

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, 1997

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 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  No

191,700,282

Number of shares of Registrant's common stock outstanding as of June 30, 1997

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 1997	June 30 1996	June 30 1997	June 30 1996
Income				
Net revenues.....	\$ 2,559	\$ 2,399	\$ 4,823	\$ 5,074
Operating costs and expenses:				
Cost of revenues.....	1,597	1,722	3,069	3,611
Research and development.....	280	235	520	478
Marketing, general and administrative.....	395	402	776	799
Total.....	2,272	2,359	4,365	4,888
Profit from operations.....	287	40	458	186
Other income (expense) net.....	83	9	94	65

Interest on loans.....	26	12	51	24
	-----	-----	-----	-----
Income before provision for income taxes.....	344	37	501	227
Provision (credit) for income taxes.....	120	(4)	175	54
	-----	-----	-----	-----
Income from continuing operations.....	224	41	326	173
Income from discontinued operations.....	25	35	52	66
	-----	-----	-----	-----
Net income.....	\$ 249	\$ 76	\$ 378	\$ 239
	=====	=====	=====	=====
Earnings per common and common equivalent share:				
Continuing operations.....	\$ 1.13	\$ 0.21	\$ 1.65	\$ 0.89
Discontinued operations.....	0.13	0.18	0.27	0.34
	-----	-----	-----	-----
Net income.....	\$ 1.26	\$ 0.39	\$ 1.92	\$ 1.23
	=====	=====	=====	=====
Cash dividends declared per share of common stock.....	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34
Cash Flows				
-----				
Continuing Operations:				
Net cash provided by operating activities.....			\$ 822	\$ 93
Cash flows from investing activities:				
Additions to property, plant and equipment.....			(562)	(1,122)
Purchases of short-term investments.....			(634)	(10)
Sales and maturities of short-term investments.....			117	160
Proceeds from sale of businesses.....			177	132
			-----	-----
Net cash used in investing activities.....			(902)	(840)
Cash flows from financing activities:				
Payments on loans payable.....			(300)	(2)
Additions to long-term debt.....			27	417
Dividends paid on common stock.....			(65)	(64)
Sales and other common stock transactions.....			68	6
Other.....			-	57
			-----	-----
Net cash provided by (used in) financing activities.....			(270)	414
Effect of exchange rate changes on cash.....			(14)	(13)
			-----	-----
Cash used in continuing operations.....			(364)	(346)
			-----	-----
Discontinued Operations:				
Operating activities.....			73	-
Investing activities.....			(16)	(40)
			-----	-----
Cash provided by (used in) discontinued operations.....			57	(40)
			-----	-----
Net decrease in cash and cash equivalents.....			(307)	(386)
Cash and cash equivalents, January 1.....			964	1,364
			-----	-----
Cash and cash equivalents, June 30.....			\$ 657	\$ 978
			=====	=====

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

Balance Sheet	June 30 1997	Dec. 31 1996
-----	-----	-----
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 657	\$ 964
Short-term investments.....	534	14
Accounts receivable, less allowance for losses of \$68 million in 1997 and \$90 million in 1996.....	1,769	1,799
Inventories:		
Raw materials.....	108	111

Work in process.....	356	361
Finished goods.....	273	231
	-----	-----
Inventories.....	737	703
	-----	-----
Prepaid expenses.....	55	50
Deferred income taxes.....	427	395
Net assets of discontinued operations.....	524	529
	-----	-----
Total current assets.....	4,703	4,454
	-----	-----
Property, plant and equipment at cost.....	6,994	6,712
Less accumulated depreciation.....	(2,874)	(2,550)
	-----	-----
Property, plant and equipment (net).....	4,120	4,162
	-----	-----
Deferred income taxes.....	163	192
Other assets.....	401	552
	-----	-----
Total assets.....	\$ 9,387	\$ 9,360
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt.....	\$ 52	\$ 314
Accounts payable.....	748	775
Accrued and other current liabilities.....	1,342	1,397
	-----	-----
Total current liabilities.....	2,142	2,486
	-----	-----
Long-term debt.....	1,667	1,697
Accrued retirement costs.....	734	719
Deferred credits and other liabilities.....	381	361
	-----	-----
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: 1997 - 191,856,607; 1996 - 190,396,797.....	192	190
Paid-in capital.....	1,183	1,116
Retained earnings.....	3,127	2,814
Less treasury common stock at cost.		
Shares: 1997 - 156,325; 1996 - 143,525.....	(13)	(12)
Other.....	(26)	(11)
	-----	-----
Total stockholders' equity.....	4,463	4,097
	-----	-----
Total liabilities and stockholders' equity.....	\$ 9,387	\$ 9,360
	=====	=====

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 (198.5 and 194.6 million shares for the second quarters of 1997 and 1996, and 197.8 and 194.4 million shares for the six months ended June 30, 1997 and 1996). 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.

