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, 1996   Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

75-0289970
(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: 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

189,961,969
Number of shares of Registrant's common stock outstanding
as of September 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 Nine Months Ended	
Income	Sept 30 1996	Sept 30 1995	Sept 30 1996	Sept 30 1995
Net revenues	$ 2,841	$ 3,425	$ 8,761	$ 9,525
Operating costs and expenses:				
Cost of revenues	2,075	2,322	6,322	6,373
Research and development	466	221	983	648
Marketing, general, and administrative	424	445	1,288	1,319
Total	2,965	2,988	8,593	8,340

Profit (loss) from operations	(124)	437	168	1,185
Other income (expense) net	15	6	79	42
Interest on loans	24	12	48	38
Income (loss) before provision for income taxes	(133)	431	199	1,189
Provision for income taxes	15	142	108	392
Net income (loss)	$ (148)	$ 289	$ 91	$ 797
Earnings (loss) per common and common equivalent share	$ (0.78)	$ 1.48	$ 0.48	$ 4.13
Cash dividends declared per share of common stock	$ 0.17	$ 0.17	$ 0.51	$ 0.465

Cash Flows

Net cash provided by operating activities	$ 246	$ 1,135
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,696)	(914)
Purchases of short-term investments	(14)	(606)
Sales and maturities of short-term investments	195	801
Acquisition of business, net	(313)	--
Proceeds from sale of businesses	150	--
Net cash used in investing activities	(1,678)	(719)
Cash flows from financing activities:		
Additions to loans payable	162	42
Additions to long term debt	841	24
Payments on long term debt	(172)	(5)
Dividends paid on common stock	(97)	(78)
Sales and other common stock transactions	23	99
Other	(2)	1
Net cash provided by financing activities	755	83
Effect of exchange rate changes on cash	(11)	9
Net increase (decrease) in cash and cash equivalents	(688)	508
Cash and cash equivalents, January 1	1,364	760
Cash and cash equivalents, September 30	$ 676	$ 1,268

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

Balance Sheet	Sept. 30 1996	Dec. 31 1995
Assets		
Current assets:		
Cash and cash equivalents	$ 676	$ 1,364
Short-term investments	8	189
Accounts receivable, less allowance for losses of $62 million in 1996 and $45 million in 1995	2,174	2,320
Inventories:		
Raw materials	242	299
Work in process	728	607
Finished goods	293	434
Less progress billings	(260)	(205)
Inventories (net of progress billings)	1,003	1,135
Prepaid expenses	57	57
Deferred income taxes	474	453
Total current assets	4,392	5,518
Property, plant and equipment at cost	7,214	5,631
Less accumulated depreciation	(2,872)	(2,444)

Property, plant and equipment (net)	4,342	3,187
Deferred income taxes	220	229
Other assets	603	281
Total assets	$ 9,557	$ 9,215

Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 207	$ 27
Accounts payable	808	1,110
Accrued and other current liabilities	1,522	2,051
Total current liabilities	2,537	3,188
Long-term debt	1,677	804
Accrued retirement costs	877	801
Deferred credits and other liabilities	351	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 - 190,101,782; 1995 - 189,526,939	190	190
Paid-in capital	1,104	1,081
Retained earnings	2,875	2,881
Less treasury common stock at cost.		
Shares: 1996 - 139,813; 1995 - 138,129	(12)	(12)
Other	(42)	(45)
Total stockholders' equity	4,115	4,095
Total liabilities and stockholders' equity	$ 9,557	$ 9,215

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Notes to Financial Statements

Earnings (loss) per common and common equivalent share are based on average common and common equivalent shares outstanding (189.7 and 195.1 million shares for the third quarters of 1996 and 1995, and 191.8 and 193.3 million shares for the nine months ended September 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.

