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, 2001 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.)

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 ___

1,734,611,289

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

Operations	For Three Months Ended June 30 2001	For Three Months Ended June 30 2000	For Six Months Ended June 30 2001	For Six Months Ended June 30 2000
Net revenues	$ 2,037	$ 2,932	$ 4,565	$ 5,694
Operating costs and expenses:				
Cost of revenues	1,523	1,486	3,028	2,907
Research and development	412	387	858	773
Selling, general and administrative	400	414	748	815
Total	2,335	2,287	4,634	4,495
Profit (loss) from operations	(298)	645	(69)	1,199
Other income (expense) net	57	1,346	164	1,474
Interest on loans	15	20	31	41
Income (loss) before income taxes and cumulative effect of an accounting change	(256)	1,971	64	2,632
Provision (benefit) for income taxes	(59)	675	31	886
Income (loss) before cumulative effect of an accounting change	(197)	1,296	33	1,746

Cumulative effect of an accounting change	--	--	--	(29)
Net income (loss)	$ (197)	$ 1,296	$ 33	$ 1,717
Diluted earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change.	$ (.11)	$ .72	$ .02	$ .98
Cumulative effect of an accounting change	--	--	--	(.02)
Net income (loss)	$ (.11)	$ .72	$ .02	$ .96
Basic earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change.	$ (.11)	$ .76	$ .02	$ 1.02
Cumulative effect of an accounting change	--	--	--	(.02)
Net income (loss)	$ (.11)	$ .76	$ .02	$ 1.00
Cash dividends declared per share of common stock	$ .021	$ .021	$ .043	$ .043

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

Balance Sheet	June 30 2001	Dec. 31 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 542	$ 745
Short-term investments	2,472	3,258
Accounts receivable, less allowance for losses of $52 million in 2001 and $54 million in 2000	1,666	2,204
Inventories:		
Raw materials	188	245
Work in process	613	681
Finished goods	281	307
Inventories	1,082	1,233
Prepaid expenses	122	80
Deferred income taxes	394	595
Total current assets	6,278	8,115
Property, plant and equipment	9,724	9,099
Less accumulated depreciation	(3,781)	(3,652)
Property, plant and equipment (net)	5,943	5,447
Investments	2,750	2,400
Goodwill and other acquisition-related intangibles	829	961
Deferred income taxes	251	106
Other assets	651	691
Total assets	$16,702	$17,720
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 43	$ 148
Accounts payable and accrued expenses	1,385	1,921
Income taxes payable	174	323
Accrued retirement and profit sharing contributions	56	421
Total current liabilities	1,658	2,813
Long-term debt	1,202	1,216
Accrued retirement costs	424	378
Deferred income taxes	463	469
Deferred credits and other liabilities	288	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 - 1,739,529,779; 2000 - 1,733,237,248	1,740	1,733
Paid-in capital	1,291	1,185
Retained earnings	9,282	9,323
Less treasury common stock at cost. Shares: 2001 - 4,918,490; 2000 - 1,184,880	(221)	(93)
Accumulated other comprehensive income	684	574
Deferred compensation	(109)	(134)
Total stockholders' equity	12,667	12,588
Total liabilities and stockholders' equity	$16,702	$17,720

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

	For Six Months Ended	
	June 30 2001	June 30 2000
Cash Flows		
Cash flows from operating activities:		
Income before cumulative effect of an accounting change	$ 33	$ 1,746
Depreciation	731	550
Amortization of goodwill and other acquisition-related intangibles	117	51
Deferred income taxes	14	31
Net currency exchange losses	5	7
(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	513	(368)
Inventories	151	(135)
Prepaid expenses	(43)	(20)
Accounts payable and accrued expenses	(508)	69
Income taxes payable	(89)	668
Accrued retirement and profit sharing contributions	(356)	(105)
Gain on sale of Micron common stock	-	(1,211)
Increase in noncurrent accrued retirement costs	-	8
Other	137	(53)
Net cash provided by operating activities	705	1,238
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,242)	(1,204)
Purchases of short-term investments	(1,435)	(2,811)
Sales and maturities of short-term investments	2,203	1,899
Purchases of noncurrent investments	(177)	(90)
Sales of noncurrent investments	39	1,613
Net cash used in investing activities	(612)	(593)
Cash flows from financing activities:		
Additions to loans payable	-	3
Payments on loans payable	-	(2)
Additions to long-term debt	3	241
Payments on long-term debt	(128)	(48)
Dividends paid on common stock	(74)	(69)
Sales and other common stock transactions	87	172
Common stock repurchase program	(158)	(99)
Net cash provided by (used in) financing activities	(270)	198
Effect of exchange rate changes on cash	(26)	(31)
Net increase (decrease) in cash and cash equivalents	(203)	812
Cash and cash equivalents, January 1	745	781
Cash and cash equivalents, June 30	$ 542	$1,593

1. Diluted earnings (loss) per common share are based on average common and dilutive potential common shares outstanding (1,735.6 and 1,793.9 million shares for the second quarters of 2001 and 2000, and 1,785.5 and 1,789.1 million shares for the six months ended June 30, 2001 and 2000). For the second quarter of 2001, dilutive potential common shares have been excluded due to the net loss for the period.

2. Included in other income (expense) net for the second quarter of 2001 are investment write-downs of $18 million for declines in value judged to be other-than-temporary.

3. As previously noted, 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. Hynix had requested renegotiation of the payment schedule and in June 2001, Hynix and TI reached agreement on a new schedule. In June 2001, Hynix made a payment to TI of $130 million for royalties due through December 31, 2000 plus interest, bringing the Hynix account current. Recognition of first-half 2001 royalties from Hynix has been deferred. Also in June 2001, TI purchased $100 million of Hynix Global Depositary Shares as part of Hynix's total offering of $1.25 billion.

4. At June 30, 2001, in millions of dollars, $118 of the $271 aggregate severance cost obligations for the first and second quarter 2001 worldwide cost reduction and restructuring actions affecting a total of 5439 employees had been paid. Loss for the second quarter of 2001 includes net special charges of $252, of which $214 is severance cost for a worldwide cost-reduction program affecting 3778 employees and $35 relates to the restructuring charges for the closing of three Semiconductor facilities (Merrimack, New Hampshire; Tustin, California; and Santa Cruz, California) affecting an additional 559 employees. Of the $35, $14 is for severance cost and $16 is for the acceleration of depreciation over the remaining service life of the facilities. Of the $252 net special charges, $162 is included in cost of revenues, $84 is in selling, general and administrative expense and $6 is in research and development expense. Also included in the second quarter of 2001 is a $68 increase to the income tax provision to adjust to the expected tax rate for the year.

5. 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, $16 is severance cost for restructuring actions affecting 261 employees in international Semiconductor locations and $25 relates to the 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 included in cost of revenues, $7 is in selling, general and administrative expense, $2 is in research and development expense, and $3 is in other income.

6. Income for the second quarter of 2000 includes, in millions of dollars, an investment gain of $1211 in other income from the sale of 20 million shares of Micron common stock.

7. Income for the first quarter of 2000 includes, 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 June 30, 2001, $6 of the severance cost obligations had been paid. Of the $29, $20 is included in cost of revenues, $6 is in selling, general and administrative expense, and $3 is in research and development expense.

8. Total comprehensive income (loss), i.e., net income plus investment and pension liability adjustments to stockholders' equity, for the second quarters of 2001 and 2000, in millions of dollars, was negative $231 and positive $1413. For the six months ended June 30, 2001 and 2000, it was $143 and $3257.

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

10. Federal income taxes for the interim periods presented have been included in the accompanying financial statements on the basis of an estimated annual rate. The estimated annualized tax rate for 2001 is 49 percent. The primary reason the effective annualized tax rate for 2001 differs from the 35 percent statutory corporate rate is due to decreased profit combined with tax benefits such as the credit for research activities.

11. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. The company is currently reviewing the impact of SFAS Nos. 141 and 142 and will be performing a fair-value analysis at a later date in connection with the adoption of SFAS No. 142 on January 1, 2002.

12. The statements of operations and statements of cash flows for the periods ended June 30, 2001, and the balance sheet at June 30, 2001, are not audited but reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary for a fair statement of the results of the periods shown.

