SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1998
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.)

8505 Forest Lane, 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00	New York Stock Exchange The Swiss Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $33,833,000,000 as of December 31, 1998.

390,679,959
(Number of shares of common stock outstanding as of December 31, 1998)

Parts I, II and IV hereof incorporate information by reference to the Registrant's 1998 annual report to stockholders. Part III hereof incorporates information by reference to the Registrant's proxy statement for the 1999 annual meeting of stockholders.

PART I

ITEM 1. Business.

Semiconductor

Texas Instruments Incorporated ("TI" or the "company," including subsidiaries except where the context indicates otherwise) is a global semiconductor company and the world's leading designer and supplier of digital signal processors and analog integrated circuits, the engines driving the digitization of electronics. These two types of semiconductor products work together in digital electronic devices such as digital cellular phones. Analog technology converts analog signals like sound, light, temperature and pressure into the digital language of zeros and ones, which can then be processed in real-time by a digital signal processor. Analog integrated circuits also translate digital signals back to analog. Digital signal processors and analog integrated circuits enable a wide range of new products and features for TI's more than 30,000 customers in commercial, industrial and consumer markets.

TI also is a world leader in the design and manufacturing of other semiconductor products. Those products include standard logic, application-specific integrated circuits, reduced instruction-set computing microprocessors, and microcontrollers.

The semiconductor business comprised 80% of TI's 1998 revenues when the divested memory business is excluded. TI's semiconductor products are used in a diverse range of electronic systems, including digital cell phones, computers, printers, hard disk drives, modems, networking equipment, digital cameras and video recorders, motor controls, autos, and home appliances. Products are sold primarily to original-equipment manufacturers and through distributors. TI's semiconductor patent portfolio has been established as an ongoing contributor to semiconductor revenues. Revenues generated from sales to TI's top three semiconductor customers accounted for approximately 24% of total semiconductor revenues in 1998.

The semiconductor business is intensely competitive, subject to rapid technological change and pricing pressures, and requires high rates of investment. TI is the leading supplier of digital signal processors and analog integrated circuits, yet faces strong competition in all of its semiconductor product lines. The rapid pace of change and technological breakthroughs constantly create new opportunities for existing competitors and start-ups, which can quickly render existing technologies less valuable.

In digital signal processors, TI competes with a growing number of large and small companies, both U.S.-based and international. New product development capabilities, applications support, software knowledge and advanced technology are the primary competitive factors in this business.

The market for analog integrated circuits is highly fragmented. TI competes with many large and small companies, both U.S.-based and international. Primary competitive factors in this business are the availability of innovative designs and designers, a broad range of process technologies and applications support and, particularly in the standard products area, price.

Demand for Digital Signal Processors/Analog Integrated Circuits

TI has undertaken a business strategy that focuses on developing and marketing digital signal processors and analog integrated circuits. TI has divested certain of its businesses and acquired others and invested its resources with the view of furthering its focus on these products. While TI believes that focusing its efforts on digital signal processors and analog integrated circuits offers the best opportunity for TI to achieve its strategic goals and that TI has developed, and will continue to develop, a wide range of innovative and technologically advanced products, the results of TI's operations may be adversely affected in the future if the demand for digital signal processors and analog integrated circuits decreases or this market grows at a pace significantly less than that projected by management.

Acquisitions and Divestitures

From time to time TI considers acquisitions and divestitures that may strengthen its business portfolio. TI may effect one or more of these transactions at such time or times as it determines to be appropriate. In 1998, as TI narrowed its focus to digital signal processors and analog integrated circuits, it acquired technology companies that brought unique expertise to these core product areas. In the first quarter, TI acquired GO DSP Corporation, a developer of software development tools for digital signal processors; Spectron Microsystems, a developer of real-time operating software for use in digital signal processing applications; and Oasix and Arisix corporations, both digital integrated circuit design centers for hard disk drive products. In the fourth quarter, TI acquired certain assets of Adaptec, Inc., a developer of hardware and software for the high-end hard disk drive market, a market that increasingly will use digital signal processors in addition to analog integrated circuits.