In the third quarter of 1996, the company acquired 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 cash payment, initially financed by a draw down on TI's existing line of bank credit, was permanently financed through the company's issuance on July 26 of $400 million of three- and four-year notes. As a result of this acquisition, the company took a one-time charge of $192 million in the third quarter for the value of acquired in-process R&D. There is no tax offset associated with this one-time charge.

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.

The statements of income, statements of cash flows and balance sheet at September 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 price declines of dynamic random access memory (DRAM) chips and lower royalties depressed financial performance for the Registrant (the "company" or "TI") during the third quarter of 1996.

In contrast, differentiated semiconductor products, led by digital signal processors (DSP) and mixed-signal products, achieved record revenues.

Financial Summary

Net revenues for the quarter were $2841 million, down 17 percent from the third quarter of 1995. The decrease resulted primarily from the continued decline in DRAM prices and lower royalty revenues.

Profit from operations for the third quarter, exclusive of a one-time charge of $192 million for in-process R&D associated with the purchase of Silicon Systems, Inc. (SSi), was $68 million, compared with $437 million in the third quarter of 1995. Including the charge, loss from operations for the third quarter was $124 million.

Income for the quarter was $44 million, compared with $289 million in the third quarter of 1995, or $0.23 per share, excluding the effect of the one-time SSi charge. Including this charge, net loss for the quarter was $148 million, or $0.78 per share.

In view of the current market environment and the need to keep costs in line with demand, TI is offering an enhanced voluntary retirement program to about 5300 eligible U.S.-based employees, effective until December 31, 1996. This program is expected to result in a fourth quarter 1996 charge based on the number of people who elect to participate.

Semiconductors

Average DRAM unit prices were down about 80 percent in the third quarter of 1996, compared with the year-ago period, and about 35 percent from the second quarter of 1996. Lower prices and the high level of fixed investment resulted in a loss in TI's memory operations, which was larger than in the second quarter of 1996.

Despite the major impact of lower DRAM prices, TI's semiconductor business remained profitable in the quarter, excluding the SSi charge.

TI's joint ventures, which share in the risks and rewards of DRAM production, helped reduce the effect of market volatility on TI, but were not able to fully comprehend the sharp decline in average unit price. Prices turned upward near the end of the quarter but not in time to affect quarterly results.

The financial results of SSi are included in this quarter. The integration of SSi's mixed-signal/analog business is proceeding faster than expected. This acquisition provides the opportunity to couple TI's digital signal processing leadership, manufacturing capacity and process technology with SSi's design capability and systems expertise.

In the third quarter of 1996, TI's Digital Signal Processing Solutions (DSPS) revenues were approximately 40 percent of the company's total semiconductor revenues, up substantially from a year ago. Differentiated product revenues approached two-thirds of the total.

TI is entering one of the most active periods of new product development in the history of its digital signal processing business. TI believes that its expanding range of DSP solutions and breakthrough technology will significantly increase the performance of customers' end equipment. Advances are also being made in value-added solutions for networking, mass storage and wireless communications, which will take advantage of TI's previously announced 0.18-micron process technology, TImeline(TM).

In the current market environment with uncertain near-term visibility, TI's semiconductor business continues its focus on operational excellence and productivity improvements to better align costs with demand.

Defense Systems & Electronics

Revenues in TI's defense systems and electronics business were up slightly over the year-ago period, and margins remained stable. The business continues to focus on operational excellence and cost reductions, as well as opportunities to leverage technologies into next-generation defense systems.

During the quarter, the Naval Sea Systems Command awarded TI a key contract for design and development of the Extended Range Guided Munitions (ERGM) Projectile. As winner of this competition, TI will have the opportunity to insert advanced technology for missile guidance into this program and continue the company's commitment to the production of cost-effective, precision-guided weapons. This munition, which uses low-cost global positioning system (GPS) guidance technology, has a market potential of more than $5 billion including future derivatives and international opportunities.

The U.S. Army also awarded TI's defense business a contract for low-rate production of the Improved Target Acquisition System (ITAS) program, a second-generation Forward-Looking Infrared (FLIR) system. This represents the successful transition from a 40-month development program into production.