13. Business segment information is as follows:

Business Segment Net Revenues (millions of dollars)	For Three Months Ended June 30 2001	For Three Months Ended June 30 2000	For Six Months Ended June 30 2001	For Six Months Ended June 30 2000
Semiconductor				
Trade	$ 1,652	$ 2,507	$ 3,824	$ 4,889
Intersegment	5	4	9	9
	1,657	2,511	3,833	4,898
Sensors & Controls				
Trade	255	271	515	535
Intersegment	2	-	2	-
	257	271	517	535
Educational & Productivity Solutions				
Trade	129	125	210	205
Corporate activities	(6)	(5)	(7)	(3)
Divested activities	-	30	12	59
Total	$ 2,037	$ 2,932	$ 4,565	$ 5,694

Business Segment Profit (Loss) (millions of dollars)	For Three Months Ended June 30 2001	For Three Months Ended June 30 2000	For Six Months Ended June 30 2001	For Six Months Ended June 30 2000
Semiconductor	$ (37)	$ 634	$ 267	$ 1,246
Sensors & Controls	52	54	103	105
Educational & Productivity Solutions	38	33	55	41
Corporate activities	(42)	(57)	(79)	(127)
Special charges/gains and acquisition-related amortization, net of applicable profit sharing	(309)	1,186	(418)	1,132
Interest on loans/other income (expense) net excluding a first-quarter 2001 gain of $3 and a second-quarter 2000 gain of $1211 included above in special charges/gains and acquisition-related amortization	42	115	130	222
Divested activities	-	6	6	13
Income (loss) before income taxes and cumulative effect of an accounting change	$ (256)	$ 1,971	$ 64	$ 2,632

14. 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 June 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	$3.1/130 engineer months	2002

			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/ involuntary program in U.S.	SC site closings in U.S.	SC international restructuring actions
BALANCE, DECEMBER 31, 2000...	$ 70	$ 46	$ 11	$ 10	$ 3			
CHARGES:								
Severance	43					$ 11	$ 16	$ 16
Asset write-downs...........	6						6	
Various charges	3						3	
DISPOSITIONS:								
Change in estimates..........	(1)			(1)				
Non-cash write-down of assets	(6)						(6)	
Severance payments	(8)	(2)	(1)	(1)	(2)			(2)
BALANCE, March 31, 2001	$107	$ 44	$ 10	$ 8	$ 1	$ 11	$ 19	$ 14
CHARGES:								
Severance	$172					$ 90	$ 14	$ 68
Asset write-downs...........	16						16	
Various charges	8					2	5	1
Pension settlement	56					48		8
DISPOSITIONS:								
Change in estimates..........	(2)						(2)	
Non-cash write-down of assets	(16)						(16)	
Pension payments............	(56)					(48)		(8)
Severance payments	(72)	(5)	(4)	(2)	(1)	(46)	(1)	(13)
BALANCE, June 30, 2001	$213	$ 39	$ 6	$ 6	$ -	$ 57	$ 35	$ 70

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

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

The Registrant (the "company" or "TI") announced second-quarter financial results that show the company's second-quarter revenue was $2037 million, down 19 percent from first quarter and consistent with the company's outlook issued in April for a decline of about 20 percent. Orders declined 10 percent sequentially to $1704 million. The company's second quarter results were affected by continued weakness in electronic end-equipment markets and excess customer inventories, which reduced demand for its Semiconductor products. Although the downturn is not over, the company now sees some signs of stabilization. The rate of sequential decline for the company's Semiconductor orders has slowed and it appears that its Semiconductor revenue is nearing a bottom.

Implementation of the company's previously announced cost-reduction measures lowered expenses, especially in manufacturing and support functions. Manufacturing has reduced headcount about 15 percent compared with the year-ago period, mostly in labor-intensive assembly and test operations, and additional savings will be realized as certain facilities complete their shutdown process.

SUMMARY OF FINANCIAL RESULTS

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

- Total revenue for TI was $2037 million, down 31 percent from $2932 million in the year-ago quarter, and down 19 percent sequentially due to weakness in Semiconductor.

- Cost of revenues in the second quarter was $1523 million, compared with $1486 million in the year-ago quarter. Cost of revenues increased primarily due to severance charges resulting from restructuring activities.

- Research and development (R&D) totaled $412 million, up from $387 million in the second quarter of 2000 primarily due to amortization of acquisition-related intangibles as well as severance charges.

- Selling, general and administrative expense in the quarter was $400 million, down from $414 million in the year-ago quarter as savings from reduced profit sharing and bonus accruals and from cost-reduction actions were substantially offset by severance charges resulting from restructuring activities.

- Other income (expense) net decreased from $1346 million in the second quarter of 2000 to $57 million in the second quarter of 2001, primarily due to decreased net investment gains. In the second quarter of 2000, TI realized a gain of $1211 million on the sale of Micron common stock.

- The income tax rate for the quarter was 23 percent.

- TI orders in the second quarter were $1704 million, down from $3355 million in the year-ago quarter and $1898 million in the first quarter due to weakness in Semiconductor.

Results for the second quarter of 2001 include net special charges of $252 million, of which $214 million is severance cost for a worldwide cost-reduction program and $35 million relates to the restructuring charges for the closing of three Semiconductor facilities (Merrimack, New Hampshire; Tustin, California; and Santa Cruz, California). In addition, TI recorded a $68 million increase to the income tax provision to adjust to the expected tax rate for the year. Also included is amortization of goodwill and other acquisition-related intangibles of $58 million.

For the first quarter of 2001, results 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, $16 million is severance cost for restructuring actions in international Semiconductor locations, and $25 million relates to the closing of a Semiconductor manufacturing facility in Santa Cruz, California. Also included is amortization of goodwill and other acquisition-related intangibles of $59 million.

For the second quarter of 2000, results include an investment gain of $1211 million in other income from the sale of 20 million shares of Micron common stock. Also included is amortization of goodwill and other acquisition-related intangibles of $25 million.

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. Also included is amortization of goodwill and other acquisition-related intangibles of $25 million.

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

OUTLOOK

Third-quarter revenue is expected to decline 10 to 15 percent sequentially as many of TI's Semiconductor customers continue to reduce inventories in an environment of weak demand for their own products.

Specifically, TI expects the following for the third quarter:

- In Semiconductor, wireless revenue will increase slightly from the second quarter but will be more than offset by declines in other products.

- Non-Semiconductor revenue will increase sequentially as seasonal declines in Sensors & Controls are more than offset by a seasonal increase in sales of educational calculators for Educational & Productivity Solutions.

- Operating margin will decline sequentially about 10 points before the effect of special charges and amortization of acquisition-related intangibles as a result of lower revenue.

- Non-operating income will decline to about $20 million due to reduced interest income.

- Earnings per share will decline to a loss of a few cents before the effect of special charges and amortization of acquisition-related intangibles.

For 2001, TI expects the following:

- R&D of $1.6 billion, excluding acquisition-related amortization and purchased in-process R&D, unchanged from the company's prior estimate and even with last year.

- Capital expenditures of $1.8 billion, unchanged from the prior estimate and down 35 percent from last year.

- Depreciation of $1.6 billion, up 30 percent from last year.

SEMICONDUCTOR

Semiconductor revenue in the second quarter was $1657 million, down from $2511 million in the same period of 2000 and $2176 million in the first quarter due to broad-based weakness in demand.

As a result of lower revenue, Semiconductor had a $37 million operating loss, compared with an operating profit of $634 million in the year-ago period and $304 million in the first quarter.

Analog revenue was down 28 percent from the year-ago period and 24 percent sequentially due to lower shipments across a breadth of products. DSP revenue decreased 41 percent from the year-ago quarter and 17 percent sequentially due to lower shipments primarily in wireless and catalog products. Analog and DSP comprised about 65 percent of TI's Semiconductor revenue.

TI's remaining Semiconductor revenue decreased from the year-ago quarter and sequentially.

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

- -   Wireless revenue declined 49 percent compared with the year-ago quarter and 21 percent sequentially.

- -   Revenue from TI's catalog products, which includes DSP and high-performance Analog, declined 36 percent from the year-ago quarter and 29 percent sequentially.

- -   Broadband communications revenue, which includes digital subscriber line (DSL) and cable modems, quadrupled compared with the year-ago quarter and was even with the first quarter.