In addition, in 1998, TI divested its dynamic random-access memory (DRAM) semiconductor operation. The business was sold in the third quarter to Micron Technology, Inc., and included TI's wholly owned manufacturing facilities in Avezzano, Italy, and Richardson, Texas, its joint-venture interests in Japan and Singapore, and an assembly and test operation in Singapore. Revenues, profits and fixed assets for the divested memory business are included in "Divested Activities" in the note to the financial statements captioned "Business Segment and Geographic Area Data" on pages 29-31 of TI's 1998 annual report to stockholders.

Other TI Businesses

In addition to semiconductors, TI has two other principal segments. The largest, representing 12% of TI's 1998 revenues when the memory business is excluded, is Materials & Controls (M&C). This business sells electrical and electronic controls, electronic connectors, sensors, radio-frequency identification systems and clad metals into commercial and industrial markets. Typically the top supplier in targeted product areas, M&C faces strong multinational and regional competitors. The primary competitive factors in this business are product reliability, manufacturing costs, and engineering expertise. The products of this business are sold directly to original-

equipment manufacturers and through distributors. Revenues generated from sales to TI's top three M&C customers accounted for approximately 15% of total M&C revenues in 1998.

Educational & Productivity Solutions (E&PS) represents 6% of TI's 1998 revenues when the memory business is excluded, and is a leading supplier of educational and graphing calculators. This business sells primarily through retailers and to schools through instructional dealers. TI's principal competitors in this business are several Japanese companies. Technology expertise, price and infrastructure for education and market understanding are primary competitive factors in this business. Revenues generated from sales to TI's top three E&PS customers accounted for approximately 26% of total E&PS revenues in 1998.

In addition, TI continues to invest in digital imaging, an emerging business that produces micro-mirror-based devices that enable revolutionary brightness and clarity in large-screen video displays. The primary sales route is directly to original-equipment manufacturers. TI faces competition in this business primarily from a competing technology known as liquid crystal displays from Asian manufacturers. Primary competitive factors in this business are price, brightness and performance of the display, and in some applications, size and weight.

General Information

TI is headquartered in Dallas, Texas, and has manufacturing, design or sales operations in more than 25 countries. TI's largest geographic markets are in the United States, Asia, Japan and Europe. TI has been in operation since 1930.

The financial information with respect to TI's business segments and operations outside the United States, which is contained in the note to the financial statements captioned "Business Segment and Geographic Area Data" on pages 29-31 of TI's 1998 annual report to stockholders, is incorporated herein by reference to such annual report.

Backlog

The dollar amount of backlog of orders believed by TI to be firm was $1233 million as of December 31, 1998 and $1623 million as of December 31, 1997. TI's backlog does not represent actual revenues and is only an indication of future revenues which may be entered on the books of account of TI. Backlog orders are, under certain circumstances, subject to cancellation by the purchaser without penalty and do not reflect any potential adjustments for price decreases.

Raw Materials

TI purchases materials, parts and supplies from a number of suppliers. The materials, parts and supplies essential to TI's business are generally available at present and TI believes at this time that such materials, parts and supplies will be available in the foreseeable future.

Patents and Trademarks

TI owns many patents in the United States and other countries in fields relating to its business. The company has developed a strong, broad-based patent portfolio. TI also has several agreements with other companies involving license rights and anticipates that other licenses may be negotiated in the future. TI does not consider its business materially dependent upon any one patent or patent license, although taken as a whole, the rights of TI and the products made and sold under patents and patent licenses are important to TI's business.

TI owns trademarks that are used in the conduct of its business. These trademarks are valuable assets, the most important of which are "Texas Instruments" and TI's corporate monogram.

Research and Development

TI's research and development expense was $1206 million in 1998, compared with $1536 million in 1997 and $1181 million in 1996. Included is a charge for the value of in-process research and development of $25 million in 1998 as a result of two business acquisitions; $461 million in 1997 as a result of the acquisition of Amati Communications Corporation; and $192 million in 1996 as a result of the acquisition of Silicon Systems, Inc.