Materials & Controls

In TI's materials and controls business, revenues and margins were up from the third quarter of 1995. The business continues to develop new electronics-based sensors for applications in automotive, appliance and industrial markets.

Personal Productivity Products

Revenues in TI's personal productivity products business were up more than 50 percent over the year-ago period, and up from the prior quarter, reflecting a stronger volume of notebook computers and back-to-school calculator shipments to retailers.

Volume shipments of TI's new line of TravelMate(TM) 6000 high-performance notebooks began during the quarter, and initial customer reaction has been favorable. The Extensa(TM) line of value-priced notebooks began to transition to the newly announced 600 series platforms in time for the fourth quarter selling season. Heavy product support and aggressive pricing on older models continued to negatively impact financial results.

TI recently completed the sale of certain assets of its worldwide printer and related supplies business to Genicom Corporation. This business contributed about $28 million in revenues to TI in the third quarter of 1996.

Emerging Opportunities

During the quarter, an expanded leadership team with extensive systems experience was announced in TI's digital imaging activity to make a successful transition from development to commercial implementation. This team will focus on overcoming production ramp-up challenges and achieving cost reductions in a very competitive marketplace. The business will continue to require high levels of sustained investment.

Texas Instruments Software continued its strategic direction of broadening the applications and user base for its development tools. During the quarter, the business announced Performer(TM), a department-level, model-based applications development tool that combines the ease-of-use of visual programming tools with the integrity of client/server enterprise systems.

Summary

TI's plans for 1997 are being based on moderate recovery in the world semiconductor market, following an expected decline of about 10 percent in 1996 due to the precipitous drop in DRAM prices. In recent weeks, DRAM prices have turned up, reflecting inventory depletion and customers' anticipation of seasonally stronger PC sales. In addition, the average memory content per computer is escalating because of demand for 32 megabyte systems, as customers take advantage of lower prices. While these developments may be favorable for the longer term, the DRAM market is likely to remain volatile for the near term.

TI is taking several actions to improve its longer-term performance, including the voluntary retirement program that is being offered in most U.S. TI businesses and support areas.

TI plans to significantly reduce capital spending in 1997, following the completion of the exceptionally high level of investment required in 1996 to build the base for advanced logic and mixed-signal manufacturing and new R&D facilities in Dallas. These actions will have a positive impact on cash flow in 1997 and will allow TI to flexibly add manufacturing capacity to meet future customer demand.

Additional Financial Information

Segment	Change in orders, 3Q96 vs. 3Q95	Change in net revenues, 3Q96 vs. 3Q95
Components	down 30%	down 25%
Defense Systems and Electronics	down 4%	up 4%
Digital Products	down 14%	up 2%
Total	down 24%	down 17%

Segment	Change in orders, YTD96 vs. YTD95	Change in net revenues, YTD96 vs. YTD95
Components	down 29%	down 14%
Defense Systems and Electronics	up 3%	up 2%
Digital Products	down 1%	up 9%
Total	down 22%	down 8%

TI's orders for the third quarter of 1996 were $2560 million, compared with $3390 million in the same period of 1995. Lower semiconductor orders, driven primarily by the sharp decline in DRAM prices, accounted for the majority of the decrease in the components segment. Semiconductor orders were up from the second quarter 1996, reflecting higher memory orders and the SSi acquisition. The decrease in defense electronics orders resulted primarily from reduced High-speed Antiradiation Missile (HARM) volume. The decrease in digital products orders was due to the effect of the divestiture of the custom manufacturing services business in the first quarter of 1996.

TI's revenues for the third quarter of 1996 were $2841 million, compared with $3425 million in the third quarter of 1995. The decrease in components segment revenues resulted primarily from lower semiconductor revenues, attributable to the drop in DRAM prices, and lower royalties.

