

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 June 30, 1996

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.)

13500 North Central Expressway, P.O. Box 655474, Dallas, Texas 75265-5474

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 214-995-3773

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  No

189,584,085

Number of shares of Registrant's common stock outstanding as of June 30, 1996

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 Six Months Ended	
	June 30 1996	June 30 1995	June 30 1996	June 30 1995
Income				
Net revenues.....	\$ 2,845	\$ 3,238	\$ 5,921	\$ 6,099
Operating costs and expenses:				
Cost of revenues.....	2,061	2,148	4,248	4,050
Research and development.....	253	215	516	428
Marketing, general and administrative.....	435	472	864	874
Total.....	2,749	2,835	5,628	5,352

Profit from operations.....	96	403	293	747
Other income (expense) net.....	8	20	64	37
Interest on loans.....	12	13	25	26
	-----	-----	-----	-----
Income before provision for income taxes.....	92	410	332	758
Provision for income taxes.....	16	132	93	250
	-----	-----	-----	-----
Net income.....	\$ 76	\$ 278	\$ 239	\$ 508
	=====	=====	=====	=====
Earnings per common and common equivalent share.....	\$ 0.39	\$ 1.44	\$ 1.23	\$ 2.65
Cash dividends declared per share of common stock.....	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.295
 Cash Flows				
-----				
Net cash provided by operating activities.....			\$ 93	\$ 625
 Cash flows from investing activities:				
Additions to property, plant and equipment.....			(1,162)	(522)
Purchases of short-term investments.....			(10)	(400)
Sales and maturities of short-term investments.....			160	445
Proceeds from sale of business.....			132	--
			-----	-----
Net cash used in investing activities.....			(880)	(477)
 Cash flows from financing activities:				
Additions to long-term debt.....			417	22
Dividends paid on common stock.....			(64)	(46)
Sales and other common stock transactions.....			6	65
Other.....			55	(1)
			-----	-----
Net cash provided by financing activities.....			414	40
Effect of exchange rate changes on cash.....			(13)	19
			-----	-----
Net increase (decrease) in cash and cash equivalents.....			(386)	207
Cash and cash equivalents, January 1.....			1,364	760
			-----	-----
Cash and cash equivalents, June 30.....			\$ 978	\$ 967
			=====	=====

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

Balance Sheet	June 30 1996	Dec. 31 1995
-----	-----	-----
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 978	\$ 1,364
Short-term investments.....	39	189
Accounts receivable, less allowance for losses of \$58 million in 1996 and \$45 million in 1995.....	1,976	2,320
<b>Inventories:</b>		
Raw materials.....	246	299
Work in process.....	716	607
Finished goods.....	397	434
Less progress billings.....	(204)	(205)
	-----	-----
Inventories (net of progress billings).....	1,155	1,135
	-----	-----
Prepaid expenses.....	59	57
Deferred income taxes.....	492	453
	-----	-----
Total current assets.....	4,699	5,518
	-----	-----
Property, plant and equipment at cost.....	6,534	5,631
Less accumulated depreciation.....	(2,639)	(2,444)
	-----	-----
Property, plant and equipment (net).....	3,895	3,187
	-----	-----

Deferred income taxes.....	237	229
Other assets.....	410	281
	-----	-----
Total assets.....	\$ 9,241	\$ 9,215
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt.....	\$ 83	\$ 27
Accounts payable.....	931	1,110
Accrued and other current liabilities.....	1,516	2,051
	-----	-----
Total current liabilities.....	2,530	3,188
	-----	-----
Long-term debt.....	1,223	804
Accrued retirement costs.....	849	801
Deferred credits and other liabilities.....	360	327
Stockholders' equity:		
Preferred stock, \$25 par value. Authorized - 10,000,000 shares.		
Participating cumulative preferred. None issued.....	--	--
Common stock, \$1 par value. Authorized - 500,000,000 shares.		
Shares issued: 1996 - 189,725,689; 1995 - 189,526,939.....	190	190
Paid-in capital.....	1,088	1,081
Retained earnings.....	3,055	2,881
Less treasury common stock at cost.		
Shares: 1996 - 141,604; 1995 - 138,129.....	(12)	(12)
Other.....	(42)	(45)
	-----	-----
Total stockholders' equity.....	4,279	4,095
	-----	-----
Total liabilities and stockholders' equity.....	\$ 9,241	\$ 9,215
	=====	=====

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES  
Notes to Financial Statements

Earnings per common and common equivalent share are based on average common and common equivalent shares outstanding (194.6 and 193.4 million shares for the second quarters of 1996 and 1995, and 194.4 and 192.3 million shares for the six months ended June 30, 1996 and 1995). Shares issuable upon exercise of dilutive stock options and upon conversion of dilutive convertible debentures are included in average common and common equivalent shares outstanding.

