depreciation was $1.02 billion, unchanged from 2007. Due to lower revenue in 2008, depreciation rose to 8.2 percent of revenue. Capital expenditures increased in 2008 as we continued to focus on facilities and equipment for manufacturing Analog products. Capital expenditures rose from 5.0 to 6.1 percent of revenue. However, during the fourth quarter we constrained capital expenditures, as we do not need additional near-term manufacturing in the current weak demand environment.

Liquidity and capital resources

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

Our primary source of liquidity is cash flow from operations. Cash flow from operations for 2008 was $3.33 billion, a decrease of $1.08 billion from the prior year primarily due to lower net income. Cash flow in 2007 included receipt of a $390 million payment associated with a tax refund from settlement of prior-year tax matters.

We have $1.05 billion of cash and cash equivalents and $1.49 billion of short-term investments as of December 31, 2008. We have a multi-year $1 billion revolving credit facility and a non-U.S. revolving credit facility of $175 million. See Note 13 to the Financial Statements for additional information. As of December 31, 2008, these facilities were not being utilized.

In 2008, investing activities used $1.18 billion in cash, primarily for capital expenditures, and to a lesser extent, the net purchase of short-term investments. For 2008, capital expenditures were $763 million, an increase of $77 million from 2007 due to higher expenditures for facilities and equipment for manufacturing Analog products.

For 2008, net cash used in financing activities was $2.43 billion, compared with $4.48 billion in 2007. We used $2.12 billion of cash to repurchase 80 million shares of our common stock in 2008, compared with $4.89 billion used to repurchase 147 million shares of our common stock in 2007. Dividends paid in 2008 of $537 million, compared with $425 million in 2007, reflect the effect of increases in the quarterly dividend rate in the second and fourth quarters of 2007, as well as an increase (to $0.11 per share) in the fourth quarter of 2008. The effect of the dividend rate increases on total dividends paid in 2008 was partially offset by the lower number of shares outstanding. Employee exercises of TI stock options are also reflected in cash from financing activities. In 2008, such exercises provided cash proceeds of $210 million, compared with $761 million in 2007.

In April 2007, we retired $43 million of outstanding 8.75% notes upon maturity. We have no debt outstanding.

In 2007, the board of directors authorized the repurchase of an additional $5 billion of our common stock. Cumulatively, our board of directors has authorized $20 billion in stock repurchases since September 2004. At year-end 2008, $3.55 billion of these authorizations remain.

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

	Payments Due by Period				
Contractual Obligations	2009	2010/2011	2012/2013	Thereafter	Total
Operating lease obligations (a)	$ 81	$ 121	$ 79	$ 123	$ 404
Software license obligations (b)	67	40	3	—	110
Purchase obligations (c)	116	44	8	20	188
Retirement plans funding (d)	41	—	—	—	41
Deferred compensation plan (e)	13	29	54	42	138
Total (f)	$ 318	$ 234	$ 144	$ 185	$ 881

(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 $12 million of cancellation penalties may be required to be paid, which are not reflected in the table.

(d) Includes the contributions expected to be made during 2009. Funding projections beyond 2009 are not practical to estimate due to the rules affecting tax-deductible contributions and the impact from the plans' asset performance, interest rates and potential U.S. and international legislation.

(e) Includes an estimate of payments under this plan for the liability that existed at December 31, 2008.

(f) Excluded from the table above are $148 million of uncertain tax liabilities under FIN 48. These amounts have been excluded because of the difficulty in making reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities.

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 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. A portion of our sales is to distributors. We recognize revenue from sales of our products to distributors upon delivery of product to the distributors consistent with the above principles.

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

Distributor revenue is recognized 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 of 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.

Our contractual agreements with our intellectual property licensees determine the amount and timing of royalty revenue. Royalty revenue is recognized when earned according to the terms of the agreements and when realization of payment is considered probable by management. Where royalties are based upon licensee sales, we recognize royalty revenue upon the sale by the licensee of royalty-bearing products, as estimated by us, based on historical experience and analysis of annual sales results of licensees. Estimates are periodically adjusted as a result of reviews of reported results of licensees, which reviews may take the form of independent audits. Where warranted, revenue from licensees may be recognized on a cash basis.

In addition, we monitor collectibility of accounts receivable primarily through review of the accounts receivable aging. When facts and circumstances indicate the collection of specific amounts or from specific customers 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 taxable income may change due to market conditions, changes in U.S. or international tax laws and other factors. 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. Inventory is written off in the period in which disposal occurs. 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

We review long-lived assets for impairment when certain indicators suggest the carrying amount may not be recoverable. This review process primarily focuses on intangible assets from business acquisitions; 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 determined 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.

Valuation of auction-rate securities

The fair value of our auction-rate securities is estimated using a discounted cash flow (DCF) model that requires inputs that are supported by little or no market activity and reflect significant management judgment. 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 each 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, guarantees by other third parties, and additional credit enhancements provided through other means; and, publicly available pricing data for recently traded 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 current reduced liquidity for auction-rate securities. See Note 10 to the Financial Statements for details of fair-value measurements.