Semiconductor orders were $1321 million, down 55 percent from the year-ago quarter and 12 percent sequentially. Orders decreased across most product areas, although wireless increased sequentially.

SENSORS & CONTROLS

Sensors & Controls revenue was $257 million, down 5 percent from the year-ago quarter due to lower shipments in control products and about even with the first quarter.

Operating profit was $52 million, or 20.2 percent of revenue, down from $54 million in the year-ago quarter due to lower revenue. Operating profit was $51 million in the first quarter.

EDUCATIONAL & PRODUCTIVITY SOLUTIONS (E&PS)

E&PS revenue was $129 million, compared with $125 million in the year-ago quarter. Sequentially, revenue increased $48 million due to retail stocking for back-to-school sales.

Operating profit was $38 million, or 29.2 percent of revenue, compared with $33 million in the year-ago quarter. Operating profit more than doubled from the first quarter due to the seasonal increase in revenue.

FIRST HALF 2001

For the first six months of 2001, TI reported the following:

- - TI revenue was $4565 million, down from $5694 million in the first six months of 2000, due to Semiconductor. The decrease in Semiconductor revenue for the first six months of 2001 was primarily due to a combination of weak electronic end-equipment markets and excess customer inventories. The decrease in Sensors & Controls was primarily due to lower shipments in control products and the increase in E&PS was primarily due to retail stocking for back-to-school sales.

- - Cost of revenues was $3028 million compared with $2907 million in the year-ago period. Cost of revenues increased primarily due to severance charges resulting from restructuring activities.

- - R&D totaled $858 million, compared to $773 million in the first six months of 2000. The increase was primarily due to increased investment in semiconductor technologies.

- - Selling, general and administrative expense was $748 million, down from $815 million in the year-ago period as savings from reduced profit sharing and bonus accruals and from cost-reduction actions were substantially offset by severance charges resulting from restructuring activities.

- - Other income (expense) net decreased from $1474 million in the first six months of 2000 to $164 million in the first six months of 2001, primarily due to decreased net investment gains. In the second quarter of 2000, TI realized a gain of $1211 million on the sale of Micron common stock.

- - The income tax rate was 49 percent.

- - Orders were $3601 million, down from $6350 million from the same period a year ago, primarily due to weakness in Semiconductor. Semiconductor orders for the first six months were down, primarily due to a combination of weak electronic end-equipment markets and excess customer inventories. Sensors & Controls orders were down, due to overall market weakness. E&PS orders were about even.

FINANCIAL CONDITION

In the first six months of 2001, cash and cash equivalents plus short-term investments decreased by $989 million to $3014 million, primarily due to capital expenditures. During the second quarter of 2001, cash and cash equivalents plus short-term investments decreased by $75 million to $3014 million, primarily due to the repurchase of the company's common stock.

Cash flow from operating activities was $705 million in the first half of 2001.

Capital expenditures totaled $1242 million in the first six months of 2001, compared with $1204 million in the first half of 2000.

Depreciation for the first half of 2001 was $731 million, compared with $550 million in the same period a year ago.

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

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. The company is currently reviewing the impact of SFAS Nos. 141 and 142 and will be performing a fair-value analysis at a later date in connection with the adoption of SFAS No. 142 on January 1, 2002.

SPECIAL CHARGES AND GAINS

Second Quarter of 2001

At June 30, 2001, $118 million of the $271 million aggregate severance cost obligations for the first and second quarter 2001 worldwide cost reduction and restructuring actions affecting a total of 5439 employees had been paid. In total, these first and second quarter 2001 actions are expected to result in annualized savings of approximately $400 million. In the second quarter of 2001, pretax charges of $252 million net were taken, of which $214 million was severance cost for a worldwide cost-reduction program affecting 3778 employees and $35 million relates to the restructuring charges for the closing of three Semiconductor facilities (Merrimack, New Hampshire; Tustin, California; and Santa Cruz, California) affecting an additional 559 employees. Of the $35 million charge, $14 million was for severance cost and $16 million was for the acceleration of depreciation over the remaining service life of the facilities. Of the $252 million, $162 million was included in cost of revenues, $84 million is in selling, general and administrative expense and $6 million is in research and development expense. Also included was a $68 million increase to the income tax provision to adjust to the expected tax rate for the year.