In the first quarter of 1996, the company issued \$300 million of 6.125 percent notes due 2006.

Beginning in 1996, the company has made reclassifications to its statement of income to conform with current industry practices. Research and development expense, which was previously included in cost of revenues, is now presented separately. Also, employees' retirement and profit sharing plans expense, previously separately reported, is now allocated throughout operating costs and expenses, consistent with other employee benefit costs. Prior year amounts have been reclassified to conform with the 1996 presentation.

Financial results for the third quarter of 1996 will reflect the purchase of Silicon Systems Inc., which was acquired in July via a stock purchase agreement for \$340 million in cash plus the assumption of a \$235 million long term note to TDK Corp. of Japan. The cash payment was initially financed by a draw down on TI's existing line of bank credit. The company is considering various alternatives for permanent financing. TI expects to take a one-time charge in the third quarter for the value of acquired in-process R&D, estimated to be approximately \$180 million, or \$0.95 per share. There is no tax offset associated with this one-time charge.

The statements of income, statements of cash flows and balance sheet at June 30, 1996, 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.

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

Continued sharp price declines for dynamic random access memory (DRAM) chips and lower semiconductor royalty revenues adversely affected the financial performance of the Registrant (the "company" or "TI") during the second quarter of 1996.

In contrast to the difficult memory market environment, TI's mixed signal and application specific products, which include digital signal processors and application specific integrated circuits (ASICs), achieved record revenues during the quarter.

### FINANCIAL SUMMARY

Net revenues for the second quarter of 1996 were \$2845 million, down 12 percent from the second quarter of 1995, and down sequentially from the first quarter of 1996. The decrease resulted primarily from the continued decline in DRAM prices and lower semiconductor royalty revenues.

Profit from operations for the second quarter was \$96 million, compared with \$403 million in the second quarter of 1995. Net income for the quarter was \$76 million, compared with \$278 million in the second quarter of 1995. Earnings per share were \$0.39, compared with \$1.44 in the second quarter of 1995.

Revenues in the second quarter of 1996 versus the year-ago period were up in all TI businesses except semiconductors. Revenues of differentiated semiconductor products were ahead of the year-ago period and up slightly from the first quarter of 1996, but not enough to offset the sharp decline in DRAM prices. As a result, total semiconductor orders, revenues and profits were down substantially from year-ago and first quarter 1996 levels, which negatively impacted TI's second quarter results.

### SEMICONDUCTORS

Average DRAM unit prices were down 65-75 percent in the second quarter of 1996, compared with the year-ago period, and 40-50 percent from the first quarter of 1996. At the same time, R&D investments for next-generation products and costs associated with ramping of 16-megabit production at TI's Avezano, Italy, facility have increased, resulting in a loss in TI's memory operations.

TI's joint ventures, which share in the risks and rewards of DRAM production, help reduce the effect of market volatility on TI. However, as in the first quarter of 1996, these supply arrangements were not able to fully comprehend the sharp decline in average unit prices in the second quarter of 1996.

Demand for mature logic products remains soft, and pricing pressures have increased.

The memory correction continues with signs of industry production in excess of current demand. However, unit demand for memory has remained strong, and lower DRAM prices should stimulate increased memory content per computer. In this environment, with uncertain near-term visibility, TI is taking the following actions:

- Trimming back selectively on semiconductor capital equipment expenditures;
- Emphasizing development of 0.35-micron, 16-megabit DRAMs and next-generation DRAMs; and
- Strengthening the long-term focus on digital signal processing

solutions (DSPS) with the recent acquisition of Silicon Systems Inc. (SSi), a leading supplier of components to the mass storage industry; and through the recent Tartan Inc. acquisition, doubling TI's software support for DSP customers.

#### DEFENSE SYSTEMS & ELECTRONICS

Revenues in TI's defense systems and electronics business increased slightly in the second quarter of 1996 versus the year-ago period. The business continued to maintain stable margins. During the quarter, the first deployment was made to U.S. operational forces of Javelin anti-tank missile systems from the TI/Martin Marietta joint venture. This First Unit Equipped (FUE) status is an important milestone for this breakthrough "fire-and-forget" infantry anti-tank weapon system.

