SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1998 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.)

8505 Forest Lane, 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

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

389,906,067
Number of shares of Registrant's common stock outstanding as of September 30, 1998

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Financial Statements
(In millions of dollars, except per-share amounts.)

	For Three Months Ended		For Nine Months Ended	
Income	Sept 30 1998	Sept 30 1997	Sept 30 1998	Sept 30 1997
Net revenues	$ 2,113	$ 2,500	$ 6,467	$ 7,322
Operating costs and expenses:				
Cost of revenues	1,308	1,518	4,281	4,587
Research and development	291	275	925	795
Marketing, general and administrative	311	349	1,133	1,125
Total	1,910	2,142	6,339	6,507
Profit from operations	203	358	128	815
Other income (expense) net	65	33	258	127
Interest on loans	19	23	55	73

(In millions of dollars, except per-share amounts.)

Income from continuing operations before provision for income taxes	249	368	331	869
Provision for income taxes	85	129	113	304
Income from continuing operations	164	239	218	565
Discontinued operations:				
Income from operations	--	--	--	52
Gain on sale	--	1,473	--	1,473
Net income	$ 164	$ 1,712	$ 218	$ 2,090
Diluted earnings per common share:				
Continuing operations	$ 0.41	$ 0.60	$ 0.55	$ 1.42
Discontinued operations:				
Income from operations	--	--	--	0.13
Gain on sale	--	3.68	--	3.71
Net income	$ 0.41	$ 4.28	$ 0.55	$ 5.26
Basic earnings per common share:				
Continuing operations	$ 0.42	$ 0.62	$ 0.56	$ 1.47
Discontinued operations:				
Income from operations	--	--	--	0.14
Gain on sale	--	3.81	--	3.84
Net income	$ 0.42	$ 4.43	$ 0.56	$ 5.45
Cash dividends declared per share of common stock	$ 0.085	$ 0.085	$ 0.17	$ 0.255

Cash Flows

Continuing Operations:		
Net cash provided by operating activities	$ 827	$ 1,369
Cash flows from investing activities:		
Additions to property, plant and equipment	(898)	(914)
Purchases of short-term investments	(1,096)	(1,662)
Sales and maturities of short-term investments	2,027	172
Acquisition of businesses, net of cash acquired	(152)	--
Proceeds from sale of discontinued operations less transaction costs	--	2,836
Payments in connection with sale of memory business	(550)	--
Proceeds from sale of other businesses	120	177
Net cash provided by (used in) investing activities	(549)	609

	For Nine Months Ended	
	Sept 30 1998	Sept 30 1997
Cash Flows (continued)		
Cash flows from financing activities:		
Payments on loans payable	(4)	(280)
Additions to long-term debt	--	27
Payments on long-term debt	(55)	(1)
Dividends paid on common stock	(100)	(97)
Sales and other common stock transactions	99	129
Common stock repurchase program	(167)	(27)
Net cash used in financing activities	(227)	(249)
Effect of exchange rate changes on cash	14	(23)
Cash provided by continuing operations	65	1,706

Discontinued Operations:		
Operating activities	--	73
Investing activities	--	(16)
Cash provided by discontinued operations	--	57
Net increase in cash and cash equivalents	65	1,763
Cash and cash equivalents, January 1	1,015	964
Cash and cash equivalents, September 30	$ 1,080	$ 2,727

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Financial Statements
(In millions of dollars, except per-share amounts.)

Balance Sheet	Sept 30 1998	Dec. 31 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 1,080	$ 1,015
Short-term investments	1,062	2,005
Accounts receivable, less allowance for losses of $110 million in 1998 and $73 million in 1997	1,406	1,705
Inventories:		
Raw materials	118	105
Work in process	264	364
Finished goods	188	273
Inventories	570	742
Prepaid expenses	68	59
Deferred income taxes	538	577
Total current assets	4,724	6,103
Property, plant and equipment at cost	6,558	7,414
Less accumulated depreciation	(3,052)	(3,234)

Property, plant and equipment (net)	3,506	4,180
Investments	1,791	69
Deferred income taxes	110	134
Other assets	387	363
Total assets	$10,518	$10,849
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 268	$ 71
Accounts payable	456	698
Accrued and other current liabilities	1,480	1,727
Total current liabilities	2,204	2,496
Long-term debt	1,040	1,286
Accrued retirement costs	779	731
Deferred credits and other liabilities	467	422
Stockholders' equity:		
Preferred stock, $25 par value. Authorized - 10,000,000 shares. Participating cumulative preferred. None issued	--	--
Common stock, $1 par value. Authorized - 1,200,000,000 shares. Shares issued: 1998 - 391,995,432; 1997 - 390,359,317	392	390
Paid-in capital	1,199	1,183
Retained earnings	4,640	4,488
Less treasury common stock at cost. Shares: 1998 - 2,089,365; 1997 - 860,765	(125)	(94)
Other	(78)	(53)
Total stockholders' equity	6,028	5,914
Total liabilities and stockholders' equity	$10,518	$10,849

Diluted earnings per common share are based on average common and dilutive potential common shares outstanding (400.1 and 399.9 million shares for the third quarters of 1998 and 1997, and 400.3 and 397.4 million shares for the nine months ended September 30, 1998 and 1997).