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

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

On July 11, 1997, the sale of TI's defense business was closed with Raytheon

Company for \$2.95 billion in cash. The net gain from this sale, after taxes and transaction costs, will be approximately \$1.5 billion and will be included in discontinued operations in the company's third-quarter 1997 report.

Accounting policy on derivatives: Net currency exchange gains and losses from forward currency exchange contracts to hedge net balance sheet exposures are charged or credited on a current basis to other income (expense) net. Gains and losses from forward currency exchange contracts to hedge specific transactions are deferred and included in the measurement of the related transactions. Gains and losses from interest rate swaps are included on the accrual basis in interest expense. Gains and losses from terminated forward currency exchange contracts and interest rate swaps are deferred and recognized consistent with the terms of the underlying transaction.

The statements of income, statements of cash flows and balance sheet at June 30, 1997, 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.

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

Higher operating margins and strong revenues for semiconductors, especially in digital signal processing solutions, drove substantial improvement in profitability in the second quarter of 1997 for the Registrant (the "company" or "TI").

TI's operating margin, excluding a special charge, increased in the quarter to 13 percent, compared with the year-ago level of 2 percent. From the first quarter of 1997, TI's operating margin increased 3 percentage points, excluding special charges in both quarters. Improvement in semiconductor operating margin was the major factor in these changes.

During the quarter, TI made progress in its strategy to strengthen its leadership in digital signal processing solutions, a market that the company expects will reach \$50 billion over the next decade. This progress was reflected in the broad market acceptance of TI's newest digital signal processor, the TMS320C6x. A majority of the major Internet access equipment providers has chosen the 'C6x for their advanced designs. Total design-ins are growing at a rate faster than any previous generation of digital signal processors. Additionally, TI completed the divestitures of the software, telecommunications systems and multipoint systems businesses in order to focus resources on digital signal processing solutions.

NOTE: On July 11, the sale of TI's defense business was closed with Raytheon Company for \$2.95 billion in cash. The net proceeds have been placed in short-term interest-bearing money market securities and will contribute to interest income. The net gain of approximately \$1.5 billion, after taxes and transaction costs, will be included in the company's third-quarter 1997 results. Throughout this report, the defense operation is reported as a discontinued business.

## FINANCIAL SUMMARY

Revenues for the second quarter of 1997 were \$2559 million, up 7 percent from the year-ago period, primarily because of strong semiconductor demand, particularly for TI's digital signal processing solutions. Financial results in the second quarter of 1996 included revenues from TI businesses that have since been sold, primarily mobile computing and printers.

Results for the current quarter also include two special pretax items: an operating charge of \$44 million for the termination of joint-venture agreements in Thailand, and a \$66 million gain from the sale of three TI businesses, the largest of which was software.

Additionally, second quarter 1997 results include an accrual of \$32 million for profit sharing. No accrual was taken in the first quarter of 1997. Results also include catch-up royalties from two new semiconductor patent cross-license agreements.

Excluding the two special items, earnings per share (EPS) from continuing operations were \$1.07. Including the special items, EPS from continuing operations were \$1.13, compared with \$0.21 in the year-ago period. EPS from discontinued operations were \$0.13, compared with \$0.18 in the

Net income from continuing operations, excluding the special items, was \$213 million versus \$41 million in the second quarter of 1996. Including the special items, net income was \$224 million. Net income from discontinued operations was \$25 million versus \$35 million in the second quarter of 1996.

Profit from operations (PFO) from continuing operations, excluding the operating charge, was \$336 million versus \$40 million in the year-ago period. Including the operating charge, PFO from continuing operations was \$287 million.

#### SEMICONDUCTOR

In the second quarter of 1997, semiconductor orders grew 72 percent over the prior-year level, which had been affected by an unusually sharp decline in prices for dynamic random access memories (DRAMs). Compared with the first quarter of 1997, semiconductor orders, excluding memories, were up. Digital signal processing solutions again reached record levels, with particular strength in wireless communications and networking end-equipment markets. Orders for DRAMs were lower, which caused total semiconductor orders to be flat compared with the first quarter.