Demand for Paveway precision-guided weapons continued to expand during the quarter with international customers now in 28 countries and additional systems being purchased for the U.S. Navy. TI's move toward commercial practices is resulting in lower costs to the customer, and helping to extend and broaden the market for this product.

#### MATERIALS & CONTROLS

Revenues in TI's materials and controls business were up slightly from the second quarter of 1995. Margins were stable with year-ago levels. TI's electronics-based sensor activities continue to grow, and new TI Registration and Identification (TIRIS) applications are being developed in radio frequency sports timing, security and automotive anti-theft systems.

#### PERSONAL PRODUCTIVITY PRODUCTS

Revenues in TI's personal productivity products business were up substantially from the second quarter of 1995, reflecting revenues that more than doubled for mobile computing products, and continued success in the instructional calculator market.

#### EMERGING OPPORTUNITIES

TI is continuing to invest in emerging opportunities that provide higher value added digital solutions, such as Digital Light Processing (DLP). Costs associated with production ramp-up of initial products for the commercial projection market were higher than expected and will remain at a high level in the second half of 1996.

TI software business revenues were up over the second quarter of 1995, primarily due to higher software sales in the Americas. The joint TI/Microsoft project to develop an industry standard repository

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specification for software components has been completed and TI is moving forward with the development of products incorporating this standard.

#### SUMMARY

Because of imbalances in the worldwide DRAM market and recent weakness in end equipment demand reported by some major producers, TI expects competitive pressures for semiconductors to continue in the near term. Although bit growth remains strong, the memory market will be down sharply in 1996 versus 1995, because of significantly lower DRAM prices. As a result, the total semiconductor market is expected to decline in 1996.

In this environment, TI continues to emphasize system-level design activity to support customers' electronic end equipment, particularly in mass storage, networking and wireless communications. With the need to maintain appropriate investments in next-generation products, the company expects little or no improvement in the near-term financial performance of its semiconductor business.

The recent acquisition of SSi provides the opportunity to couple TI's DSP leadership, manufacturing capacity and process technology with SSi's design capability and systems expertise in mixed signal/analog circuits. TI believes this combination will strengthen its DSPS strategy and broaden the number of functions that can be integrated onto single chips.

Financial results for the third quarter of 1996 will reflect the purchase of SSi, which was acquired in July. TI expects to take a one-time charge for the value of acquired in-process R&D, estimated to be approximately \$180 million, or \$0.95 per share. There is no tax offset associated with this one-time charge.

The longer-term outlook for the world semiconductor market remains positive,

and consumption is expected to double over the next five years, exceeding \$300 billion. The Asia-Pacific region remains a major long-term opportunity. TI is well-positioned there and plans to continue to strengthen its base in this strategic area of the world, which could become one of the largest consumers of semiconductors in the 21st century.

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Additional Financial Information

Segment -----	Change in orders, 2Q96 vs. 2Q95 -----	Change in net revenues, 2Q96 vs. 2Q95 -----
Components	down 46%	down 17%
Defense Systems & Electronics	down 5%	up 4%
Digital Products	down 5%	down 5%
Total	down 36%	down 12%

Segment -----	Change in orders, 1H96 vs. 1H95 -----	Change in net revenues, 1H96 vs. 1H95 -----
Components	down 29%	down 7%
Defense Systems & Electronics	up 6%	up 1%
Digital Products	up 6%	up 13%
Total	down 20%	down 3%

TI's orders for the second quarter of 1996 were \$2216 million, compared with \$3462 million in the same period of 1995. The decrease was due primarily to the weak DRAM market, which resulted in repricing the DRAM backlog. The decrease in defense systems and electronics resulted from lower HARM orders. Excluding TI's Custom Manufacturing unit (CMS), which was sold in the first quarter of 1996, digital products orders increased 34 percent in the second quarter of 1996 over the second quarter of 1995, due primarily to increased orders in mobile computing.

TI's revenues for the second quarter of 1996 were \$2845 million, compared with \$3238 million in the same period of 1995. The decrease in components segment revenues resulted primarily from lower DRAM revenues and lower semiconductor royalties. The increase in defense systems and electronics revenues was due to shipments of Paveway. Digital products revenues, excluding CMS, were up 27 percent, primarily due to increased mobile computing revenues.