Changes in accounting standards

See Note 10 to the Financial Statements for a discussion of the impact of adopting SFAS 157, *Fair Value Measurements*.

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, 2008, 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 14 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 adverse earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. For example, at year-end 2008, we had forward currency exchange contracts outstanding with a notional value of $600 million to hedge net balance sheet exposures (including $187 million to sell euros, $34 million to sell British pounds and $263 million to sell Japanese yen). Similar hedging activities existed at year-end 2007.

Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by these forward currency exchange contracts, based on year-end 2008 balances and 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 $13 million.

Interest rate risk
As of December 31, 2008 and 2007, we have no debt. Therefore, our primary exposure to changes in interest rates is limited to the effects 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 2008 or 2007 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 2008 would have resulted in a decrease of approximately $17 million and an increase of approximately $15 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 individual 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 2008 include the following:

- Equity investments – includes non-marketable (non-publicly traded) equity securities.
- Investments in venture capital funds – includes investments in limited partnerships (accounted for under either the equity or cost methods).
- 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.

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. 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. See Note 9 to the Financial Statements for details of equity and other long-term investments.

Quarterly financial data

(Millions of dollars, except per-share amounts)

	Quarter			
2008	**1st**	**2nd**	**3rd**	**4th**
Revenue	**$3,272**	**$3,351**	**$3,387**	**$2,491**
Gross profit	**1,756**	**1,749**	**1,643**	**1,097**
Operating profit	**807**	**833**	**746**	**51**
Net income	**$ 662**	**$ 588**	**$ 563**	**$ 107**
Earnings per common share:				
Basic earnings per common share	**$ 0.50**	**$ 0.45**	**$ 0.43**	**$ 0.08**
Diluted earnings per common share	**$ 0.49**	**$ 0.44**	**$ 0.43**	**$ 0.08**

	Quarter			
2007	1st	2nd	3rd	4th
Revenue	$3,191	$3,424	$3,663	$3,556
Gross profit (a)	1,646	1,795	1,997	1,931
Operating profit	680	809	1,013	996
Net income	$ 516	$ 610	$ 776	$ 756
Earnings per common share:				
Basic earnings per common share	$ 0.36	$ 0.42	$ 0.55	$ 0.55
Diluted earnings per common share	$ 0.35	$ 0.42	$ 0.54	$ 0.54

(a) To conform to the 2008 presentation, amounts have changed from the prior presentation due to the reclassification of restructuring costs previously reported in cost of revenue ($9 million for the first quarter, $11 million for the second quarter, $13 million for the third quarter and $4 million for the fourth quarter).

Included in the results above were the following items:

Quarter

2008	1st	2nd	3rd	4th
Federal research tax credit benefit (a)	**$ —**	**$ —**	**$ —**	**$ 67**
Restructuring expense (b)	**$ —**	**$ —**	**$ —**	**$ 254**

2007	1st	2nd	3rd	4th
Gain on sale of asset (c)	$ —	$ —	$ 39	$ —
Restructuring expense (b)	$ 14	$ 17	$ 15	$ 6

(a) The U.S. federal research tax credit was reinstated in October 2008 and was retroactive to the beginning of 2008.

(b) See Note 2 to the Financial Statements for additional information.

(c) Reflects the gain on the sale of our broadband digital subscriber line (DSL) customer-premises equipment semiconductor product line to Infineon Technologies AG for $61 million and recognizing a pre-tax gain of $39 million in cost of revenue.

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:				
2008 High	**$33.24**	**$33.00**	**$29.30**	**$21.76**
Low	**27.51**	**28.01**	**21.30**	**13.38**
2007 High	$32.59	$37.78	$39.18	$36.81
Low	28.32	29.90	32.32	30.41
Dividends paid:				
2008	**$ 0.10**	**$ 0.10**	**$ 0.10**	**$ 0.11**
2007	$ 0.04	$ 0.08	$ 0.08	$ 0.10

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 Europe Limited	United Kingdom
Burr-Brown International Holding Corporation	Delaware
Butterfly Communications Inc.	Delaware
Chipcon, Inc.	California
Integrated Circuit Designs, Inc.	Maryland
Telogy Networks, Inc.	Delaware
Texas Instruments Asia Limited	Delaware
Texas Instruments Australia Pty Limited	Australia
Texas Instruments Belgium S.A.	Belgium
Texas Instruments Berlin GmbH	Germany
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 Insurance (Bermuda) Limited	Bermuda
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 Trading (2003) Ltd.	Israel
Texas Instruments Japan 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 Incorporated	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 Norway ASA	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 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 Trade & Investment Company S.A.	Panama
Texas Instruments Tucson Corporation	Delaware
TI Europe Limited	United Kingdom
TI (Philippines), Inc.	Philippines
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 20, 2009, 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 2008 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 20, 2009, 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, 2008: Registration Statements (Forms S-8) 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. 333-141048; 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 20, 2009

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 24, 2009

/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 24, 2009

/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, 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, 2008, 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 24, 2009

/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, 2008, 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 24, 2009

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer