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 March 31, 2001 Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware	75-0289970
(State of Incorporation)	(I.R.S. Employer Identification No.)

12500 TI Boulevard P.O. Box 660199, Dallas, Texas	75266-0199
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 972-995-3773

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

1,735,984,427

Number of shares of Registrant's common stock outstanding as of March 31, 2001

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

Income	For Three Months Ended Mar. 31 2001	For Three Months Ended Mar. 31 2000
Net revenues	$ 2,528	$ 2,761
Operating costs and expenses:		
Cost of revenues	1,505	1,420
Research and development	446	386
Selling, general and administrative	348	401
Total	2,299	2,207
Profit from operations	229	554
Other income (expense) net	107	128
Interest on loans	16	21
Income before provision for income taxes and cumulative effect of an accounting change	320	661
Provision for income taxes	90	211
Income before cumulative effect of an accounting change	230	450
Cumulative effect of an accounting change	--	(29)
Net income	$ 230	$ 421

Diluted earnings per common share:		
Income before cumulative effect of an accounting change	$ .13	$ .25
Cumulative effect of an accounting change	--	(.01)
Net income	$ .13	$ .24
Basic earnings per common share:		
Income before cumulative effect of an accounting change	$ .13	$ .26
Cumulative effect of an accounting change	--	(.01)
Net income	$ .13	$ .25
Cash dividends declared per share of common stock	$ .021	$ .021

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

Balance Sheet	Mar. 31 2001	Dec. 31 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 304	$ 745
Short-term investments	2,785	3,258
Accounts receivable, less allowance for losses of $63 million in 2001 and $54 million in 2000	1,948	2,204
Inventories:		
Raw materials	218	245
Work in process	678	681
Finished goods	284	307
Inventories	1,180	1,233
Prepaid expenses	140	80
Deferred income taxes	547	595
Total current assets	6,904	8,115
Property, plant and equipment	9,702	9,099
Less accumulated depreciation	(3,709)	(3,652)
Property, plant and equipment (net)	5,993	5,447
Investments	2,661	2,400
Goodwill and other acquisition-related intangibles	874	961
Deferred income taxes	116	106
Other assets	694	691
Total assets	$17,242	$17,720
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 46	$ 148
Accounts payable	795	997
Accrued and other current liabilities	1,042	1,668
Total current liabilities	1,883	2,813
Long-term debt	1,228	1,216
Accrued retirement costs	356	378
Deferred income taxes	495	469
Deferred credits and other liabilities	278	256
Stockholders' equity:		
Preferred stock, $25 par value. Authorized - 10,000,000 shares. Participating cumulative preferred. None issued	--	--
Common stock, $1 par value. Authorized - 2,400,000,000 shares. Shares issued: 2001 - 1,737,306,923; 2000 - 1,733,237,248	1,737	1,733
Paid-in capital	1,249	1,185
Retained earnings	9,517	9,323
Less treasury common stock at cost. Shares: 2001 - 1,322,496; 2000 - 1,184,880	(96)	(93)
Accumulated other comprehensive income	718	574
Deferred compensation	(123)	(134)
Total stockholders' equity	13,002	12,588
Total liabilities and stockholders' equity	$17,242	$17,720

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

	For Three Months Ended	
	Mar. 31 2001	Mar. 31 2000
Cash Flows		
Cash flows from operating activities:		
Income before cumulative effect of an accounting change	$ 230	$ 450
Depreciation	344	262
Amortization of acquisition-related costs	59	25
Deferred income taxes	21	29
Net currency exchange losses	1	1
(Increase) decrease in working capital (excluding cash and cash equivalents, short-term investments, deferred income taxes, and loans payable and current portion long-term debt):		
Accounts receivable	234	(10)
Inventories	54	(133)
Prepaid expenses	(61)	(15)
Accounts payable	(186)	193
Accrued and other current liabilities	(609)	(302)
Increase (decrease) in noncurrent accrued retirement costs	(9)	4
Other	41	(3)
Net cash provided by operating activities	119	501
Cash flows from investing activities:		
Additions to property, plant and equipment	(900)	(647)
Purchases of short-term investments	(527)	(968)
Sales and maturities of short-term investments	1,002	1,209
Purchases of noncurrent investments	(48)	(43)
Sales of noncurrent investments	33	54
Net cash used in investing activities	(440)	(395)
Cash flows from financing activities:		
Payments on loans payable	-	(2)
Additions to long-term debt	3	243
Payments on long-term debt	(108)	(29)
Dividends paid on common stock	(37)	(35)
Sales and other common stock transactions	42	94
Common stock repurchase program	(7)	(66)
Net cash provided by (used in) financing activities	(107)	205
Effect of exchange rate changes on cash	(13)	(18)
Net increase (decrease) in cash and cash equivalents	(441)	293
Cash and cash equivalents, January 1	745	781
Cash and cash equivalents, March 31	$ 304	$1,074

1. Diluted earnings per common share are based on average common and dilutive potential common shares outstanding (1,785.4 and 1,782.0 million shares for the first quarters of 2001 and 2000).

2. Included in other income (expense) net for the first quarter of 2001 are investment write-downs of $35 million for declines in value determined to be other-than-temporary.

3. Hynix Semiconductor Inc. (Hynix), formerly known as Hyundai Electronics Industries Co., Ltd., has ongoing royalty obligations to TI under a patent license agreement expiring December 31, 2007. As previously noted, Hynix has requested a renegotiation of the payment schedule of the obligations. Agreement on revisions to the payment schedule has not yet been reached. Pending future developments, TI is deferring the recognition of royalty revenues from Hynix. TI, which has significant legal remedies available, believes its recorded receivable balance from Hynix, $129 million at March 31, 2001, is collectible.

4. Income for the first quarter of 2001 includes, in millions of dollars, net special charges of $50, of which $11 is severance cost for 241 first-quarter employee acceptances under the U.S. voluntary retirement program (which covers the corporate, semiconductor and sensors & controls activities and expired April 16, 2001), $16 is severance cost for restructuring actions affecting 261 employees in international semiconductor locations, mostly in Germany, and $25 relates to the fourth-quarter 2001 closing of a semiconductor manufacturing facility in Santa Cruz, California. Of the $25, $16 is for severance cost for 600 employees and $5 is for acceleration of depreciation over the remaining service life of the facility. Of the $50 of net special charges, $44 is an increase in cost of revenues, $7 in selling, general and administrative expense, $2 in research and development expense, and $3 in other income. At March 31, 2001, $2 of the aggregate severance cost obligations had been paid.

5. Income for the first quarter of 2000 included, in millions of dollars, special charges of $29 associated with actions including the closing of the sensors & controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS. Of the $29 charge, $12 was for severance for 480 employees in Kentucky. At March 31, 2001, $2 of the severance cost obligation had been paid. Of the $29 charge, $20 was included in cost of revenues, $6 in selling, general and administrative expense, and $3 in research and development expense.

6. Total comprehensive income, i.e., net income plus investment and pension liability adjustments to stockholders' equity, for the first quarters of 2001 and 2000 was $374 million and $1844 million.

7. There has been no significant change in the status of the audit concerning grants from the Italian government.

8. The statements of income, statements of cash flows and balance sheet at March 31, 2001, 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.

9. Business segment information is as follows:

Business Segment Net Revenues (millions of dollars)	For Three Months Ended Mar. 31 2001	Mar. 31 2000
Semiconductor		
Trade	$ 2,172	$ 2,382
Intersegment	4	5
	2,176	2,387
Sensors & Controls		
Trade	260	264
Intersegment	-	-
	260	264
Educational & Productivity Solutions		
Trade	81	79
Corporate activities	(2)	2
Divested activities	13	29
Total	$ 2,528	$ 2,761

Business Segment Profit (Loss) (millions of dollars)		
Semiconductor	$ 304	$ 612
Sensors & Controls	51	52
Educational & Productivity Solutions	17	8
Corporate activities	(38)	(70)
Special charges/gains and acquisition-related amortization, net of applicable profit sharing	(109)	(54)
Interest on loans/other income (expense) net, excluding a first-quarter 2001 gain of $3 million included above in special charges/gains and acquisition-related amortization	89	107
Divested activities	6	6
Income before provision for income taxes and cumulative effect of an accounting change	$ 320	$ 661

10. Acquisition-related purchased in-process research and development (R&D) charges were zero in the first quarter of 2001 and $3 million in the first quarter of 2000. These charges are for R&D from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach.

Major assumptions, detailed in the following table, used in determining the value of significant purchased R&D included the discount rate, the estimated beginning date of projected operating cash flows, and the remaining cost and time, in engineer-months, to complete the R&D projects. The term "engineer month" refers to the average amount of research work expected to be performed by an engineer in a month.

The relative stage of completion and projected operating cash flows of the underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the valuation analysis of the purchased R&D. Such uncertainties could give rise to unforeseen budget overruns and/or revenue shortfalls in the event that TI is unable to successfully complete and commercialize the projects. TI management is primarily responsible for estimating the value of the purchased R&D in all acquisitions accounted for under the purchase method. TI expects to essentially meet its original return expectations for the projects.

Millions of Dollars

Entity acquired	Acquisition date	Consideration	Goodwill	Other intangibles	Deferred compensation	Purchased in-process R&D charge	Appraisal method	R&D focus	Discount rate	Cost/time to complete R&D projects At acquisition	Cost/time to complete R&D projects At Mar. 2001	Year cash flows projected to begin
Alantro Communications, Inc.	Third quarter 2000	$277	$148	$ 81	$ 32	$ 52	Exclusion approach	Wireless networking technology for home and office	24%	$4.1/ 256 engineer months	$6.5/260 engineer months	2002
Dot Wireless, Inc.	Third quarter 2000	$467	$302	$ 46	$119	$ 60	Exclusion approach	Architecture for third generation (3G) wireless devices for delivering voice and high speed data to mobile users	20%	$2.9/ 172 engineer months	Project completed	2003

11. The following is a reconciliation of individual restructuring accruals (in millions of dollars).

			Year of Charge					
			2000			2001		
Description*	Total	Balance, prior actions -- primarily severance and business divestiture related	S&C site closing	SC and S&C restructuring actions	E&PS severance action	Voluntary retirement program in U.S.	SC site closing in U.S.	SC international restructuring actions
BALANCE, DECEMBER 31, 2000.	$ 70	$ 46	$ 11	$ 10	$ 3			
CHARGES:								
Severance	43					$ 11	$ 16	$ 16
Incremental depreciation...	5						5	
Various charges	4						4	
DISPOSITIONS:								
Severance payments	(8)	(2)	(1)	(1)	(2)		-	(2)
Non-cash asset charges	(6)		-	-	-		(6)	-
Change in estimates........	(1)		-	(1)	-		-	-
BALANCE, MARCH 31, 2001	$107	$ 44	$ 10	$ 8	$ 1	$ 11	$ 19	$ 14

*Abbreviations
SC = Semiconductor Business
S&C = Sensors & Controls Business
E&PS = Educational & Productivity Solutions Business

12. The company adopted SFAS No. 133 in the first quarter of 2001. The standard requires that all derivatives be marked-to-market on an ongoing basis. Along with the derivatives, underlying hedged items are also to be marked-to-market on an ongoing basis. The standard, which did not have a material impact on the company, was adopted effective January 1, 2001, on a cumulative basis. The cumulative effect of the accounting change on prior years was insignificant and is not separately presented. Following is a discussion of derivatives held by the company at March 31, 2001.

    Designated fair value hedge: the company has interest rate swaps that, with no ineffectiveness, change the characteristics of the interest payments on its $300 million of 6.125% notes due 2006 from fixed-rate payments to short-term LIBOR-based variable rate payments in order to achieve a mix of interest rates on the company's long-term debt, which over time is expected to moderate financing costs.

    Other derivatives: the company uses short-term forward currency exchange contracts to minimize the adverse earnings impact from the effect of exchange rate fluctuations on the company's non-U.S. dollar net balance sheet exposures (the U.S. dollar is the functional currency for financial reporting). At March 31, 2001, the company had forward currency exchange contracts outstanding, in millions of dollars, of $419 (including $122 to buy euros, $113 to sell yen and $46 to buy Taiwan dollars).

    The company uses short-term TI stock collars (cash settlement only) to minimize the adverse earnings impact from the effect of stock market value fluctuations on the portion of the company's deferred compensation obligations denominated in TI stock ($30 million at March 31, 2001).

    The company has several stock investment warrants considered derivatives. At March 31, 2001, their aggregate value was less than $0.5 million.

13. The $29 million cumulative effect of an accounting change in first quarter 2000 related to the company's adoption that year of Staff Accounting Bulletin No. 101 on revenue recognition.

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

The Registrant (the "company" or "TI") announced first-quarter financial results that show revenue in the quarter was $2528 million, down 17 percent sequentially. Results were impacted by a combination of weak electronic end-equipment demand and excess customer inventories, resulting in reduced demand for its semiconductor products.

Early in the first quarter, TI began an aggressive cost-reduction plan to limit the impact of reduced revenue on profitability. Actions have included a voluntary retirement program, shortened workweeks in some areas, and consolidation of certain manufacturing operations. Overhead costs were significantly reduced, maintaining selling, general and administrative expenses, excluding acquisition-related amortization and special charges, at the same percentage of revenue as in the fourth quarter. To further align the company's expenses with near-term revenue expectations, TI will lay off about 2,500, or 6 percent, of its employees worldwide. These reductions will begin in the second quarter and the company will take associated special charges at that time. Most of these job eliminations are in support functions and manufacturing. In total, these actions are expected to result in annualized savings of approximately $400 million when completed.

SUMMARY OF FINANCIAL RESULTS

For the first quarter of 2001, TI reported the following:

- Total revenue for TI was $2528 million, down 8 percent from $2761 million in the year-ago quarter and down 17 percent sequentially due to weakness in semiconductor.

- Cost of revenues in the first quarter was $1505 million, compared with $1420 million in the year-ago quarter. Cost of revenues increased primarily due to increased manufacturing overhead.

- Research and development (R&D) totaled $446 million, up from $386 million in the first quarter of 2000 primarily due to increased investment in DSP and 300mm process technology.

- Selling, general and administrative expense in the quarter was $348 million, down from $401 million in the year-ago quarter primarily due to reduced profit sharing and bonus accruals. The decrease was more than the total decrease in TI revenues, on a percentage basis.

- Other income (expense) net decreased from $128 million in the first quarter of 2000 to $107 million in the first quarter of 2001, due to decreased net investment gains.

- The income tax rate for the quarter was 28.2 percent.

- TI orders in the first quarter were $1898 million, down from $2996 million in the year-ago quarter and $2772 million in the fourth quarter of 2000 due to weak electronic end-equipment demand and excess customer inventories.

Results for this quarter include net special charges of $50 million, of which $11 million is severance cost for first-quarter employee acceptances under the U.S. voluntary retirement program (which covers the corporate, semiconductor and sensors & controls activities and expired April 16, 2001), $16 million is severance cost for restructuring actions in international semiconductor locations, mostly in Germany, and $25 million relates to the fourth-quarter 2001 closing of a semiconductor manufacturing facility in Santa Cruz, California.

For the first quarter of 2000, results include special charges of $29 million associated with actions including the closing of the sensors & controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS.

For the fourth quarter of 2000, the company recorded a pretax charge of $3 million for a severance action by the Educational & Productivity Solutions (E&PS) business affecting 51 jobs in Europe and the U.S. The company also recorded a charge of $9 million in the quarter for additional pooling of interests transaction costs from the third-quarter 2000 Burr-Brown Corporation acquisition.

In the fourth quarter of 2000, TI recognized a gain of $88 million from the sale of its memory business. Gain recognition had previously been deferred pending repayment of the remaining TI-provided financing for the 1998 transaction, which occurred in the fourth quarter of 2000. TI also recognized a gain of $56 million from the sale of the materials portion of the Sensors & Controls business. In addition, TI recorded a $69 million credit to the provision for income taxes from the reduction of deferred tax valuation allowances, primarily in Japan.

Additional information relating to these items appears below under the heading "Special Charges and Gains."

OUTLOOK

TI expects revenue to decline about 20 percent sequentially in the second quarter as semiconductor customers continue to work through excess inventories in an environment in which consumption of their electronic end-equipment products continues to be weak. Due to continuing uncertain economic conditions, it is unclear when demand for TI's semiconductor products will strengthen.

Specifically, TI expects the following for the second quarter:

- Revenue from semiconductor to decline sequentially, with weakness affecting almost all product areas;

- Revenue from TI's non-semiconductor activities, including Sensors & Controls and E&PS, to increase sequentially, primarily reflecting seasonal retail stocking for back-to-school sales of calculators;

- Operating margin to decline to about breakeven in the second quarter before the effect of special charges and amortization of acquisition-related intangibles as a result of lower revenue; and

- Non-operating income to decline to about $40 million sequentially due to reduced investment gains and interest income.

For 2001, TI expects the following:

- R&D of $1.6 billion, excluding acquisition-related amortization and purchased in-process R&D, down from the prior estimate of $1.7 billion;

- Capital expenditures of $1.8 billion, down from the prior estimate of $2.0 billion;

- Depreciation of $1.5 billion, unchanged from the prior estimate; and

- Amortization of acquisition-related costs of $240 million.

SEMICONDUCTOR

Semiconductor revenue in the first quarter was $2176 million, down from $2387 million in the same period in 2000 and $2695 million in the fourth quarter of 2000 due to weak demand across a breadth of products.

Semiconductor operating profit for the first quarter was $304 million, or 14.0 percent of revenue, compared with $612 million in the year-ago period and $679 million in the fourth quarter of 2000, primarily due to reduced product revenue and, to a lesser extent, lower royalties.

Analog revenue was up 2 percent from the year-ago period, and declined 17 percent sequentially due to lower shipments. DSP revenue decreased 28 percent from the same quarter a year ago and 21 percent sequentially due to lower shipments. Analog and DSP comprised about 65 percent of TI's semiconductor revenue.

TI's remaining semiconductor revenue decreased from the year-ago quarter and from the fourth quarter of 2000.

TI's semiconductor revenue in TI's key markets was as follows:

- wireless declined 34 percent compared with the year-ago quarter and 25 percent sequentially;

- catalog products, which includes DSP and high-performance Analog, increased 4 percent from the year-ago quarter and declined 15 percent sequentially; and

- broadband communications, which includes digital subscriber lines (DSL) and cable modems, was more than six times that of the year-ago quarter and increased 15 percent sequentially, driven by strength in DSL which grew more than 50 percent sequentially.

Semiconductor orders were down 42 percent from the year-ago quarter and 39 percent sequentially, reflecting weakness across almost all product areas.

SENSORS & CONTROLS

Sensors & Controls revenue was $260 million, about even with the year-ago quarter. Sequentially, revenue increased 4 percent due to seasonal gains in control products.

Operating profit was $51 million, or 19.5 percent of revenue, compared with $52 million in the year-ago quarter. Operating profit increased 20 percent from $42 million in the fourth quarter of 2000 due to lower production costs.

EDUCATIONAL & PRODUCTIVITY SOLUTIONS (E&PS)

E&PS revenue was $81 million, compared with $79 million in the year-ago quarter. Sequentially, revenue increased 23 percent as sales growth resumed following fourth-quarter inventory adjustments in the retail channel.

Operating profit was $17 million, or 21.2 percent of revenue, up from $8 million in the year-ago quarter due to higher gross margin. Operating profit almost tripled from $6 million in the fourth quarter of 2000 primarily due to increased revenue.

ADDITIONAL FINANCIAL INFORMATION

During the first three months of 2001, cash and cash equivalents plus short-term investments decreased by $914 million to $3089 million, primarily due to capital expenditures.

Cash flow from operating activities was $119 million for the quarter.

Capital expenditures totaled $900 million in the first quarter of 2001 versus $647 million in the year-ago quarter.

Depreciation for the first quarter of 2001 was $339 million, excluding the acceleration of depreciation associated with the fourth quarter closing of a semiconductor manufacturing facility in Santa Cruz, California, versus $262 million in the year-ago quarter.

At the end of quarter, the debt-to-total-capital ratio was 0.09, versus 0.10 at the end of 2000.

SPECIAL CHARGES AND GAINS

First Quarter of 2001

In the first quarter of 2001, pretax charges of $50 million net were taken, of which $11 million was for severance cost for 241 first-quarter employee acceptances under the U.S. voluntary retirement program (which covers the corporate, semiconductor and sensors & controls activities and expired April 16, 2001), $16 million was for severance cost for restructuring actions affecting 261 employees in international semiconductor locations, mostly in Germany, and $25 million relates to the fourth-quarter 2001 closing of a semiconductor manufacturing facility in Santa Cruz, California. Of the $25 million charge, $16 million was for severance cost for 600 employees and $5 million was for acceleration of depreciation over the remaining service life of the facility. Of the $50 million of net special charges, $44 million was an increase in cost of revenues, $7 million in selling, general and administrative expense, $2 million in research and development expense, and $3 million in other income. As of March 31, 2001, $2 million of the aggregate severance cost obligations had been paid. In total, these first-quarter actions, plus other actions affecting the second quarter discussed herein, are expected to result in annualized savings of approximately $400 million when completed.

Fourth Quarter of 2000

In the fourth quarter of 2000, TI recognized a gain of $88 million from the sale of its memory business. Gain recognition had previously been deferred pending repayment of the remaining TI-provided financing for the 1998 transaction, which occurred in the fourth quarter of 2000. TI also recognized a gain of $56 million from the sale of the materials portion of the Sensors & Controls business.

In the fourth quarter of 2000, TI recorded a $69 million credit to the provision for income taxes from the reduction of deferred tax valuation allowances, primarily in Japan. The company also recorded a pretax charge of $3 million, included in selling, general and administrative expense, for a severance action by E&PS affecting 51 jobs in Europe and the U.S. As of March 31, 2000, $2 million of the severance costs had been paid. The primary benefit from this action is reduced personnel costs, which are estimated to reach $6 million annually. The benefit began in the first quarter of 2001. The company also recorded a charge of $9 million in the quarter for additional pooling of interests transaction costs from the third-quarter 2000 Burr-Brown Corporation acquisition ($5 million included in selling, general and administrative expense and $4 million in cost of revenues).

First Quarter of 2000

In the first quarter of 2000, pretax charges of $29 million were taken, associated with actions including the closing of the sensors & controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS. Of the $29 million charge, $12 million was for severance for the elimination of 480 jobs in Kentucky. Of the $29 million, $20 million is included in cost of revenues, $6 million in selling, general and administrative expense and $3 million in research and development. The primary benefit from the Kentucky action is reduced personnel costs, which are estimated to reach $10 million annually. The benefit began in the fourth quarter of 2000. As of March 31, 2001, $2 million of the severance cost had been paid.

Purchased In-Process R&D Charges

Acquisition-related purchased in-process R&D charges were zero in the first quarter of 2001 and $3 million in the first quarter of 2000. These charges are for R&D from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach.

Major assumptions, detailed in the following table, used in determining the value of significant purchased R&D included the discount rate, the estimated beginning date of projected operating cash flows, and the remaining cost and time, in engineer-months, to complete the R&D projects. The term "engineer month" refers to the average amount of research work expected to be performed by an engineer in a month.

The relative stage of completion and projected operating cash flows of the underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the valuation analysis of the purchased R&D. Such uncertainties could give rise to unforeseen budget overruns and/or revenue shortfalls in the event that TI is unable to successfully complete and commercialize the projects. TI management is primarily responsible for estimating the value of the purchased R&D in all acquisitions accounted for under the purchase method. TI expects to essentially meet its original return expectations for the projects.

Millions of Dollars

Entity acquired	Acquisition date	Consid-eration	Goodwill	Other intan-gibles	Deferred compen-sation	Purchased in-process R&D charge	Appraisal method	R&D focus	Discount rate	Cost/time to complete R&D projects At acquisition	Cost/time to complete R&D projects At Mar. 2001	Year cash flows projected to begin
Alantro Commun-ications, Inc.	Third quarter 2000	$277	$148	$ 81	$ 32	$ 52	Exclusion approach	Wireless networking technology for home and office	24%	$4.1/ 256 engineer months	$6.5/260 engineer months	2002
Dot Wireless, Inc.	Third quarter 2000	$467	$302	$ 46	$119	$ 60	Exclusion approach	Architec-ture for third generation (3G) wire-less de-vices for delivering voice and high speed data to mobile users	20%	$2.9/ 172 engineer months	Project completed	2003

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is contained on pages B-43 and B-44 of the Registrant's proxy statement for the 2001 annual meeting of stockholders and is incorporated by reference to such proxy statement.

PART II - OTHER INFORMATION

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

(a) Exhibits

Designation of Exhibits in This Report	Description of Exhibit
11	Computation of Basic and Diluted Earnings Per Common and Dilutive Potential Common Share
12	Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K.

None.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This Form 10-Q includes "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, such statements herein that describe the company's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of the company or its management:

- Market demand for semiconductors, particularly for digital signal processors and analog chips in key markets, such as telecommunications and computers;
- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- TI's ability to compete in products and prices in an intensely competitive industry;
- TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Timely completion and successful integration of announced acquisitions;
- Global economic, social and political conditions in the countries in which TI and its customers and suppliers operate, including fluctuations in foreign currency exchange rates;
- Losses or curtailments of purchases from key customers;

- - TI's ability to recruit and retain skilled personnel; and
- - Availability of raw materials and critical manufacturing equipment.

For a more detailed discussion of these factors, see the text under the heading "Cautionary Statements Regarding Future Results of Operations" in Item 1 of the company's most recent Form 10-K. The forward-looking statements included in this Form 10-Q are made only as of the date of this Form 10-Q and the company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

BY: /s/ WILLIAM A. AYLESWORTH

William A. Aylesworth
Senior Vice President,
Treasurer and
Chief Financial Officer

Date: April 26, 2001

EXHIBIT 11

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
EARNINGS PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE

	For Three Months Ended Mar. 31 2001	For Three Months Ended Mar. 31 2000
Income before cumulative effect of an accounting change	$ 230	$ 450
Cumulative effect of an accounting change	--	(29)
Net income (in millions)	$ 230	$ 421
Diluted earnings per common and dilutive potential common share:		
Weighted average common shares outstanding (in thousands)	1,734,543	1,704,675
Weighted average dilutive potential common shares:		
Stock option and compensation plans	50,886	77,347
Weighted average common and dilutive potential common shares	1,785,429	1,782,022
Diluted earnings per common share:		
Income before cumulative effect of an accounting change	$ .13	$ .25
Cumulative effect of an accounting change	--	(.01)
Net income	$ .13	$ .24
Basic earnings per common share:		
Weighted average common shares outstanding (in thousands)	1,734,543	1,704,675
Basic earnings per common share:		
Income before cumulative effect of an accounting change	$ .13	$ .26
Cumulative effect of an accounting change	--	(.01)
Net income	$ .13	$ .25

Exhibit 12

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

	1996	1997	1998	1999	2000	For Three Months Ended March 31 2000	For Three Months Ended March 31 2001
Earnings:							
Income before income taxes plus fixed charges and amortization of capitalized interest less interest capitalized	$ 190	$ 973	$ 815	$2,205	$4,702	$ 692	$ 349
Fixed charges:							
Total interest on loans (expensed and capitalized)	$ 108	$ 115	$ 86	$ 84	$ 98	$ 25	$ 21
Interest attributable to rental and lease expense	44	44	41	30	32	7	9
Fixed charges	$ 152	$ 159	$ 127	$ 114	$ 130	$ 32	$ 30
Ratio of earnings to fixed charges	1.2	6.1	6.4	19.3	36.2	21.6	11.6