Profit from operations for the second quarter decreased 76 percent to \$96 million from the second quarter of 1995, primarily because of the abrupt drop in DRAM prices and lower royalty revenues. Royalty revenues were \$105 million lower primarily due to the previously reported expiration of patent licenses, principally the license with Samsung Electronics Co., Ltd.

TI has reached an agreement in principle with Matsushita Electric Industrial Co., Ltd. on the major terms and conditions of a 10-year worldwide

semiconductor cross-license. When executed, the new agreement will be effective as of April 1, 1996, the first date after expiration of a similar five-year agreement between the parties.

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The agreement recognizes the patents of both parties and is consistent with TI's objective of receiving fair value for its technology. Under the agreement, Matsushita will pay ongoing royalties to TI based on Matsushita's worldwide sales of integrated circuit products. The royalty rates under the new agreement are lower than the rate under the prior agreement in recognition of the longer license term.

Negotiations continue with other companies for renewal of expired licenses. However, these negotiations by their nature are not predictable as to outcome or timing.

Components segment profit was down considerably over the second quarter of 1995, primarily due to abrupt price declines in DRAMs and lower royalty revenues. The digital segment operated at a loss during the quarter primarily due to continued high marketing investments and new product development in mobile computing, software, and communications and electronic systems.

For the first six months of 1996, TI's orders were \$5410 million, compared with \$6774 million for the first six months of 1995. The decrease in component segment orders resulted from the weak DRAM market. The digital segment orders, excluding CMS, were up 32 percent due to mobile computing.

Net revenues for the first half of 1996 were \$5921 million, compared with \$6099 million in the first half of 1995. The decrease in component segment revenue resulted from lower DRAM revenues and lower royalties. The increase in digital products revenue, 31 percent excluding CMS, was due primarily to increased revenue in mobile computing.

TI's profit from operations for the first six months of 1996 was \$293 million, compared with \$747 million in the first half of 1995. The decrease was primarily from lower semiconductor profits due to the unprecedented drop in DRAM prices and lower semiconductor royalty revenues. The moderate digital segment loss was due primarily to operating losses in personal productivity products and communication and electronic systems.

Net income for the first half of 1996 was \$239 million, compared with \$508 million in the first six months of 1995. Earnings per share were \$1.23, compared with \$2.65.

The income tax rate for the first half of 1996 was 28 percent, which is the current estimate of the rate for the full year, excluding the effect of the SSI one-time R&D charge.

During the first half of 1996, cash and cash equivalents plus short-term investments decreased by \$536 million to \$1017 million. Net cash provided by operating activities was negatively impacted by the pay-out of 1995 profit sharing in the first quarter. Investments in property, plant and equipment were \$1162 million for the half. The sale of TI's Custom Manufacturing business has generated \$132 million of cash. In the first quarter, TI issued \$300 million of 6.125 percent notes due 2006. In the second quarter the balance of Italian lira mortgage notes increased by \$102 million.

In June TI announced the pending acquisition of Silicon Systems Inc. via a stock purchase agreement for \$340 million in cash plus the assumption of a \$235 million long-term note to TDK Corp. of Japan. The transaction closed

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in July, and the cash payment was initially financed by a draw down on TI's existing line of bank credit. The company is considering various alternatives for permanent financing. The company is also considering the redemption at par of \$150 million of nine percent notes due 1999. At June 30, 1996, the debt-to-total-capital ratio was .23, up from .21 at the end of the first quarter and .17 at year-end 1995.

TI's backlog of unfilled orders as of June 30, 1996, was \$3925 million, down \$646 million from the second quarter of 1995 and down \$629 million from the first quarter of 1996. Most of the decrease was in semiconductors, reflecting lower DRAM prices and in defense systems and electronics.

TI's R&D was \$253 million in the second quarter of 1996, compared with \$215

million in the second quarter of 1995. R&D for the first six months of 1996 was \$516 million, compared with \$428 million in the first half of 1995. R&D for the full year is expected to be \$1.2 billion, including the estimated R&D charge associated with the SSi acquisition.

Capital expenditures in the second quarter of this year were \$620 million, compared with \$300 million in the second quarter of 1995 and \$1162 million for the first half of 1996, compared with \$522 million for the first six months of 1995. Capital expenditures for the full year 1996 are expected to be \$2.3 billion, compared with the \$2.5 billion previously projected.

Depreciation in the second quarter of 1996 was \$232 million, compared with \$182 million in the second quarter of 1995, and \$422 million for the first six months of 1996, compared with \$359 million for the same period of 1995. Depreciation for the total year is projected to be about \$1 billion.

Return on net assets (RONA) and return on common equity (ROCE) are measures TI uses to monitor progress in building shareholder value. For the four quarters ending June 30, 1996, RONA was 16.4 percent, and ROCE was 20.9 percent. In the four quarters ending June 30, 1995, RONA was 22.1 percent and ROCE was 28.3 percent.

Trademarks: Digital Light Processing, DLP and TIRIS are trademarks of Texas Instruments Incorporated.

PART II - OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders.

At the Annual Meeting of Stockholders held on April 18, 1996, in addition to the election of directors, the stockholders voted upon the two board proposals contained in the Registrant's Proxy Statement dated February 28, 1996.

The board nominees were elected as directors with the following vote:

Nominee	For	Withheld
-----	---	-----
James R. Adams	161,414,538	582,587
David L. Boren	161,389,871	607,254
James B. Busey IV	161,399,679	597,446
Gerald W. Fronterhouse	161,300,830	696,295
David R. Goode	161,400,357	596,768
Jerry R. Junkins	161,389,340	607,785
William S. Lee	161,406,735	590,390
William B. Mitchell	161,402,057	595,068
Gloria M. Shatto	161,398,317	598,808
William P. Weber	161,404,370	592,755
Clayton K. Yeutter	161,405,046	592,079

The two board proposals were approved with the following vote:

Proposal	For	Against	Abstentions (Other Than Broker Non-Votes)	Broker Non-Votes
-----	-----	-----	-----	-----
Board proposal with	149,397,199	12,040,411	559,515	--

respect to amendment  
to the Company's  
Restated Certificate  
of Incorporation

Board proposal with respect to adoption of the Texas Instruments 1996 Long-Term Incentive Plan	104,597,060	28,735,135	867,633	27,797,297
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The deadline for receipt of stockholder proposals for inclusion in the  
company's 1997 proxy material is October 31, 1996.

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

(a) Exhibits

Designation of Exhibits in this Report -----	Description of Exhibit -----
3	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.
10	Texas Instruments 1996 Long-Term Incentive Plan.*
11	Computation of primary and fully diluted earnings per common and common equivalent 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 June 30, 1996: Form 8-K  
dated May 30, 1996, which included news releases regarding the death of  
Jerry R. Junkins, the Registrant's Chairman, President and Chief Executive  
Officer, and the election of an acting President and Chief Executive  
Officer; and Form 8-K dated June 30, 1996 regarding the election of  
James R. Adams as Chairman of the Board, and Thomas J. Engibous as  
President and Chief Executive Officer.

[FN]\* Executive Compensation Plans and Arrangements: Texas Instruments  
1996 Long-Term Incentive Plan - Exhibit 10 to this Report.

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

With the exception of historical information, the matters discussed or incorporated by reference in this Report on Form 10-Q are forward-looking statements that involve risks and uncertainties including, but not limited to, economic conditions, product demand and industry capacity, competitive products and pricing, manufacturing efficiencies, new product development, ability to enforce patents, availability of raw materials and critical manufacturing equipment, new plant startups, the regulatory and trade environment, and other risks indicated in filings with the Securities and Exchange Commission.

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: July 18, 1996

Exhibit Index

Designation of Exhibits in this Report	Description of Exhibit	Paper (P) or Electronic (E)
3	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.	E
10	Texas Instruments 1996 Long-Term Incentive Plan.*	E
11	Computation of primary and	E

fully diluted earnings per  
common and common equiv-  
alent share.

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

[FN]\* Executive Compensation Plans and Arrangements: Texas Instruments  
1996 Long-Term Incentive Plan - Exhibit 10 to this Report.

CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
TEXAS INSTRUMENTS INCORPORATED

TEXAS INSTRUMENTS INCORPORATED, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the first sentence of Article Fourth of the Restated Certificate of Incorporation as heretofore amended is hereby amended to read as follows:

"The total number of shares of all classes of stock which the Company shall have authority to issue is Five Hundred Ten Million (510,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of \$25.00 per share, and Five Hundred Million (500,000,000) shall be Common Stock with a par value of \$1.00 per share."

SECOND: That said amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, TEXAS INSTRUMENTS INCORPORATED has caused this Certificate to be signed by Jerry R. Junkins, Chairman of the Board, President and Chief Executive Officer, this 18th day of April, 1996.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS  
Chairman of the Board, President  
and Chief Executive Officer

TEXAS INSTRUMENTS 1996 LONG-TERM INCENTIVE PLAN  
As Adopted April 18, 1996

The Texas Instruments 1996 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.

For purposes of the Plan, unless otherwise indicated, the term "Company" shall mean Texas Instruments Incorporated and its subsidiaries of which substantially all of the voting stock is owned directly or indirectly by Texas Instruments.

#### Eligibility

Any employee of the Company, including any officer or employee-director, shall be eligible to be designated a Participant (defined below). Directors who are not full-time or part-time officers or employees are not eligible to be designated Participants.

#### Compensation Committee

The Plan shall be administered by a Committee of the Board of Directors 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 he is a "disinterested person" as described in Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time ("Rule 16b-3"). No member or alternate member of the Committee shall be eligible, while a member or alternate member, for participation in the Plan. In addition, a director may serve as a member or alternate member of the Committee only during periods in which he is an "outside" director as described in Section 162(m) of the Internal Revenue Code of 1986 and regulations promulgated thereunder. 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.

#### Definitions

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

- (a) "Award" shall mean any Option, Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.
- (b) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (d) "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.
- (e) "Earnings Per Share" shall mean earnings per share calculated in accordance with Generally Accepted Accounting Principles.
- (f) "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.
- (g) "Incentive Stock Option" shall mean an option granted under paragraph (a) under the heading "Awards" set forth below that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (h) "Manufacturing Process Yield" shall mean the good units produced as a percent of the total units processed.

- (i) "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.
- (j) "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.
- (k) "Non-Qualified Stock Option" shall mean an option granted under said paragraph (a) that is not intended to be an Incentive Stock Option.
- (l) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (m) "Other Stock-Based Award" shall mean any right granted under paragraph (d) under the heading "Awards" set forth below.
- (n) "Participant" shall mean an employee designated to be granted an Award under the Plan.
- (o) "Performance Unit" shall mean any right granted under paragraph (c) under the heading "Awards" set forth below.
- (p) "Released Securities" shall mean securities that were Restricted Securities with respect to which all applicable restrictions have expired, lapsed, or been waived.

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- (q) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.
- (r) "Restricted Stock" shall mean any Share granted under paragraph (b) under the heading "Awards" set forth below.
- (s) "Restricted Stock Unit" shall mean any right granted under said paragraph (b) that is denominated in Shares.
- (t) "Return On Common Equity" for a period shall mean net income less preferred stock dividends divided by total shareholders equity, less amounts, if any, attributable to preferred stock.
- (u) "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.
- (v) "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.
- (w) "Shares" shall mean shares of the common stock of the Company, \$1.00 par value.
- (x) "Total Shareholder 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.

#### Administration of Plan

The Plan shall be administered by the Committee. 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 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 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; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise determined by the Committee, the amounts of any dividend equivalents or interest determined by the Committee to be payable with respect to any Awards shall not be counted against the aggregate number of shares

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available for granting Awards under the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive and binding upon all persons, including the Company, any Participant, any holder or beneficiary of any Award, any stockholder and any employee of the Company.

Shares Available for Awards

Subject to adjustment as provided below:

(a) Number of Shares Available

- (i) Overall. The number of Shares available for granting Awards (including Awards of Restricted Stock and Restricted Stock Units and Other Stock-Based Awards) under the Plan during the term of the Plan shall be 18,500,000 shares. If, after the effective date of the Plan, any Shares covered by an award granted under the Plan, or by an option granted under the Company's 1984 or 1988 Stock Option Plans, or an award granted under the Company's Long-Term Incentive Plan adopted April 15, 1993, or to which such an award relates, are forfeited, or if such an Award or such an option otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such award or option, or to which such award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such award, to the extent of any such forfeiture or termination, shall again be, or shall become, available for granting awards under the Plan to the extent permitted by Rule 16b-3.
- (ii) Additional Restriction. The maximum number of Shares that may be awarded under paragraph (b), "Restricted Stock and Restricted Stock Units", and paragraph (d), "Other Stock-Based Awards", under the heading "Awards" below during the term of the Plan shall be 2,000,000 shares.

(b) Accounting for Awards

For purposes of this section:

- (i) If an Award is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; and
- (ii) Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from) other Awards may be counted

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or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution for, outstanding awards previously granted by an acquired company shall not, except in the case of Awards granted to employees who are officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, be counted against the Shares available for granting Awards under the Plan.

(c) Sources of Shares Deliverable Under Awards

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

(d) Adjustments

In the event that the Committee shall determine 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 determined by the Committee to be 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, in such manner as it may deem equitable, 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, make provision for a cash payment to the holder of an outstanding Award; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or any successor provision thereof; and provided further, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

Awards

(a) 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:

- (i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that, except in the case of Options granted through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.
- (ii) Option Term. The term of each Option shall be fixed by the Committee.

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- (iii) Time and Method of Exercise. 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.
- (iv) Incentive Stock Options. 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.

(b) Restricted Stock and Restricted Stock Units

- (i) Issuance. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.
- (ii) Restrictions. 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. However, the minimum vesting period for Restricted Stock Units granted under this Plan shall be three years.

- (iii) Registration. Any 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.
  - (iv) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment (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. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such Restricted Stock shall become Released Securities.
- (c) Performance Units. The Committee is hereby authorized to grant Performance Units to Participants. Subject to the terms of the Plan, a

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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.

(d) Other Stock-Based Awards. The Committee is hereby authorized to grant to Participants such other Awards (including, without limitation, stock appreciation rights) 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 paragraph (d) 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 Awards granted through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(e) General.

- (i) No Cash Consideration for Awards. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (ii) Awards May Be Granted Separately or Together. 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.
- (iii) Forms of Payment Under Awards. 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 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.

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- (iv) Limits on Transfer of Awards. No Award (other than Released Securities), 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 (or, in the case of an Award of Restricted Securities, to the Company); 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. 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. No Award (other than Released Securities), 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.
- (v) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Incentive Stock Option exceed a period of ten years from the date of its grant.
- (vi) Share Certificates. 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.
- (vii) Performance Measures for Selected Awards. Every award other than an option or stock appreciation right to a member of the Executive Group (defined below) shall include a pre-established formula, such that payment, retention or vesting of the award is subject to the achievement 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, as determined by the Committee: (i) return on net assets, (ii) revenue growth, (iii) return on common equity, (iv) total shareholder return, (v) earnings per share, (vi) cycle time improvement, (vii) manufacturing process yield, (viii) net revenue per employee or (ix) market share. The "Executive Group" shall include every person who, at the time such pre-established formula is determined, is expected by the Committee to be both (a) 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 (b) the recipient of compensation of more than \$1,000,000 for that taxable year. For awards in the form of options or stock appreciation rights, no more than 500,000 shares can be granted under this Plan to any participant in any one year. For other awards denominated in stock, no more than 50,000 shares can be

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granted under this Plan to any participant in any one year. For all other awards, no more than \$5,000,000 can be paid under this Plan to any participant in any one year.

#### Amendment and Termination

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

- (a) Amendments to the Plan. The Board of Directors of the Company may

amend, alter, suspend, discontinue or terminate the Plan, without the consent of any share owner, Participant, other holder or beneficiary of an Award, or other person; provided, however, that, no such action shall impair the rights under any Award theretofore granted under the Plan and that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company no such amendment, alteration, suspension, discontinuation or termination shall be made that would:

(i) Increase the total number of Shares available for Awards under the Plan, except as provided under the heading "Shares Available for Awards" above; or

(ii) permit Options or other Stock-Based Awards encompassing rights to purchase Shares to be granted with per Share grant, purchase, or exercise prices of less than the Fair Market Value of a Share on the date of grant thereof, except to the extent permitted in paragraphs (a) or (d) under the heading "Awards" above.

(b) Amendments to Awards. 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 that no such action shall impair the rights of any relevant Participant or holder or beneficiary under any Award theretofore granted under the Plan; and provided further that, except as provided for in paragraph (d) under the heading "Shares Available for Awards" above and in paragraph (c) below, no such action shall reduce the exercise price of any Option.

(c) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in paragraph (d) under the heading "Shares Available for Awards" above) affecting the Company, or the financial statements of the Company, or 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.

(d) Correction of Defects, Omissions and Inconsistencies. 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.

#### General Provisions

(a) No Rights to Awards. No employee, 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, 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) Delegation. The Committee may delegate to 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 Securities Exchange Act of 1934, as amended; provided, 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) Withholding. 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 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 all obligations for the payment of such taxes.

(d) 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.

(e) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) 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.

(g) Severability. 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.

(h) No Trust or Fund Created. 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

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Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(i) No Fractional Shares. 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.