Semiconductor revenues were up 17 percent from the second quarter of 1996, and up 10 percent from the first quarter of 1997. The major portion of the increase was due to higher sales of digital signal processing solutions, which represent more than 40 percent of total semiconductor revenues. With the completed divestitures, semiconductor now constitutes about 80 percent of TI's total revenues.

Semiconductor PFO increased fourfold versus the year-ago quarter, and more than 45 percent versus the first quarter of 1997, excluding special charges. Solid gains were made in manufacturing productivity. Semiconductor operating margin increased 10 percentage points from a year ago, and was up 4 percentage points from the first quarter of 1997.

The loss in DRAMs narrowed for the third consecutive quarter. However, pricing pressures increased in the latter part of the quarter, keeping pressure on the DRAM business in the near term.

#### MATERIALS & CONTROLS

Revenues and PFO in TI's materials and controls business were at record levels in the second quarter of 1997, up 5 percent and 46 percent, respectively, from the year-ago period. Operating margin increased nearly 3 percentage points from the first quarter of 1997 and was at solid double-digit levels in the second quarter.

Increased demand for TIRIS(TM) radio frequency identification systems was a major factor in the strong growth in orders in materials and controls. Since the beginning of the year, this business has completed shipment of more than 800,000 TIRIS key tags to Mobil USA as part of Mobil's gas pump point-of-sale program, called Speedpass(TM).

#### CALCULATORS

Revenues for this business were 19 percent higher in the second quarter of 1997 compared with the year-ago period, and PFO was up 16 percent. The improvement was due to strength in graphing calculators. This business typically delivers peak financial performance in the second and third quarters, due primarily to the school-year cycle.

Also in the second quarter, the calculator business strengthened its focus on geographic expansion by extending the Teachers Teaching with Technology program to Europe, Asia and Latin America. This program promotes the adoption and effective use of TI calculators in math and science curricula.

#### DIGITAL IMAGING

TI continues to reduce costs in digital imaging as this operation transitions

from a research and development phase into a very competitive market environment. During the quarter, several projector manufacturers demonstrated a wide range of new products based on TI's technology. Efforts continue to resolve production start-up problems on home entertainment projection systems.

#### SUMMARY

In the second quarter, end-equipment manufacturers continued to tightly control inventories. TI's latest survey of U.S. customers shows that semiconductor inventories decreased to a record low level of 2.4 weeks, down from 2.5 weeks in the previous quarter.

Growth in the market for digital signal processors remains strong -- at about 30 percent annually. Volatility in the DRAM market is expected to continue in the near term, although the bit growth rate remains above 90 percent.

TI's outlook for longer-term semiconductor market growth remains positive, and plans for 1997 continue to be based on a moderate market recovery. As a result, TI expects capital expenditures in 1997 to be at or slightly above the previous forecast of \$1.1 billion.

#### Additional Financial Information

Segment -----	Change in orders, 2Q97 vs. 2Q96 -----	Change in net revenues, 2Q97 vs. 2Q96 -----
Components	up 66%	up 19%
Digital Products	down 45%	down 47%
Total	up 38%	up 7%

Segment -----	Change in orders, 1H97 vs. 1H96 -----	Change in net revenues, 1H97 vs. 1H96 -----
Components	up 30%	up 7%
Digital Products	down 57%	down 60%
Total	up 13%	down 5%

TI's orders for the second quarter of 1997 were \$2657 million, compared with \$1927 million in the same period of 1996. The increase in the components segment was due primarily to a substantial increase in orders for digital signal processing solutions, along with improvement in memory orders. In the digital products segment, orders were down, primarily due to the sale of TI's mobile computing and printer businesses.

TI's revenues for the second quarter of 1997 were \$2559 million, compared with \$2399 million in the same period of 1996. The increase in components segment revenues resulted primarily from increased sales of digital signal processing solutions and higher royalties. Digital products revenues were down,

primarily due to the sale of TI's mobile computing and printer businesses.

PFO from continuing operations for the second quarter was \$287 million, compared to \$40 million in the second quarter of 1996. The increase is primarily due to higher semiconductor revenues and margins, higher royalties, and the absence of losses in mobile computing.