Seasonality

TI's revenues and operating results are subject to some seasonal variation.

Employees

The information concerning the number of persons employed by TI at December 31, 1998 on page 35 of TI's 1998 annual report to stockholders is incorporated herein by reference to such annual report.

Cautionary Statements Regarding Future Results of Operations

You should read the following cautionary statements in conjunction with discussions of factors discussed elsewhere in this and other of TI's filings with the Securities and Exchange Commission (SEC) and in materials incorporated by reference in these filings. These cautionary statements are intended to highlight certain factors that may affect the financial condition and results of operations of TI and are not meant to be an exhaustive discussion of risks that apply to companies with broad international operations, such as TI. Like other businesses, TI is susceptible to macroeconomic downturns in the United States or abroad that may affect the general economic climate and performance of TI or its customers. Similarly, the price of TI's securities is subject to volatility due to fluctuations in general market conditions, differences in TI's results of operations from estimates and projections generated by the investment community and other factors beyond TI's control.

Significant Delay in the Recovery or Worsening of the Market for Semiconductors.

TI's semiconductor business represents its largest business segment and the principal source of its revenues. The semiconductor market has historically been cyclical and subject to significant economic downturns. The weak semiconductor market in 1998 had an adverse effect on the demand for TI's semiconductor products and resulted in a decrease in revenues from TI's sale of semiconductors compared to 1997. A significant delay in the recovery of, or a prolonged weakening of, the semiconductor market may adversely affect TI's results of operations and have an adverse effect on the market price of its securities.

Dependence on Technology and New Product Development and Marketability.

TI's results of operations depend in part upon its ability to successfully develop and market innovative products in a rapidly changing technological environment. TI requires significant capital to develop new technologies and products to meet changing customer demands that, in turn, may result in shortened product lifecycles. Moreover, expenditures for technology and product development are generally made before the commercial viability for such developments can be assured. As a result, there can be no assurance that TI will successfully develop and market these new products, that the products TI does develop and market will be well received by customers or that TI will realize a return on the capital expended to develop such products.

Competition

TI faces intense technological and pricing competition in the markets in which it operates. TI expects that the level of this competition will increase in the future from large, established semiconductor and related product companies, as well as from emerging companies serving niche markets also served by TI. Certain of TI's competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against those products of TI that currently offer technological and/or price advantages over competitive products. Competition results in price and product development pressures, which may result in reduced profit margins and lost business opportunities in the event that TI is unable to match price declines or technological, product, applications support, software or manufacturing advances of its competitors.

Intellectual Property Rights

TI benefits from royalties generated from various license agreements that will be in effect through the year 2005. Future royalty revenues and access to world-wide markets depend on the continued strength of TI's intellectual property portfolio. TI actively enforces and protects its intellectual property rights, but there can be no assurance that TI's efforts will be adequate to prevent the misappropriation or improper use of the protected technology. Moreover, there can be no assurance that, as TI's business expands into new areas, TI will be able to independently develop the technology, software or know-how necessary to conduct its business and may have to rely

increasingly on licensed technology from others. To the extent that TI relies on licenses from others, there can be no assurance that it will be able to obtain all of the licenses it desires in the future on terms it considers reasonable or at all.

Decline in Demand for Products in Key Markets

TI's customer base includes companies in a wide range of industries, but TI generates a significant amount of revenues from sales to customers in the telecommunications and computer industries. Within these industries, a large portion of TI revenues is generated by the sale of digital signal processors and analog integrated circuits to customers in the cellular phone, modem and hard disk drive segments of these industries. A significant decline in any one or several of these end-user markets could have a material adverse effect on the demand for TI's products and its results of operations.