On September 30, 1998, TI sold its memory business, including its DRAM manufacturing joint venture interests, to Micron Technology, Inc. As a result, TI received 28,933,092 Micron common shares, $740 million in notes convertible into an additional 12 million Micron common shares, and a $210 million subordinated note. The market value of the seven year, 6.5% convertible and subordinated notes was approximately $836 million, with an average imputed interest rate of 8.7%. The Micron shares and notes are included in investments on the balance sheet. In addition to TI's memory assets, Micron received $550 million in cash from TI to facilitate the deployment of Micron's technology throughout the acquired business. TI deferred a pre-tax gain of $127 million on the sale until the repayment of the TI-provided financing. In connection with the sale, TI agreed to guarantee the payment obligations of one of its former joint ventures under a newly-syndicated $450 million principal amount credit facility. At closing, the joint venture had borrowed $210 million under the facility. As a result of the guarantee, TI was granted a security interest in the joint venture's assets. In addition, the guarantee is partially offset by certain contingent funding obligations of the joint venture shareholders.

In the second quarter of 1998, the company sold its shares in the TI-Acer DRAM semiconductor manufacturing joint venture to Acer Corporation for $120 million in cash. This sale resulted in a pretax gain of $83 million.

Also in the second quarter of 1998, the company announced that as a result of various business divestitures over the past several years, the pending sale of its memory business, and weakness in the current semiconductor market environment, it was implementing a worldwide restructuring program in order to more closely match the size and cost of its support functions with the company's overall size, and further combine manufacturing resources for more efficient operations. The plan included the elimination of approximately

3,500 jobs around the world over the next few months through voluntary programs, attrition, outsourcing and layoffs, as well as the closing of several facilities. As a result, the company took a pretax charge of $233 million in the second quarter, of which $126 million was included in marketing, general and administrative expense and $107 million in cost of revenues. Of the $233 million charge, $161 million was for severance, $55 million for asset writeoffs, and $17 million for vendor cancellation and lease charges. Implementation of the restructuring program is on schedule.

A new accounting standard, SFAS No. 133, was issued in second quarter, 1998 and is effective in 2000. It requires that all derivatives be marked-to-market on an ongoing basis. This applies whether the derivatives are standalone instruments, such as forward currency exchange contracts and interest rate swaps or embedded derivatives, such as conversion options contained in convertible debt investments. Along with the derivatives, the underlying hedged items are also to be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or stockholders' equity, depending on the nature of the transaction. The company expects to adopt the standard in the first quarter of 2000 on a cumulative basis. The effect has not yet been determined.

In the first quarter of 1998, the company's DRAM manufacturing joint venture with Hitachi, Ltd. was discontinued. In this connection, TI incurred a first quarter pretax charge of $219 million, which is included in cost of revenues. Also in this quarter, research and development expense included a charge of $25 million for the value of acquired in-process research and development from two business acquisitions.

The company adopted SFAS No. 130 beginning in the first quarter of 1998. This accounting standard requires disclosure of total nonowner changes in stockholders' equity, which is defined as net income plus direct adjustments to stockholders' equity such as equity and cash investment adjustments and pension liability adjustments. On this basis, these nonowner changes in stockholders' equity, including net income, for the third quarters of 1998 and 1997, totaled $131 million and $1,717 million. For the nine months ended September 30, 1998, and 1997 they totaled $193 million and $2,080 million.

Accounting standard SOP 98-1 was issued in first quarter, 1998, and is effective in 1999. It requires capitalization of the development costs of software to be used internally, e.g., for manufacturing or administrative processes. The company, which currently expenses such amounts as incurred, expects to adopt the standard in the first quarter of 1999 for developmental costs incurred in that quarter and thereafter. The effect is not expected to be material.

Results for the third quarter of 1997 reflect the sale of TI's defense business, which was closed with Raytheon Company on July 11 for $2.95 billion in cash. The net gain from this sale, after income taxes of $876 million, was $1,473 million and was included in discontinued operations.

Results for the second quarter of 1997 included a pretax operating charge of $44 million for the termination of joint-venture agreements in Thailand and a $66 million pretax gain from the sale of three TI businesses, principally software.

In the first quarter of 1997, the company sold its mobile computing business and terminated its digital imaging printing development program. As a result, the company took a pretax operating charge of $56 million in the first quarter, of which $27 million was for severance for involuntary employment reductions worldwide. These severance actions were essentially completed by the end of the quarter and affected approximately 1,045 employees. The balance, $29 million, was for other costs associated with the business sale and program termination, including vendor cancellation and lease charges.

The statements of income, statements of cash flows and balance sheet at September 30, 1998, are not audited but reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary to a fair statement of the results of the periods shown.

Business segment information is as follows:

Business Segment Net Revenues (millions of dollars)	For Three Months Ended Sept. 30 1998	For Three Months Ended Sept. 30 1997	For Nine Months Ended Sept. 30 1998	For Nine Months Ended Sept. 30 1997
Semiconductor				
Trade	$ 1,523	$ 1,664	$ 4,646	$ 4,770
Intersegment	7	6	16	20
	1,530	1,670	4,662	4,790
Materials & Controls				
Trade	226	238	713	719
Intersegment	1	--	1	2
	227	238	714	721
Educational & Productivity Solutions				
Trade	133	138	374	365
Corporate activities	21	34	115	113
Divested activities	202	420	602	1,333
Total	$ 2,113	$ 2,500	$ 6,467	$ 7,322
Business Segment Profit (Loss) (millions of dollars)				
Semiconductor	$ 363	$ 396	$ 1,102	$ 1,111
Materials & Controls	33	29	106	88
Educational & Productivity Solutions	32	24	70	57
Corporate activities	(70)	(64)	(166)	(177)
Special charges and gains, net of applicable profit sharing	--	--	(394)	(40)
Interest on loans/other income (expense), excluding second quarter 1998 and 1997 gains of $83 million and $66 million included above	46	11	119	(12)
Divested activities	(155)	(28)	(506)	(158)
Income from continuing operations before provision for income taxes	$ 249	$ 368	$ 331	$ 869

NOTE: Operating results and assets for the memory business, previously included in the semiconductor segment, are included in divested activities currently and on a retroactive basis. On this basis, total assets of the semiconductor segment at September 30, 1998 and December 31, 1997 are $4,697 million and $4,798 million, and total assets of divested activities are $154 million and $1,200 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Registrant (the "company" or "TI") announced financial results for the third quarter of 1998 that included diluted earnings per share (EPS) of

$0.41, compared with $0.60 in the third quarter of 1997 and $0.35 in the second quarter of 1998. EPS includes the effect of losses in the memory business, equivalent to $0.26 per share.

While total company performance was affected by weakness in the memory business and the overall semiconductor market, TI's digital signal processor (DSP) business achieved 17 percent growth over the same period a year ago, outpacing DSP industry growth. Orders were up 8 percent from the second quarter of 1998 for Semiconductor (which excludes the memory business).

FINANCIAL RESULTS

(Note: The sale of the memory business to Micron Technology, Inc., was completed on September 30, 1998. In this report, TI total and semiconductor numbers are reported without memory in the Financial Results and Semiconductor sections. Details on TI results with memory are reported in the tables and the Additional Financial Information section.)

TI revenues for the third quarter were $1912 million, down 8 percent from the year-ago quarter, primarily due to the effects of continuing weakness in the world semiconductor market. Revenues were down 4 percent from the second quarter of 1998 due mainly to the seasonal cycle in the Educational & Productivity Solutions (E&PS) business. Operating margins were 18.7 percent, flat with the year-ago quarter. Compared to the second quarter of 1998, excluding charges in that quarter, operating margins were down 1.5 percentage points, about equally due to lower revenues in application-specific integrated circuits (ASIC), and an increased accrual for profit sharing.

Income for the quarter was $267 million, up 3 percent from the $258 million in the third quarter of 1997. Income was down 7 percent from the second quarter of 1998 excluding special charges, about equally due to lower revenues in ASIC and an increased accrual for profit sharing.

The profit-sharing accrual that was made for employees this quarter reflects the anticipated 1998 company performance without the memory business in the fourth quarter of 1998. Although profit-sharing expenses are accrued quarterly, profit sharing is paid annually based on the company's full-year operating profit margin. This year's profit-sharing expenses have been substantially reduced by the losses incurred by the memory business during the first three quarters of this year.

Third quarter orders were $1835 million, down from $2092 million in the year-ago quarter reflecting weakness in the world semiconductor market. Orders were up from the second quarter of 1998 primarily due to slightly higher orders for semiconductor products, which offset lower orders for M&C and E&PS products.

TI remains on target in reducing costs through the previously announced restructuring plan. Annualized cost savings for the company from reduced general and administrative expenses and operating costs are estimated to be $270 million. The restructuring is expected to be substantially implemented by year end.

TI's pre-tax gain of $127 million from the sale of its memory business has been deferred until repayment by Micron of the TI-provided financing.

OUTLOOK

Despite continuing weakness in the world semiconductor market, TI expects generally stable performance from its ongoing semiconductor business in the fourth quarter of 1998.

End-equipment markets for digital signal processing and analog continue to show a mixture of strength and weakness. The wireless market continues to grow at record levels. Based on customer input, TI has revised its expectations for the wireless market in 1998 to more than 140 million units of digital cellular phone shipments, compared to earlier estimates of 125 million units. The general market weakness in modems and hard-disk drives continues. The mass market, which is largely served through distribution channels, continues to grow at a slower rate in 1998 than in 1997, reflecting overall semiconductor market and world economic conditions.

Visibility into 1999 market growth for TI's core businesses remains limited due to uncertain world economies, as well as the timing of recovery in the modem and hard-disk drive markets.

TI remains positive about the long-term outlook for the digital signal processing and analog markets. The semiconductor industry today is increasingly driven by a surge in digital connectivity that can be seen primarily in the wireless and networking areas. TI believes the resulting growth and development of new products and applications will fuel the need for DSPs, which are the underlying processors for electronic equipment that must function in real time.

A number of new DSP markets are beginning to emerge, including digital cameras, satellite phones, smart antennas, voice over Internet Protocol, digital motor control and digital TV. TI continues to invest in the development of new markets through its $100 million venture fund. To date, the company has invested in 12 companies focused on next-generation applications of digital signal processors.

SEMICONDUCTOR

Semiconductor revenues were down 8 percent from the third quarter of 1997, primarily due to weakness in the hard-disk drive and modem markets. Revenues were even with the second quarter of 1998. Operating margins were flat with the year-ago quarter, and down slightly from second quarter of 1998 due about equally to lower revenues in ASIC, and an increased accrual for profit sharing. In the quarter, TI reached a 10-year semiconductor patent cross-license agreement with United Microelectronics Corporation (UMC) of Taiwan, and semiconductor revenues and operating margins include a one-time catch-up payment associated with this agreement.

Revenues in TI's digital signal processors increased 17 percent from the third quarter of 1997, primarily due to strength in wireless communications, and were even with the second quarter of 1998. Revenues in the analog business declined about 11 percent from the year-ago quarter, almost all of which was due to weakness in the hard-disk drive market. Analog revenues were about even with second quarter 1998 levels.

DSP and mixed-signal/analog now comprise 58 percent of TI's semiconductor revenues.

The remaining semiconductor revenues come from a broad range of advanced products, including standard logic, ASIC, reduced-instruction set microprocessors, and microcontrollers. The financial performance of these areas generally reflected the overall market weakness for semiconductors with revenues down substantially from the year-ago quarter. Compared with the second quarter of 1998, revenues were down slightly.

Semiconductor orders in the third quarter were down 13 percent from the year-ago quarter, primarily due to continuing weakness in the modem and hard-disk drive markets. Orders were up sequentially by about 8 percent, mainly due to growth in wireless chipsets.

MATERIALS & CONTROLS (M&C)

TI's M&C business had operating margins of 14.5 percent in the third quarter, up 2.3 percentage points from the year-ago quarter due to gains in their best cost producer strategy. Operating margins were down slightly from last quarter. Revenues were down 5 percent from the year-ago quarter, at $227 million, and down 7 percent from the second quarter of 1998. Results were affected by disruption of production at a major automotive customer.

TIRIS(TM) products continue to gain acceptance and new market applications, particularly in automotive and retail segments. In September, Frost & Sullivan awarded the TIRIS business its annual Market Engineering award, given each year for the company that has "exhibited world-class leadership in the radio frequency identification (RFID) industry."

EDUCATIONAL & PRODUCTIVITY SOLUTIONS (E&PS)

Revenues for E&PS were down slightly from the third quarter of 1997 to $133 million. Operating margins were up more than six points from the year-ago quarter, reflecting improvements in costs. This business typically delivers peak financial performance in the second and third quarters, due primarily to the school-year cycle.

The new TI-89 graphing calculator began shipping in mid-August. The product has been well received, with the majority of educational dealers selling out of their inventory soon after receiving initial shipments. E&PS also made good progress in its long-term expansion strategy, with the signing of a memorandum of understanding with the Ministry of Education in China. Under this agreement, the Chinese government and TI will cooperate to promote the use of mathematics and science educational tools in China.

DIGITAL IMAGING

Revenues for Digital Imaging were up from a year ago. During the quarter, the business achieved several new design-ins in growth sectors of the market: ultraportable projectors, video wall, and large venue. In September, Plus Corporation, a Japanese customer, launched the industry's first XGA resolution ultraportable projector.

DIVESTED ACTIVITIES

Revenues for the memory business were down 52 percent from the year-ago quarter to $202 million, due to sharply lower DRAM prices. Revenues were up moderately from the second quarter of 1998, primarily due to increased shipments. Loss from operations in the quarter was $155 million, equivalent to $0.26 per share, versus a loss of $29 million in the year-ago quarter. In the second quarter of 1998, the loss from operations was $222 million, equivalent to $0.36 per share. The decrease from the second quarter was due primarily to increased shipments and slightly better pricing in the second half of the third quarter.

ADDITIONAL FINANCIAL INFORMATION

(Note: TI total numbers in this section include the memory business. Semiconductor numbers exclude memory.)

TI revenues for the third quarter were $2113 million, down 15 percent from the year-ago quarter, primarily due to sharply lower prices for DRAMs. Revenues were about flat with the second quarter of 1998.

TI revenues for the first nine months of 1998 were $6467 million, compared with $7322 million in the first nine months of 1997. Almost all of the decrease in revenues was due to lower DRAM prices. The decrease in semiconductor revenues for the first nine months of 1998 was primarily due to weakness in the hard-disk drive market. The decrease in M&C was due primarily to Asian market conditions, and the increase in E&PS was due to increased demand for graphing calculators.

TI's third quarter 1998 operating margins were 9.6 percent, down from 14.3 percent in the third quarter of 1997, primarily due to increased pricing pressures in DRAMs. Operating margins were up 1.3 percentage points from the second quarter of 1998 due to decreased losses in memory, excluding special charges in the second quarter. For the first nine months of 1998, excluding special items: TI operating margins were 9.4 percent, down 3.2 percentage points from the year-ago period primarily due to lower DRAM prices. Semiconductor operating margins were about flat. The improvement in M&C and E&PS resulted from product cost reductions.

Including special items: TI operating margins for the first nine months of 1998 were 2.0 percent, down 9.2 percentage points from the same period a year ago.

TI's third quarter income was $164 million, down from $239 million in the third quarter of 1997, primarily due to increased loss in memory. In the first nine months of 1998, excluding special items, income was $482 million, compared with $591 million in the year-ago time period, and diluted earnings per share were $1.20, compared with $1.49. Including special items, income was $218 million, compared with $565 million in the first nine months of 1997, and diluted earnings per share were $0.55, compared with $1.42.

TI third-quarter 1998 orders were $2020 million, down from $2449 million in the third quarter of 1997. The majority of the change is attributed to lower memory orders, while the remainder is due to general market weakness across other semiconductor products.

For the first nine months of 1998, TI's orders were $6091 million, compared with $7605 million from the same period a year ago. About half of the decline was due to lower memory orders, with the remainder essentially due to general market weakness across other semiconductor products. Semiconductor orders for the first nine months were down, due to lower demand from hard-disk drive and modem customers. M&C orders were slightly down, primarily due to Asian market conditions, and E&PS orders were up as a result of increased graphing calculator volume.

Results for the first quarter of 1998 include special charges of $244 million, primarily for discontinuing the DRAM manufacturing joint venture with Hitachi, Ltd. Last year's first quarter results included a special charge of $56 million, primarily related to severance actions and other costs associated with the sale of TI's mobile computing business. Special items for the second quarter of 1998 included a charge of $233 million for worldwide restructuring of support functions and consolidation of manufacturing operations, and an $83 million gain on the sale of TI's shares of the TI-Acer joint venture to Acer

Corporation. Last year's second quarter included a special charge of $44 million for the termination of joint-venture agreements in Thailand and a $66 million gain on the sale of three businesses, primarily software. There were no special items in the third quarters of 1998 and 1997.

The income tax rate for the first nine months of 1998 was 34 percent, which is the estimated rate for the full year.

During the first nine months of 1998, cash and cash equivalents plus short-term investments decreased by $878 million to $2142 million. The discontinuance of the joint venture with Hitachi and the acquisition of those operating assets required $281 million of cash in the first quarter. In addition, $91 million of cash was used to purchase the remaining outstanding shares of Amati Communications Corporation's common stock in the first quarter. Under the terms of the sale of TI's memory business to Micron Technology, TI provided $550 million of cash financing to Micron and received approximately 28.9 million shares of Micron common stock valued at $881 million as of the closing date, $740 million of 6.5 percent convertible notes, and a $210 million 6.5 percent subordinated note. As of the closing date, the market value of the convertible and subordinated notes was approximately $836 million, with an average yield to maturity of 8.7 percent. The Micron shares and notes are included in investments on the balance sheet. Per the terms of the sale, TI expects to make an additional cash payment to Micron in the fourth quarter of about $130 million as a result of lower than expected levels of working capital within the memory business at closing.

Cash flow from operating activities net of additions to property, plant and equipment was a use of $71 million in the first nine months of 1998.

Capital expenditures totaled $200 million in the third quarter versus $351 million in the third quarter of 1997, and $898 million for the first nine months of 1998, compared to $914 million in the first nine months of 1997. Capital expenditures are projected to be about $1.1 billion for 1998. Depreciation for the third quarter of 1998 was $305 million compared to $287 million in the same quarter a year ago, and $878 million for the first nine months of 1998 compared to $806 million for the same period a year ago. Depreciation for 1998 is projected to be at $1.1 billion.

During the first nine months of 1998, TI repurchased approximately 2.9 million shares of common stock as part of its previously stated intent to neutralize the potential dilutive effect of shares to be issued under employee stock options.

At the end of the third quarter, the debt-to-total-capital ratio was .18, down slightly compared to the 1997 year-end value of .19.

YEAR 2000

Since 1995, TI has been actively engaged in addressing Year 2000 (Y2K) issues. These result from the use of two-digit, rather than four-digit, year dates in software, a practice which could cause date-sensitive systems to malfunction or fail because they may not recognize or process date information correctly.

State of Readiness: To manage its Y2K program, TI has divided its efforts into four program areas:

- Information Technology (computer hardware, software, and electronic data interchange (EDI) interfaces);
- Physical Plant (manufacturing equipment and facilities);
- Products (including product development); and
- Extended Enterprise (suppliers and customers).

For each of these program areas, TI is using a four-step approach:

- Ownership (creating awareness, assigning tasks);
- Inventory (listing items to be assessed for Y2K readiness);
- Assessment (prioritizing the inventoried items, assessing their Y2K readiness, planning corrective actions, making initial contingency plans); and
- Corrective Action Deployment (implementing corrective actions, verifying implementation, finalizing and executing contingency plans).

At September 30, 1998, the Ownership and Inventory steps were essentially complete for all program areas. The target completion dates for priority items by remaining steps are as follows: Assessment -- December 1998; Corrective Action Deployment -- June 1999.

To date, TI has achieved approximately two-thirds of its Assessment goals for its four program areas. The Assessment status for each program area is as follows:

- Information Technology: Substantially all of TI's business strategic information systems (manufacturing, marketing, financial, and human resources) have been assessed, corrected and verified, and corrected systems have been deployed. Hardware assessment is in process and on schedule for completion. TI is assessing the readiness of its EDI interfaces with major customers and suppliers and expects timely completion.
- Physical Plant: Manufacturing equipment assessment has been substantially completed and corrective actions scheduled. Facilities assessment is in process and is approximately two-thirds completed. These efforts are expected to be completed on schedule.
- Products: TI continues to assess the readiness of its current products and is providing product status information on its company web site. This effort includes semiconductor devices sold within the past 5 years. Divested product lines are not part of the assessment. The assessment to date has identified date-related issues with certain of TI's semiconductor development tool products. The company believes these issues are unlikely to cause significant problems for TI customers. Product assessments are expected to be completed on time.
- Extended Enterprise: In 1997, TI began contacting its suppliers regarding their Y2K readiness. TI's Y2K supplier program includes assessing the readiness of its suppliers with a particular focus on those considered essential for prevention of a material disruption of TI's business operations. The assessment is ongoing and on schedule. TI is also discussing Y2K status with selected strategic customers.

Costs to Address Y2K Issues: TI's estimated aggregate costs for its Y2K activities from 1995 through 2000 are expected to range from $70 million to $90 million. To date, TI has spent approximately $50 million.

Risks of Y2K Issues and Contingency Plans: TI continues to assess the Year 2000 issues relating to its physical plant, products, suppliers and customers, as well as legal risks that may be associated with discontinued products and divested product lines. TI's contingency planning process is intended to mitigate worst-case business disruptions. The company is preparing contingency plans to address

worst-case issues such as delays in product delivery, which could potentially result from events such as supply chain disruptions. As noted above, the company expects its contingency plans to be complete by June 1999.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is contained on pages 19, 39 and 40 of the Registrant's 1997 annual report to stockholders and is incorporated by reference to such annual report.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

Beginning May 1, 1998, the Registrant filed lawsuits in United States District Courts in Texas and Virginia, and in the United Kingdom, The Netherlands, France, Germany and Japan against Hyundai Electronics Industries Co., Ltd. or related entities (collectively, "Hyundai") seeking injunctive relief for alleged infringement of over a dozen of the Registrant's patents relating to the manufacture and sale of semiconductor devices, including DRAMs. Hyundai has responded by filing an action in United States District Court in New York based on a contract claim that its cross-license agreement with the Registrant has not yet expired, and by filing lawsuits in United States District Courts in Texas, Virginia and Delaware and a counterclaim in the Registrant's U.K. action, seeking injunctive relief against Registrant for alleged infringement of Hyundai's patents relating to the manufacture and sale of semiconductor devices, including DRAMs.

On September 3, 1998, Hyundai's action filed in United States District Court in New York was dismissed with prejudice. On September 24, 1998, a Judicial Panel for Multi-District Litigation denied Hyundai's motion for consolidation and transfer. On October 9, 1998, the District Court for the Eastern District of Virginia transferred two lawsuits filed by Hyundai and one filed by the Registrant to the United States District Court for the Eastern District of Texas.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Designation of Exhibits in this Report	Description of Exhibit
2.2	Second Amendment to Acquisition Agreement dated as of September 30, 1998 between Texas Instruments Incorporated and Micron Technology, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K dated October 15, 1998)
4(a)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock
4(b)	Rights Agreement dated as of June 18, 1998 between the Registrant and Harris Trust and Savings Bank as Rights Agent which includes, as Exhibit B, the the form of Right Certificate (incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated June 23, 1998)
4(c)	Amendment dated as of September 18, 1998 to the Rights Agreement (incorporated by reference to Exhibit 2 to the Registrant's Amendment No. 1 to Registration Statement on Form 8-A dated September 23, 1998)
11	Computation of Basic and Diluted Earnings Per Common and Dilutive Potential Common Share
12	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
27	Financial Data Schedule

(b) Report on Form 8-K

The Registrant filed the following reports on Form 8-K with the Securities and Exchange Commission during the quarter ended September 30, 1998: Form 8-K dated July 1, 1998, relating to the sale of the Registrant's semiconductor memory business to Micron Technology, Inc., Form 8-K dated

July 3, 1998, which included a news release regarding the Registrant's adoption of a new stockholder rights plan.

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

This Form 10-Q 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 the company or its management "believes," "expects," "anticipates," "foresees" or other words or phrases of similar import. Similarly, statements herein that describe the company's business strategy, 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 the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations of the company or its management include, among others: (i) global economic conditions; (ii) product demand and industry capacity; (iii) timing of customer inventory corrections; (iv) competitive products and pricing; (v) fluctuation in exchange rates; (vi) realization of savings from announced worldwide restructuring and consolidation of manufacturing operations; (vii) manufacturing efficiencies; (viii) new product development; (ix) timely completion by customers and suppliers of their Year 2000 programs, accurate assessment of Year 2000 readiness, and the effectiveness of Year 2000 corrective actions; (x) availability of raw materials and critical manufacturing equipment; (xi) the regulatory and trade environment; and (xii) the ability to enforce patents. Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Form 10-Q are made only as of the date of this Form 10-Q, and the company undertakes no obligation to publicly update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

Pursuant to the requirements 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/WILLIAM A. AYLESWORTH
William A. Aylesworth
Senior Vice President, Treasurer
And Chief Financial Officer

Date: October 22, 1998

Exhibit Index

Designation of Exhibits in this Report	Description of Exhibit	Paper (P) or Electronic (E)
2.1	Second Amendment to Acquisition Agreement dated as of September 30, 1998 between Texas Instruments Incorporated	E

	and Micron Technology, Inc. (incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated June 23, 1998)	
4(a)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock	E
4(b)	Rights Agreement dated as of June 18, 1998 between the Registrant and Harris Trust and Savings Bank, as Rights Agent which includes, as Exhibit B, the form of Right Certificate (incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated June 23, 1998)	E
4(c)	Amendment dated as of September 18, 1998 to the Rights Agreement (incorporated by reference to Exhibit 2 to the Registrant's Amendment No. 1 to Registration Statement on Form 8-A dated September 23, 1998)	E
4(c)	Amendment dated as of September 18, 1998 to the Rights Agreement (incorporated by reference to Amendment No. 1 to Form 8-A dated September 23, 1998)	E
11	Computation of Basic and Diluted Earnings Per Common and Dilutive Potential Common Share	E
12	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	E
27	Financial Data Schedule	E

[TYPE] EX-4(a)
[DESCRIPTION] EXHIBIT 4(a)

EXHIBIT 4(a)

CERTIFICATE OF DESIGNATION
OF
SERIES B PARTICIPATING CUMULATIVE
PREFERRED STOCK

OF

TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 151 of the
General Corporation Law of the
State of Delaware

We, William A. Aylesworth, Senior Vice President, Treasurer and Chief Financial Officer, and O. Wayne Coon, Vice President and Assistant Secretary, of Texas Instruments Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware ("Delaware Law"), in accordance with the provisions thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of directors by the Certificate of Incorporation of the Corporation, the Board of Directors on June 18, 1998, adopted the following resolution creating a series of Preferred Stock in the amount and having the designation, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof as follows:

Section 1. Designation and Number of Shares. The shares of such series shall be designated as "Series B Participating Cumulative Preferred Stock" (the "Series B Preferred Stock"), and the number of shares constituting such series shall be 2,200,000. Such number of shares of the Series B Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than the number of shares then outstanding plus the number of shares issuable upon exercise or conversion of outstanding rights, options or other securities issued by the Corporation.

Section 2. Dividends and Distributions.

(a) The holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the third Monday of February, May, August and November of each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of any share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) $1.00 and (ii) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends or other distributions and 1000 times the aggregate per share amount of all non-cash dividends or other distributions (other than (A) a dividend payable in shares of Common Stock, par value $1.00 per share, of the Corporation (the "Common Stock") or (B) a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise)), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. If the Corporation shall at any time after June 18, 1998 (the "Rights Declaration Date") pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause 2(a)(ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph 2(a) above immediately after it declares a dividend or distribution on the Common Stock (other than as described in clauses 2(a)(ii)(A) and 2(a)(ii)(B) above); provided that if no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date (or, with respect to the first Quarterly Dividend Payment Date, the period between the first issuance of any share or fraction of a share of Series B Preferred Stock and such first Quarterly Dividend Payment Date), a dividend of $1.00 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is on or before the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue and be cumulative from the date of issue of such shares, or unless the date of issue is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and on or before such Quarterly Dividend Payment Date, in which case dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall not be more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Series B Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of stockholders of the Corporation. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

(c) (i) If at any time dividends on any Series B Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series B Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock and any other series of Preferred Stock then entitled as a class to elect directors, voting together as a single class, irrespective of series, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Series B Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph 3(c)(iii) hereof or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of 10% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of holders of Common Stock shall not affect the exercise by holders of Preferred Stock of such voting right. At any meeting at which holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two Directors or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the size of the Board of Directors will be automatically increased without any action on the part of the holders of Preferred Stock as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series B Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph 3(c)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series. Notwithstanding the provisions of this paragraph 3(c)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph 3(c)(ii) hereof) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph 3(c) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of

Directors shall be such number as may be provided for in the certificate of incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph 3(c)(ii) hereof (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(d) The Certificate of Incorporation of the Corporation shall not be amended in any manner (whether by merger or otherwise) so as to adversely affect the powers, preferences or special rights of the Series B Preferred Stock without the affirmative vote of the holders of a majority of the outstanding shares of Series B Preferred Stock, voting separately as a class.

(e) Except as otherwise provided herein, holders of Series B Preferred Stock shall have no special voting rights, and their consent shall not be required for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on outstanding shares of Series B Preferred Stock shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such other parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem, purchase or otherwise acquire for value any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) redeem, purchase or otherwise acquire for value any shares of Series B Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series B Preferred Stock and all such other parity stock upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for value any shares of stock of the Corporation unless the Corporation could, under paragraph 4(a), purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock without designation as to series and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors as permitted by the Certificate of Incorporation or as otherwise permitted under Delaware Law.