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, $16 million was for severance cost for restructuring actions affecting 261 employees in international Semiconductor locations, and $25 million relates to the 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, $44 million was included in cost of revenues, $7 million is in selling, general and administrative expense, $2 million is in research and development expense, and $3 million is in other income.

Second Quarter of 2000

In the second quarter of 2000, an investment gain of $1211 million, included in other income, was realized from the sale of 20 million shares of Micron common stock.

Purchased In-Process R&D Charges

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 June 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	$3.1/130 engineer months	2002

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

At the Annual Meeting of Stockholders held on April 19, 2001, the stockholders voted upon the election of directors.

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

Nominee	For	Withheld
James R. Adams	1,508,719,506	8,278,810
David L. Boren	1,508,703,241	8,295,075
James B. Busey	1,508,574,138	8,424,178
Daniel A. Carp	1,508,866,014	8,132,302
Thomas J. Engibous	1,508,420,528	8,577,788
Gerald W. Fronterhouse	1,507,362,581	9,635,735
David R. Goode	1,508,924,184	8,074,132
Wayne R. Sanders	1,509,023,214	7,975,102
Ruth J. Simmons	1,508,528,387	8,469,929

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 Loss) Per Common and Dilutive Potential Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.

(b) Reports on Form 8-K.

During the quarter ended June 30, 2001, the Registrant filed reports on Form 8-K dated May 14 and June 18, 2001, each confirming its outlook for the second quarter of 2001 as set forth in the Outlook Section included in Item 2 of its Form 10-Q for the quarter ending March 31, 2001.

"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: July 27, 2001

EXHIBIT 11

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
EARNINGS (LOSS) PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE

	For Three Months Ended		For Six Months Ended	
	June 30 2001	June 30 2000	June 30 2001	June 30 2000
Income (loss) before cumulative effect of an accounting change	$ (197)	$ 1,296	$ 33	$ 1,746
Add: Interest, net of tax effect, on convertible debentures assumed converted	--	2	--	2
Adjusted income (loss) before cumulative effect of an accounting change	(197)	1,298	33	1,748
Cumulative effect of an accounting change	--	--	--	(29)
Adjusted net income (loss) in millions	$ (197)	$ 1,298	$ 33	$ 1,719
Diluted earnings (loss) per common and dilutive potential common share:				
Weighted average common shares outstanding (in thousands)	1,735,623	1,712,756	1,735,086	1,708,716
Weighted average dilutive potential common shares:				
Stock option and compensation plans	--	75,507	50,390	76,439
Convertible debentures	--	5,625	--	3,925
Weighted average common and dilutive potential common shares	1,735,623	1,793,888	1,785,476	1,789,080
Diluted earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change	$ (0.11)	$ 0.72	$ 0.02	$ 0.98
Cumulative effect of an accounting change	--	--	--	(0.02)
Net income (loss)	$ (0.11)	$ 0.72	$ 0.02	$ 0.96
Basic earnings (loss) per common share:				
Weighted average common shares outstanding (in thousands)	1,735,623	1,712,756	1,735,086	1,708,716
Basic earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change	$ (0.11)	$ 0.76	$ 0.02	$ 1.02
Cumulative effect of an accounting change	--	--	--	(0.02)
Net income (loss)	$ (0.11)	$ 0.76	$ 0.02	$ 1.00

Exhibit 12

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

						For Six Months Ended June 30	
	1996	1997	1998	1999	2000	2000	2001
Earnings:							
Income from continuing operations before income taxes plus fixed charges and amortization of capitalized interest less interest capitalized	$ 190	$ 973	$ 815	$2,205	$4,702	$ 2,696	$ 120
Fixed charges:							
Total interest on loans (expensed and capitalized)	108	115	86	84	98	51	40
Interest attributable to rental and lease expense	44	44	41	30	32	15	17
Fixed charges	$ 152	$ 159	$ 127	$ 114	$ 130	$ 66	$ 57
Ratio of earnings to fixed charges	1.2	6.1	6.4	19.3	36.2	40.8	2.1