Effective Date of the Plan

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

Term of the Plan

No Award shall be granted under the Plan after April 18, 2006. 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 of Directors of the Company to amend the Plan, shall extend beyond such date.

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TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES  
 PRIMARY AND FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE  
 (In thousands, except per-share amounts.)

	For Three Months Ended		For Six Months Ended	
	June 30 1996	June 30 1995	June 30 1996	June 30 1995
Net income.....	\$ 75,596	\$278,233	\$238,832	\$508,223
Add:				
Interest, net of tax and profit sharing effect, on convertible debentures assumed converted.....	460	410	921	817
Adjusted net income.....	\$ 76,056	\$278,643	\$239,753	\$509,040
	=====	=====	=====	=====
Earnings per Common and Common Equivalent Share:				
Weighted average common shares outstanding.....	189,530	187,205	189,486	186,445
Weighted average common equivalent shares:				
Stock option and compensation plans.....	2,583	3,261	2,407	2,876
Convertible debentures.....	2,493	2,982	2,493	2,983
Weighted average common and common equivalent shares.....	194,606	193,448	194,386	192,304
	=====	=====	=====	=====
Earnings per Common and Common Equivalent Share.....	\$ 0.39	\$ 1.44	\$ 1.23	\$ 2.65
Earnings per Common Share Assuming Full Dilution:				
Weighted average common shares outstanding.....	189,530	187,205	189,486	186,445
Weighted average common equivalent shares:				
Stock option and compensation plans.....	2,583	3,797	2,409	3,997
Convertible debentures.....	2,493	2,982	2,493	2,983
Weighted average common and common equivalent shares.....	194,606	193,984	194,388	193,425
	=====	=====	=====	=====
Earnings per Common Share Assuming Full Dilution.....	\$ 0.39	\$ 1.44	\$ 1.23	\$ 2.63

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)

	1991	1992	1993	1994	1995	For Six Months Ended June 30	
	-----	-----	-----	-----	-----	-----	-----
Income (loss) before income taxes and fixed charges:							
Income (loss) before cumulative effect of accounting changes, interest expense on loans, capitalized interest amortized, and provision for income taxes.....	\$ (250)	\$ 433	\$ 755	\$1,098	\$1,679	\$ 790	\$ 364
Add interest attributable to rental and lease expense.....	43	42	38	40	41	20	22
	-----	-----	-----	-----	-----	-----	-----
	\$ (207)	\$ 475	\$ 793	\$1,138	\$1,720	\$ 810	\$ 386
	=====	=====	=====	=====	=====	=====	=====
Fixed charges:							
Total interest on loans (expensed and capitalized).....	\$ 59	\$ 57	\$ 55	\$ 58	\$ 69	\$ 35	\$ 41
Interest attributable to rental and lease expense.....	43	42	38	40	41	20	22
	-----	-----	-----	-----	-----	-----	-----
Fixed charges.....	\$ 102	\$ 99	\$ 93	\$ 98	\$ 110	\$ 55	\$ 63
	=====	=====	=====	=====	=====	=====	=====
Combined fixed charges and preferred stock dividends:							
Fixed charges.....	\$ 102	\$ 99	\$ 93	\$ 98	\$ 110	\$ 55	\$ 63
Preferred stock dividends (adj. as appropriate to a pretax equivalent basis).....	34	55	29	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Combined fixed charges and preferred stock dividends.....	\$ 136	\$ 154	\$ 122	\$ 98	\$ 110	\$ 55	\$ 63
	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	*	4.8	8.5	11.6	15.6	14.7	6.1
	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred stock dividends.....	**	3.1	6.5	11.6	15.6	14.7	6.1
	=====	=====	=====	=====	=====	=====	=====

\* Not meaningful. The coverage deficiency was \$309 million in 1991.

\*\* Not meaningful. The coverage deficiency was \$343 million in 1991.

This schedule contains summary financial information extracted from THE CONSOLIDATED FINANCIAL STATEMENTS OF TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES AS OF JUNE 30, 1996, AND FOR THE SIX MONTHS THEN ENDED, and is qualified in its entirety by reference to such financial statements.

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6-MOS	
DEC-31-1996	JUN-30-1996
	978
	39
	1,976
	58
	1,155
	4,699
	6,534
	2,639
	9,241
2,530	
	1,223
0	
	0
	190
	4,089
9,241	
	5,921
	5,921
	4,248
	4,248
	516
	0
	25
	332
	93
239	
	0
	0
	0
	239
	1.23
	0