Section 6. Liquidation, Dissolution and Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received $1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; provided that the holders of shares of Series B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such other parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, Etc. If the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the shares of Series B Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash or any other property, as the case may be, into which or for which each share of Common Stock is changed or exchanged. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The Series B Preferred Stock shall not be redeemable.

Section 9. Rank. The Series B Preferred Stock shall rank junior (as to dividends and upon liquidation, dissolution and winding up) to all other series of the Corporation's preferred stock except any series that specifically provides that such series shall rank junior to the Series B Preferred Stock.

Section 10. Fractional Shares. Series B Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate this 23rd day of June, 1998.

/s/ WILLIAM A. AYLESWORTH
William A. Aylesworth
Senior Vice President, Treasurer and
Chief Financial Officer

/s/ O. WAYNE COON
O. Wayne Coon
Vice President and Assistant Secretary

[TYPE] EX-11
[DESCRIPTION] EXHIBIT 11

EXHIBIT 11

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
EARNINGS PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE
(In thousands, except per-share amounts.)

	For Three Months Ended Sept 30 1998	For Three Months Ended Sept 30 1997	For Nine Months Ended Sept 30 1998	For Nine Months Ended Sept 30 1997
Income from continuing operations	$ 164,332	$ 239,301	$ 218,470	$ 564,840
Add:				
Interest, net of tax and profit sharing effect, on convertible debentures assumed converted	--	--	--	--
Income from continuing operations	164,332	239,301	218,470	564,840
Discontinued operations:				
Income from operations	--	--	--	52,718
Gain on sale	--	1,472,710	--	1,472,710
Net income	$ 164,332	$1,712,011	$ 218,470	$2,090,268
Diluted Earnings per Common and Dilutive Potential Common Share:				
Weighted average common shares outstanding	390,297	386,381	390,364	383,607
Weighted average dilutive potential common shares:				
Stock option and compensation plans	9,759	10,408	9,927	9,440
Convertible debentures	--	3,159	--	4,368
Weighted average common and dilutive potential common shares	400,056	399,948	400,291	397,415
Diluted Earnings per Common Share:				
Income from continuing operations	$ 0.41	$ 0.60	$ 0.55	$ 1.42
Discontinued operations:				
Income from operations	--	--	--	0.13
Gain on sale	--	3.68	--	3.71
Net income	$ 0.41	$ 4.28	$ 0.55	$ 5.26
Basic Earnings per Common Share:				
Weighted average common shares outstanding	390,297	386,381	390,364	383,607
Basic Earnings per Common Share:				
Income from continuing operations	$ 0.42	$ 0.62	$ 0.56	$ 1.47
Discontinued operations:				
Income from operations	--	--	--	0.14
Gain on sale	--	3.81	--	3.84
Net income	$ 0.42	$ 4.43	$ 0.56	$ 5.45

[TYPE] EX-12
[DESCRIPTION] EXHIBIT 12

EXHIBIT 12

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF
EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

	1993	1994	1995	1996	1997	For Nine Months Ended Sept. 30 1997	For Nine Months Ended Sept. 30 1998
Income (loss) before income taxes and fixed charges:							
Income (loss) before extraordinary item and cumulative effect of accounting changes, interest expense on loans, capitalized interest amortized, and provision for income taxes.....	$ 561	$ 943	$1,530	$ 65	$ 825	$ 955	$ 399
Add interest attributable to rental and lease expense...........	38	40	41	44	44	31	30
	$ 599	$ 983	$1,571	$ 109	$ 869	$ 986	$ 429
Fixed charges:							
Total interest on loans (expensed and capitalized).....................	$ 55	$ 58	$ 69	$ 108	$ 114	$ 91	$ 64
Interest attributable to rental and lease expense....................	38	40	41	44	44	31	30
Fixed charges...........................	$ 93	$ 98	$ 110	$ 152	$ 158	$ 122	$ 94
Combined fixed charges and preferred stock dividends:							
Fixed charges........................	$ 93	$ 98	$ 110	$ 152	$ 158	$ 122	$ 94
Preferred stock dividends (adjusted as appropriate to a pretax equivalent basis)...........	29	--	--	--	--	--	--
Combined fixed charges and preferred stock dividends..........	$ 122	$ 98	$ 110	$ 152	$ 158	$ 122	$ 94
Ratio of earnings to fixed charges.......	6.4	10.0	14.3	*	5.5	8.1	4.6
Ratio of earnings to combined fixed charges and preferred stock dividends.......................	4.9	10.0	14.3	*	5.5	8.1	4.6

* Not meaningful. The coverage deficiency was $43 million in 1996.

5

This schedule contains summary financial information extracted from THE CONSOLIDATED FINANCIAL STATEMENTS OF TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES AS OF SEPTEMBER 30, 1998, AND FOR THE NINE MONTHS THEN ENDED, and is qualified in its entirety by reference to such financial statements.

1,000,000

9-MOS
DEC-31-1998
SEP-30-1998
1,080
1,062
1,406
110
570
4,724
6,558
3,052
10,518
2,204
1,040
0
0
392
5,636
10,518
6,467
6,467
4,281
4,281
925
0
55
331
113
218
0
0
0
218
.56
.55