Impact of Year 2000 Issue

As discussed on pages 37-38 of TI's 1998 annual report to stockholders, since 1995 TI has been addressing Year 2000 issues that result from the use of two digit, rather than four digit, year dates in software. TI has essentially completed the assessment phase of its Year 2000 effort in the program areas of Information Technology, Physical Plant and Products. Assessment in the Extended Enterprise program area is ongoing. There can be no assurance, however, that TI has fully and accurately assessed its Year 2000 readiness or the effectiveness of its corrective actions, nor can there be any assurance that TI's customers and suppliers will timely complete their respective Year 2000 efforts and avoid Year 2000 disruption.

International Operations

TI operates in 25 countries worldwide and in 1998 derived in excess of 68% of its revenues from sales to locations outside the United States. Operating internationally exposes TI to changes in the laws or policies, as well as the general economic conditions, of the various countries in which it operates, which could result in an adverse effect on TI's business operations in such countries and its results of operations. Also, as discussed in more detail on pages 22 and 38-39 of TI's 1998 annual report to stockholders, TI uses 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. Nevertheless, in periods when the U.S. dollar strengthens in relation to the non-U.S. currencies in which TI transacts business, the remeasurement of non-U.S. dollar transactions can have an adverse effect on TI's non-U.S. business.

Dependence on Certain Customers

While TI generates revenues from thousands of customers worldwide, the loss of or significant curtailment of purchases by one or more of its top customers, including curtailments due to a change in the sourcing policies or practices of these customers, may adversely affect TI's results of operations.

Dependence on Key Personnel

TI's continued success depends on the retention and recruitment of skilled personnel, including technical, marketing, management and staff personnel. Experienced personnel in the electronics industry are in high demand and competition for their skills is intense. There can be no assurance that TI will be able to successfully retain and recruit the key personnel that it requires.

Available Information

TI files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements and other information filed by TI at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C. 20549, or at the SEC offices in New York, New York and Chicago, Illinois. Please call (800) SEC-0330 for further information on the public reference rooms. TI's filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov.

ITEM 2. Properties.

TI's principal executive offices are located at 8505 Forest Lane, Dallas, Texas. TI owns and leases plants in the United States and 11 other countries for manufacturing and related purposes. The following table indicates the general location of TI's principal plants and the business segments which make major use of them. Except as otherwise indicated, the principal plants are owned by TI.

	Semiconductor	Materials & Controls	E&PS
Dallas, Texas(1)	X	X	X
Houston, Texas	X		
Sherman, Texas(1)(2)	X		
Santa Cruz, California	X		
Attleboro, Massachusetts	X	X	
Freising, Germany	X	X	
Baguio, Philippines(3)	X		
Hiji, Japan	X		
Kuala Lumpur, Malaysia(4)	X	X	
Miho, Japan	X		
Taipei, Taiwan	X		
Aguascalientes, Mexico	X	X	

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(1) Certain plants or portions thereof in Dallas and Sherman are leased to Raytheon Company or Raytheon-related entities in connection with the sale in 1997 of TI's defense systems and electronics business.
(2) Leased.
(3) Owned on leased land.
(4) Approximately half of this site is owned on leased land; the remainder is leased.

TI's facilities in the United States contained approximately 17,700,000 square feet as of December 31, 1998, of which approximately 3,300,000 square feet were leased. TI's facilities outside the United States contained approximately 5,600,000 square feet as of December 31, 1998, of which approximately 1,300,000 square feet were leased.

TI believes that its existing properties are in good condition and suitable for the manufacture of its products. At the end of 1998, the company utilized substantially all of the space in its facilities.

Leases covering TI's leased facilities expire at varying dates generally within the next 10 years. TI anticipates no difficulty in either retaining occupancy through lease renewals, month-to-month occupancy or purchases of leased facilities, or replacing the leased facilities with equivalent facilities.

ITEM 3. Legal Proceedings.

Beginning May 1, 1998, TI filed lawsuits in United States District Courts in Texas and in courts in the United Kingdom, The Netherlands, France, Germany

and Japan against Hyundai Electronics Industries Co., Ltd. or related entities (collectively, "Hyundai") seeking injunctive relief for alleged infringement of over a dozen of TI's patents relating to the manufacture and sale of semiconductor devices, including DRAMs. Hyundai responded by filing lawsuits in United States District Courts in Texas and Delaware, seeking injunctive relief against TI for alleged infringement of Hyundai's patents relating to the manufacture and sale of semiconductor devices, including DRAMs.