As previously announced, during the quarter TI entered into ten-year cross-licensing agreements with NEC Corporation of Japan and Vanguard International Semiconductor Corporation. The agreement with Vanguard is the first semiconductor patent agreement between TI and a Taiwanese company other than TI's joint venture with the Acer Group.

Components segment profit was up considerably over the second quarter of 1996, primarily due to higher semiconductor revenues and margins and increased royalties. The digital products segment was profitable for the quarter primarily due to the absence of losses in mobile computing.

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For the first six months of 1997, TI's orders were \$5157 million, compared with \$4563 million for the first six months of 1996. The increase in components segment orders resulted from strong demand for digital signal processing solutions, as well as improvements in all other product areas. The digital products segment orders were down significantly due to the sale of the mobile computing, custom manufacturing and printer businesses.

Net revenues for the first half of 1997 were \$4823 million, compared with \$5074 million in the first half of 1996. The increase in component segment revenue resulted from higher semiconductor revenues and higher royalties. The decrease in digital products segment revenue was due primarily to the sale of TI's mobile computing, custom manufacturing and printer businesses.

TI's PFO from continuing operations for the first six months of 1997 was \$458 million, compared with \$186 million in the first half of 1996. The increase was primarily from higher semiconductor profits due to improved margins and increased revenues and higher semiconductor royalty revenues. The moderate digital products segment increase was due primarily to the absence of losses in mobile computing.

Net income from continuing operations for the first half of 1997 was \$326 million, compared with \$173 million in the first six months of 1996. Earnings per share were \$1.65, compared with \$0.89.

The income tax rate for the first half of 1997 was 35 percent, which is the current estimate of the rate for the full year.

During the first six months of 1997, cash and cash equivalents plus short-term investments increased by \$213 million to \$1191 million. Cash flow from operating activities net of additions to property, plant and equipment was \$260 million. Capital expenditures during the first half of 1997 totaled \$562 million, and the sale of three TI businesses generated \$177 million of cash in the second quarter. On July 11, 1997, Raytheon Company purchased the assets of TI's defense operations for \$2.95 billion in cash. The net proceeds have been placed in short-term interest-bearing money market securities. TI intends to use the cash to strengthen its focus on digital signal processing solutions.

The outstanding balance of commercial paper was reduced from \$300 million to zero during the second quarter. The debt-to-total-capital ratio was .28, down from the year-end 1996 value of .33.

TI's backlog of unfilled orders as of June 30, 1997, was \$1917 million, up \$225 million from the second quarter of 1996 and up \$57 million from the first quarter of 1997. The increase was primarily due to semiconductor.

TI's R&D was \$280 million in the second quarter of 1997, compared with \$235 million in the second quarter of 1996. R&D for the first six months of 1997 was \$520 million, compared with \$478 million in the first half of 1996. R&D for the full year is expected to be \$1.1 billion.

Capital expenditures in the second quarter of this year were \$337 million, compared with \$598 million in the second quarter of 1996 and \$562 million for the first half of 1997, compared with \$1122 million for the first six months of 1996.

Depreciation in the second quarter of 1997 was \$274 million, compared with \$212 million in the second quarter of 1996, and \$519 million for the first six months of 1997, compared with \$385 million for the same period of 1996. Depreciation for the total year is projected at \$1.1 billion.

PART II - OTHER INFORMATION

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

At the Annual Meeting of Stockholders held on April 17, 1997, in addition to the election of directors, the stockholders voted upon the two board proposals contained in the Registrant's Proxy Statement dated March 7, 1997.

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

Nominee -----	For ---	Withheld -----
James R. Adams	168,330,929	918,941
David L. Boren	168,088,991	1,160,879
James B. Busey IV	168,338,006	911,864
Thomas J. Engibous	168,186,802	1,063,068
Gerald W. Fronterhouse	168,018,560	1,231,310
David R. Goode	168,363,019	886,851
Gloria M. Shatto	168,342,878	906,992
William P. Weber	168,366,954	882,916
Clayton K. Yeutter	168,080,320	1,169,550

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 respect to adoption of the Texas Instruments Executive Officer Performance Plan	165,409,344	2,163,115	561,635	1,115,776
Board proposal with respect to adoption of the TI Employees 1997 Stock Purchase Plan	142,617,935	25,127,386	388,775	1,115,774

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

(a) Exhibits

Designation of Exhibits in this Report -----	Description of Exhibit -----
10(b)(iii)	Amendment No. 2 to TI Deferred Compensation 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

(b) Report on Form 8-K

The Registrant filed the following report on Form 8-K with the Securities and Exchange Commission during the quarter ended June 30, 1997: Form 8-K dated April 21, 1997, which included a news release regarding the sale of the Registrant's software business.