Operating profit for the third quarter of 1996 was $68 million, excluding the $192 million in-process R&D charge associated with the SSi acquisition, compared with a $437 million profit from operations in the year-ago period. Operating loss for the third quarter 1996 including the SSi charge was $124

million. Components segment results were down significantly, primarily due to the precipitous drop in DRAM prices, the one-time, in-process R&D charge and lower royalties. The digital segment was profitable, as the effect of royalties more than offset losses in mobile computing.

For the first nine months of 1996, TI's orders were $7970 million, down 22 percent from the first nine months of 1995. The decrease in components segment orders reflected the sharp decline in DRAM prices. The slight increase in defense segment orders was due to volume increases in newer programs offsetting the decline in HARM volume. In the digital segment, increased orders for notebook computers offset the order decline from the sale of TI's custom manufacturing services business.

Net revenues for the first nine months of 1996 were $8761 million, down eight percent from $9525 million in the first nine months of 1995. The decrease in components segment revenues reflected lower semiconductor revenues, primarily from the sharp drop in DRAM prices and lower royalties. The increase in digital segment revenues was from notebook computers, which more than offset the effect of the divestiture of custom manufacturing services.

Excluding the SSi charge, TI's profit from operations for the first nine months of 1996 was $360 million, compared with $1185 million in the first nine months of 1995. Essentially all the decrease was in semiconductors and royalties. Profit from operations including the SSi charge was $168 million. The first nine months of 1995 included a profit sharing accrual of $242 million. There is no year-to-date accrual for profit sharing in 1996.

Earnings per share for the nine months ended September 30, 1996, exclusive of the SSi charge, were $1.46, versus $4.13 for the year-ago period. Including the SSi charge, earnings per share for the same nine-month period were $0.48.

During the first three quarters of 1996, cash and cash equivalents plus short-term investments decreased by $869 million to $684 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 $1696 million for the first three quarters, and the sale of TI's custom manufacturing business generated $132 million of cash in the first half of 1996. In the third quarter, TI acquired SSi 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, initially financed by a draw down on TI's existing line of bank credit, was permanently financed through the company's issuance on July 26 of $400 million of three- and four-year notes.

The outstanding balance of commercial paper was $150 million at the end of the third quarter, up from $72 million at the end of the second quarter and zero at the end of 1995. Other financing activities included the first quarter issuance of $300 million of 6.125 percent notes due 2006; the balance increase of Italian lira mortgage notes of $102 million in the second quarter; and the August 28 redemption, at par, of $150 million of nine percent notes due 1999. At September 30, 1996, the debt-to-total-capital ratio was .31, up from .23 at second quarter's end, and .17 at year-end 1995.

Royalty revenues were $117 million lower in the third quarter of 1996 than in the year-ago period. The decrease is primarily due to the previously reported expiration of patent licenses, principally the license with Samsung Electronics Co., Ltd., with which the company remains in litigation. Negotiations continue with other companies for renewal of expired licenses.

However, these negotiations by their nature are not predictable as to outcome or timing.

TI's backlog of unfilled orders as of September 30, 1996, was $3784 million, down $751 million from the end of last year's third quarter. Backlog is down $744 million from year-end 1995, primarily because of decreases in semiconductors and defense systems and electronics, and down $141 million from the end of the second quarter of 1996, primarily because of lower backlog in defense electronics.

Excluding the SSi charge, TI-funded R&D expense was $274 million in the third quarter of 1996, compared with $221 million in the same period of 1995. For the first nine months of 1996, excluding the SSi charge, TI-funded R&D was $791 million, compared with $648 million for the first nine months of 1995. The increases were driven primarily by investments in semiconductors. Including the charge, R&D expense for the three-month and nine-month periods was $466 million and $983 million.

Capital expenditures in the third quarter of this year were $534 million, compared with $392 million in the third quarter of 1995, and $1696 million for the first nine months of 1996, compared with $914 million in the first nine months of 1995. Capital expenditures for 1996 are projected to be about $2.3 billion.

Depreciation in the third quarter of 1996 was $265 million, compared with $192 million in the third quarter of 1995, and $687 million for the first nine months of 1996, compared with $551 million in the same period of 1995.

Return on invested capital (ROIC) and return on common equity (ROCE) are measures TI uses to monitor progress in building shareholder value. Excluding the SSi charge, for the four quarters ending September 30, 1996, ROIC was 10.7 percent, and ROCE was 14.4 percent. Including the one-time charge, ROIC for the same period was 7.1 percent, and ROCE was 9.6 percent. For the four quarters ending September 30, 1995, ROIC was 23.3 percent, and ROCE was 29.3 percent.

Trademarks: TImeline, TravelMate, Extensa and Performer are trademarks of Texas Instruments Incorporated.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

As previously discussed in Item 3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (the "Form 10-K"), on January 1, 1996, the Registrant filed three lawsuits in Federal District Court for the Eastern District of Texas against Samsung Electronics Company, Ltd. (Samsung) of Korea and its two U.S. subsidiaries. In each of these cases, the Registrant is seeking injunctive relief and damages due to Samsung's infringement of several of the Registrant's patents relating to the manufacture of semiconductor devices, including DRAMs. Also as previously discussed in the Form 10-K, on January 1, 1996, Samsung filed a lawsuit in Federal District Court for the Northern District of Texas seeking injunctive relief against the Registrant, alleging that the Registrant is infringing several of Samsung's patents, and seeking a declaratory judgment that certain of the Registrant's patents are either invalid, not infringed or unenforceable against Samsung, and that certain of the Registrant's intellectual property licensing practices are unfair. Since that date, Samsung has voluntarily dismissed this case and replead many of these claims as counter-claims against the Registrant in the pending cases filed by the Registrant in the Eastern District of Texas. Samsung has also alleged as a counter-claim in the Eastern District of Texas that the Registrant's intellectual property licensing practices violate federal anti-trust laws.

On September 13, 1996, Samsung filed a lawsuit against Registrant in the District Court for Angelina County, Texas. Samsung alleges that although Registrant participated in developing certain industry standards, Registrant failed to disclose to the committees developing those standards issued patents and pending patent applications covering the standards. Samsung alleges further that Registrant's attempt to enforce those patents violates state anti-trust law and unfair competition law and constitutes a breach of Registrant's fiduciary duty and fraud. Samsung is seeking an implied license to all of Registrant's patents and an unspecified amount of damages. Samsung has also filed a motion for a temporary injunction, seeking to force Registrant to disclose all pending patent applications covering proposed standards prior to those standards being voted on by standards setting committees. Samsung's temporary injunction motion also seeks to preclude Registrant from enforcing certain of Registrant's patents, which Samsung alleges cover the Semiconductor Equipment Manufacturers International Standard relating to communications between machines.

Other litigation between Samsung and the Registrant was discussed in Item 1 of the Registrant's Form 10-Q for the quarter ended March 31, 1996.

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

(a) Exhibits

Designation of Exhibits in this Report	Description of Exhibit
10	Texas Instruments Incorporated Top Officer and Board Member Retirement Practices.*
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

None.

* Executive compensation plans and arrangements: Texas Instruments Incorporated Top Officer and Board Member Retirement Practices.

"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, commercialization of new technologies, 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: October 17, 1996

Exhibit Index

Designation of Exhibits in this Report	Description of Exhibit	Paper (P) or Electronic (E)
10	Texas Instruments Incorporated	E

	Top Officer and Board Member Retirement Practices.	
11	Computation of Primary and Fully Diluted Earnings per Common and Common Equivalent 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

EXHIBIT 10

Adopted: 11-28-73
Revised: 09-19-96

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

The need for an orderly succession of top TI officers is expressed in the Statement of Policy entitled "Assurance of Organizational Health". As a stimulus to the desired succession, this Statement of Policy provides for optional early retirement of some officers and mandatory retirement of all officers and Board members in accordance with government age discrimination regulations.

A. POLICY

1. Retirement of all TI officers for whom it is permitted by the Age Discrimination in Employment Act is mandatory at age 65.

2. A Board member will not be eligible to stand for reelection to the Board after attaining age 70.

3. The Board of Directors may make available to certain top officers the option to retire at or any time after attaining age 58. This option is separate from and in addition to the early retirement provisions in the TI Employees Pension Plan applicable to all personnel. Those eligible will include the Chairman of the Board, the President, the Vice Chairmen, and other personnel specified by the Board. In determining such eligibility, the Board will ordinarily review all employees in job grades specified by the Board. However, a few individuals not in such job grades may also be offered the early retirement option. The Board may specify minimum lengths of service as a condition of eligibility. Officers other than the Chairman, the President and the Vice Chairmen will be advised of their forthcoming eligibility at any time after the Board has acted to make the option available to them (usually after attaining age 53). Individuals other than the Chairman, the President and the Vice Chairmen to whom the option may be offered will be recommended to the Board by the Compensation Committee upon the suggestion from the Chairman and President.

   Anyone electing optional early retirement will enter into an Early Retirement Agreement, which includes a non-compete clause, and will receive Supplemental Early Retirement Compensation, determined in accordance with Appendix A made a part of this statement of policy.

a. Advising Officers of Early Retirement Options. It will be the responsibility of the Chairman to ensure that any individual receiving an early retirement option from the Board is so advised by the officer to whom the individual is responsible in written form acceptable to the Secretary of the Company.

b. Compensation and Benefits for a Top Officer Exercising Early Retirement. In addition to the benefits to which a retiree is entitled under current and future TI benefit programs, an officer who exercises his or her option to retire early, at age 58 or some older age, will receive compensation under an Early Retirement Agreement which provides for supplemental early retirement payments determined in accordance with Appendix A attached hereto.

c. Early Retirement Agreement. An agreement which includes a non-compete clause will be entered into with each top officer when he or she elects early retirement. Such agreement will be substantially in the form provided in Appendix B attached hereto, with such changes as may be approved by the Chief Executive Officer and counsel for TI, provided that, the Chairman of the Board shall approve changes in, and shall execute, agreements with Vice Chairmen. Determinations of whether an activity is or is reasonably expected to be competitive with TI and whether there would be significant harm to TI from such competition shall be made by the Chief Executive Officer of TI or his designee after consulting with counsel for the Company. It will be the responsibility of the Secretary of the Company to make periodic appropriate inquiries and advise the Board that the non-compete clause is not violated.

d. Initiation of Optional Early Retirement. An individual who elects optional early retirement will be responsible for advising in written form, acceptable to the Secretary of the Company, the officer to whom he or she reports of his or her intended date of early retirement. Such advice should precede the date of retirement to accomplish sufficiently an orderly succession.

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

APPENDIX A
TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

SUPPLEMENTAL EARLY RETIREMENT PAYMENTS

Those employees who are designated by the Board for entitlement to supplemental early retirement payments are entitled to the following upon retirement in accordance with the Top Officer and Board Member Retirement Practices statement of policy:

1. Retirement income from TI Employees Pension Trust calculated in full compliance with the provisions of the TI Employees Pension Plan in effect at the time of retirement.

2. Retiree medical insurance for the retirees and their eligible dependents as described in the TI Retiree Medical Insurance Certificate in effect at the time of retirement.

3. Benefits under any other programs to which they may become entitled in the future as retirees.

4. Supplemental early retirement payments as described below.

Determination of Supplemental Early Retirement Payments

Calculation of this payment results from the following:

Normal retirement annual benefit at age 65, as defined below
times
Reduction percentage appropriate to attained age at early retirement from reduction percentage table below
minus
Early retirement annual benefit from the TI Employees Pension Trust, as defined below
equals
Annual supplemental early retirement payment for life.

Normal retirement annual benefit at age 65 is the benefit which would have been payable to an individual retiring at age 65 and electing the option of annual payment for life from the TI Employees Pension Trust, assuming the top officer would have continued to work to age 65 at a rate of compensation equal to the average annual eligible earnings during his or her last three years before retiring.

Reduction percentage appropriate to attained age at early retirement is:

Age	Percentage Appropriate to Attained Age
58	89.5%
59	91.0
60	92.5
61	94.0
62	95.5
63	97.0
64	98.5
65	100.0

Early retirement annual benefit from TI Employees Pension Trust is the annual retirement benefit for an individual electing the option of single life annuity annual payments for life from the TI Employees Pension Trust payable at the individual's early retirement date.

Although the annual supplemental early retirement payment from the calculation above represents the annual payment payable for life, the employee may, at his or her option, choose to have the benefit paid through age 68. This adjusted amount is calculated as follows:

(1) Convert the annual payment if paid for life to a present value lump sum amount using the same lump sum conversion provision that is used for converting an annual pension payment for life to a lump sum payment for the TIer under the TI Pension Plan in effect at the time of retirement.

(2) Convert the lump sum amount from (1) above to annual payment under early retirement agreement by multiplying the lump sum amount by the following factor:

$$\frac{I\,(1 + I)^{N}}{(1 + I)^{N-1}}$$

Where

I = The annual interest rate used in the lump sum conversion table described in (1) above.

N = One-twelfth of the number of whole calendar months which will expire between the date of the individual's retirement and the TIer's 69th birthday (N may be an improper fraction).

The payments, whether paid for life or through age 68, are converted to monthly payments by dividing the annual payment by 12.

If a retiree elects payments through age 68 and should die before attaining age 69, such payments shall be made to his or her heirs, legatees, distributees, or personal representatives as if retiree were still living.

If a retiree elects payments for life, he or she may elect a 50% joint and survivors payment which will be computed by use of the factors in use for computation of the joint and survivor annuity normal form of benefit payable under the TI Employees Pension Plan at the TIer's early retirement date.

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

APPENDIX B

TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

Those employees who have been offered and elected optional early retirement under the Top Officer and Board Member Retirement Practices statement of policy will enter into an early retirement agreement, a sample of which is as follows:

EARLY RETIREMENT AGREEMENT

This Agreement, made this day of , 19 , by Texas Instruments Incorporated (hereinafter "TI") and (hereinafter "Retiree") witnesseth:

Recitals

A. Retiree has been employed by TI for approximately years and has acquired sensitive information concerning TI's business and financial policies, practices and plans;

B. Retiree is eligible for early retirement pursuant to the terms of TI's pension plan and expects to take early retirement on , 19 , at which time Retiree will be entitled to retirement benefits including profit sharing and pension benefits;

C. TI desires Retiree to refrain from competition with TI after retirement;

D. Retiree is willing to refrain from competition with TI in accordance with the terms hereof.

Covenants

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. From the date hereof through * Retiree shall not, without the prior approval of TI, (i) as partner, director, officer, employee or consultant, engage in any activity which is or is reasonably expected to be competitive to TI; (ii) have an ownership interest in any such competing or potentially competing business whose stock is not publicly traded; or (iii) own more than five percent of the outstanding stock in any such competing or potentially competing business whose stock is publicly traded. It is the intent of the Retiree and TI to limit the instances in which this paragraph will prohibit Retiree from participating in economic activities which might be in competition with TI to those activities which would cause significant harm to TI.

* Date immediately prior to date of 69th birthday.

2. TI shall pay to Retiree monthly payments of $ each beginning on , 19 , and ending with a final payment on , 19 . This is in addition to any benefits payable under TI's Pension Plan or other benefit plan. If Retiree should die prior to attaining age 69, payment shall be made to Retiree's heirs, legatees, distributees, or personal representatives as if Retiree were still living.

3. Retiree and TI agree that if Retiree, during retirement, engages in any business activity which competes substantially with the business of TI, the Retiree shall forfeit all rights to any future payments he or she would have received under this agreement. The TI Board of Directors will in its sole and absolute discretion determine at any time what business activities compete substantially with the business of TI and also may waive the provisions of this paragraph.

4. Retiree shall not be an employee of TI hereunder. Retiree shall upon request of TI, unless prevented by valid reasons such as health, act as a consultant to TI as an independent contractor for such periods of time (not exceeding the equivalent of days per year) as TI shall request, at such rates of compensation as TI and Retiree shall mutually agree upon.

5. Retiree shall keep confidential, shall not use for his or her own benefit and shall not disclose to others any nonpublic TI information learned by Retiree in the course of his or her activities as a former employee of TI.

IN WITNESS WHEREOF, the parties hereto have executed these presents on the date set forth above.

TEXAS INSTRUMENTS INCORPORATED

By_______________________________

Retiree

EXHIBIT 11

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 Nine Months Ended	
	Sept 30 1996	Sept 30 1995	Sept 30 1996	Sept 30 1995
Net income (loss)	$(147,574)	$288,661	$ 91,258	$796,884
Add:				
Interest, net of tax and profit sharing effect, on convertible debentures assumed converted	--	416	--	1,233
Adjusted net income (loss)	$(147,574)	$289,077	$ 91,258	$798,117
Earnings (loss) per Common and Common Equivalent Share:				
Weighted average common shares outstanding	189,723	188,300	189,565	187,070
Weighted average common equivalent shares:				
Stock option and compensation plans	--	3,804	2,280	3,273
Convertible debentures	--	2,975	--	2,980
Weighted average common and common equivalent shares	189,723	195,079	191,845	193,323
Earnings (loss) per Common and Common Equivalent Share	$ (0.78)	$ 1.48	$ 0.48	$ 4.13
Earnings (loss) per Common Share Assuming Full Dilution:				
Weighted average common shares outstanding	189,723	188,300	189,565	187,070
Weighted average common equivalent shares:				
Stock option and compensation plans	--	4,014	2,662	4,283
Convertible debentures	--	2,975	--	2,980
Weighted average common and common equivalent shares	189,723	195,289	192,227	194,333
Earnings (loss) per Common Share Assuming Full Dilution	$ (0.78)	$ 1.48	$ 0.47	$ 4.11

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)

						For Nine Months Ended Sept 30	
	1991	1992	1993	1994	1995	1995	1996
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	$1,236	$ 258
Add interest attributable to rental and lease expense	43	42	38	40	41	31	34
	$ (207)	$ 475	$ 793	$1,138	$1,720	$1,267	$ 292
Fixed charges:							
Total interest on loans (expensed and capitalized)	$ 59	$ 57	$ 55	$ 58	$ 69	$ 53	$ 75
Interest attributable to rental and lease expense	43	42	38	40	41	31	34
Fixed charges	$ 102	$ 99	$ 93	$ 98	$ 110	$ 84	$ 109
Combined fixed charges and preferred stock dividends:							
Fixed charges	$ 102	$ 99	$ 93	$ 98	$ 110	$ 84	$ 109
Preferred stock dividends (adjusted as appropriate to a pretax equivalent basis)	34	55	29	--	--	--	--
Combined fixed charges and preferred stock dividends	$ 136	$ 154	$ 122	$ 98	$ 110	$ 84	$ 109
Ratio of earnings to fixed charges	*	4.8	8.5	11.6	15.6	15.1	2.7
Ratio of earnings to combined fixed charges and preferred stock dividends	**	3.1	6.5	11.6	15.6	15.1	2.7

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

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

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

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9-MOS
DEC-31-1996
SEP-30-1996
676
8
2,174
62
1,003
4,392
7,214
2,872
9,557
2,537
1,677
0
0
190
3,925
9,557
8,761
8,761
6,322
6,322
983
0
48
199
108
91
0
0
0
91
.48
0