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

With the exception of historical information, the matters discussed 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.

Trademarks: TIRIS is a trademark of Texas Instruments Incorporated. Speedpass is a trademark of Mobil Corporation.

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, 1997

## Exhibit Index

Designation of Exhibits in this Report -----	Description of Exhibit -----	Paper (P) or Electronic (E) -----
10(b)(iii)	Amendment No. 2 to TI Deferred Compensation Plan	E
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

## AMENDMENT NO. 2

TO

## TI DEFERRED COMPENSATION PLAN

TEXAS INSTRUMENTS INCORPORATED, a Delaware Corporation with its principal offices in Dallas, Texas (hereafter "TI") hereby amends the TI Deferred Compensation Plan (hereafter the "Plan") established by the Company as of October 19, 1994 in the respects set forth below:

1. A new second paragraph reading as follows is hereby added to the Plan immediately following the initial paragraph thereof:

As of the Closing Date, as defined in the Asset Purchase Agreement dated January 4, 1997 between TI and Raytheon Company, all obligations of TI under this Plan with respect to the Participants who consent to this Amendment, as well as all Participants who are "Former Defense Employees" within the meaning of such Agreement, will be assumed by Raytheon Company as described in such Agreement, and the Plan will thereafter be interpreted as to such Participants by substituting, where appropriate, references to Raytheon Company or its affiliate or successor for references to TI. Nothing herein shall permit the Participants described in the foregoing sentence to file any Deferred Compensation Agreement after the Closing Date.

2. Section 1-11 of the Plan hereby is amended so as to read as follows:

Sec. 1-11. Retirement. "Retirement" means the Termination of Employment of a Participant because of the Participant's retirement pursuant to the terms of any pension or retirement plan maintained by TI or a subsidiary of TI, or the Participant's Termination of Employment with TI and all subsidiaries of TI due to the Participant's disability as determined by the Plan Administrator in its sole discretion. Notwithstanding the foregoing, for a Participant who becomes an employee of Raytheon Company or any subsidiary or parent of such corporation or any successor or survivor of such corporation in a merger or other reorganization (collectively "Raytheon" hereafter) as a result of the sale of TI's defense business to Raytheon pursuant to the Asset Purchase Agreement dated January 4, 1997 between TI and Raytheon, "Retirement" for purposes of Section 3-4 and Section 3-5 of this Plan means a Termination of Employment because of the Participant's retirement pursuant to the terms of any pension or retirement plan maintained by Raytheon, or the Participant's

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Termination of Employment with Raytheon due to the Participant's disability as determined by the Plan Administrator in its sole discretion; provided, however, that the provisions of this sentence shall apply only to such Participants who consent to this Amendment on or before March 14, 1997 or such other date as may be determined by the Plan Administrator.

3. Section 1-12 of the Plan hereby is amended so as to read as follows:

Sec. 1-12. Termination of Employment. "Termination of Employment" means the complete cessation of the employer-employee relationship between a Participant and TI and all subsidiaries of TI, including a leave of absence from which the Plan Administrator, in its sole discretion, determines that the Participant is not expected to return. Notwithstanding the foregoing, for a Participant who becomes an employee of Raytheon as a result of the sale of TI's defense business to Raytheon pursuant to the Asset Purchase Agreement dated January 4, 1997 between TI and Raytheon, "Termination of Employment" for purposes of Section 3-4 and Section 3-5 of this Plan means complete cessation of the employee-employer relationship between the Participant and Raytheon, including a leave of absence in which the Plan Administrator, in its sole discretion, determines that the Participant is not expected to return; provided, however, that the provisions of this sentence shall apply only to such Participants who consent to this Amendment on or before March 14, 1997 or such other date as may be determined by the Plan Administrator.

This Amendment shall be effective as of January 16, 1997.

EXECUTED as of the 16th day of January, 1997.

TEXAS INSTRUMENTS INCORPORATED

BY:/s/ RICHARD J. AGNICH



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 1997	June 30 1996	June 30 1997	June 30 1996
Income from continuing operations.....	\$223,509	\$ 41,047	\$325,539	\$173,047
Add:				
Interest, net of tax and profit sharing effect, on convertible debentures assumed converted.....	345	460	686	921
Adjusted income from continuing operations.....	223,854	41,507	326,225	173,968
Income from discontinued operations.....	25,403	34,549	52,718	65,785
Adjusted net income.....	\$249,257	\$ 76,056	\$378,943	\$239,753
	=====	=====	=====	=====
Earnings per Common and Common Equivalent Share:				
Weighted average common shares outstanding.....	191,494	189,530	191,098	189,486
Weighted average common equivalent shares:				
Stock option and compensation plans.....	4,472	2,583	4,257	2,407
Convertible debentures.....	2,491	2,493	2,491	2,493
Weighted average common and common equivalent shares.....	198,457	194,606	197,846	194,386
	=====	=====	=====	=====
Earnings per Common and Common Equivalent Share:				
Income from continuing operations.....	\$ 1.13	\$ 0.21	\$ 1.65	\$ 0.89
Income from discontinued operations.....	0.13	0.18	0.27	0.34
Net income.....	\$ 1.26	\$ 0.39	\$ 1.92	\$ 1.23
	=====	=====	=====	=====
Earnings per Common Share Assuming Full Dilution:				
Weighted average common shares outstanding.....	191,494	189,530	191,098	189,486
Weighted average common equivalent shares:				
Stock option and compensation plans.....	4,475	2,583	4,475	2,409
Convertible debentures.....	2,491	2,493	2,491	2,493
Weighted average common and common equivalent shares.....	198,460	194,606	198,064	194,388
	=====	=====	=====	=====
Earnings per Common Share Assuming Full Dilution:.				
Income from continuing operations.....	\$ 1.13	\$ 0.21	\$ 1.64	\$ 0.89
Income from discontinued operations.....	0.13	0.18	0.27	0.34
Net income.....	\$ 1.26	\$ 0.39	\$ 1.91	\$ 1.23
	=====	=====	=====	=====

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)

	1992	1993	1994	1995	1996	For Six Months Ended June 30	
	-----	-----	-----	-----	-----	-----	-----
Income before income taxes and fixed charges:							
Income before cumulative effect of accounting changes, interest expense on loans, capitalized interest amortized, and provision for income taxes.....	\$ 242	\$ 561	\$ 943	\$1,530	\$ 65	\$ 259	\$ 560
Add interest attributable to rental and lease expense.....	42	38	40	41	44	22	22
	-----	-----	-----	-----	-----	-----	-----
	\$ 284	\$ 599	\$ 983	\$1,571	\$ 109	\$ 281	\$ 582
	=====	=====	=====	=====	=====	=====	=====
Fixed charges:							
Total interest on loans (expensed and capitalized).....	\$ 57	\$ 55	\$ 58	\$ 69	\$ 108	\$ 41	\$ 65
Interest attributable to rental and lease expense.....	42	38	40	41	44	22	22
	-----	-----	-----	-----	-----	-----	-----
Fixed charges.....	\$ 99	\$ 93	\$ 98	\$ 110	\$ 152	\$ 63	\$ 87
	=====	=====	=====	=====	=====	=====	=====
Combined fixed charges and preferred stock dividends:							
Fixed charges.....	\$ 99	\$ 93	\$ 98	\$ 110	\$ 152	\$ 63	\$ 87
Preferred stock dividends (adj. as appropriate to a pretax equivalent basis).....	55	29	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Combined fixed charges and preferred stock dividends.....	\$ 154	\$ 122	\$ 98	\$ 110	\$ 152	\$ 63	\$ 87
	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	2.9	6.4	10.0	14.3	*	4.5	6.7
	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred stock dividends.....	1.8	4.9	10.0	14.3	*	4.5	6.7
	=====	=====	=====	=====	=====	=====	=====

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

This schedule contains summary financial information extracted from THE CONSOLIDATED FINANCIAL STATEMENTS OF TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES AS OF JUNE 30, 1997, AND FOR THE SIX MONTHS THEN ENDED, and is qualified in its entirety by reference to such financial statements.

1,000,000

6-MOS		DEC-31-1997	JUN-30-1997
			657
		534	
		1,769	
		68	
		737	
		4,703	
			6,994
		2,874	
		9,387	
	2,142		
			1,667
	0		
			0
			192
			4,271
	9,387		
			4,823
		4,823	
			3,069
		3,069	
		520	
		0	
		51	
		501	
			175
		326	
			52
			0
			0
			378
			1.92
			0