Approximately $300 million of grants from the Italian government to TI's former memory operations in Italy are being reviewed in the ordinary course by government auditors. TI understands that these auditors are questioning whether some of the grants were applied to purposes outside the scope of the grants. TI's deferred gain on the sale of its memory business may be reduced to the extent that any grants are determined to have been misapplied. Also, TI understands that an Italian prosecutor is conducting a criminal investigation concerning a portion of the grants relating to specified research and development activities. The company believes that the grants were obtained and used in compliance with applicable law and contractual obligations.

TI is involved in various investigations and proceedings conducted by the federal Environmental Protection Agency and certain state environmental agencies regarding disposal of waste materials. Although the factual situations and the progress of each of these matters differ, the company believes that the amount of its liability will not have a material adverse effect upon its financial position or results of operations and, in most cases, TI's liability will be limited to sharing clean-up or other remedial costs with other potentially responsible parties.

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

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information which is contained in the note to the financial statements captioned "Common Stock Prices and Dividends" on page 41 of TI's 1998 annual report to stockholders, and the information concerning the number of stockholders of record at December 31, 1998 on page 35 of such annual report, are incorporated herein by reference to such annual report.

ITEM 6. Selected Financial Data.

The "Summary of Selected Financial Data" for the years 1994 through 1998 which appears on page 35 of TI's 1998 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information contained under the headings "Financial Highlights," "Semiconductor," "Materials & Controls," "Educational & Productivity Solutions," "Digital Imaging" and the first two paragraphs under the heading "Building a Real Time Advantage" on pages 3-4, and the information contained under the caption "Management Discussion and Analysis of Financial Condition and Results of Operations" on pages 36-41 of TI's 1998 annual report to stockholders are incorporated herein by reference to such annual report.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Information concerning market risk is contained on pages 38 and 39 of TI's 1998 annual report to stockholders and is incorporated by reference to such annual report.

ITEM 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the company at December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, and the report thereon of the independent auditors, on pages 14-34 of TI's 1998 annual report to stockholders, are incorporated herein by reference to such annual report.

The "Quarterly Financial Data" on pages 42-43 of TI's 1998 annual report to stockholders is also incorporated herein by reference to such annual report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant.

The information with respect to directors' names, ages, positions, term of office and periods of service, which is contained under the caption "Nominees for Directorship" in the company's proxy statement for the 1999 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The following is an alphabetical list of the names and ages of the executive officers of the company and the positions or offices with the company presently held by each person named:

Name	Age	Position
Richard J. Agnich	55	Senior Vice President, Secretary and General Counsel
William A. Aylesworth	56	Senior Vice President, Treasurer and Chief Financial Officer
Thomas J. Engibous	46	Director; Chairman of the Board, President and Chief Executive Officer
Stephen H. Leven	47	Senior Vice President
Keh-Shew Lu	52	Senior Vice President
John Scarisbrick	46	Senior Vice President
Richard Schaar	53	Senior Vice President (President, Educational & Productivity Solutions)
M. Samuel Self	59	Senior Vice President and Controller (Chief Accounting Officer)
Elwin L. Skiles, Jr.	57	Senior Vice President
Richard K. Templeton	40	Executive Vice President (President, Semiconductor)
Teresa L. West	38	Senior Vice President
Delbert A. Whitaker	55	Senior Vice President
Thomas Wroe	48	Senior Vice President (President, Materials & Controls)

The term of office of the above listed officers is from the date of their election until their successor shall have been elected and qualified, and the most recent date of election of each of them was April 16, 1998. Messrs. Agnich, Aylesworth, Engibous and Skiles have served as officers of the company for more than five years. Mr. Templeton has served as an officer of the company since 1996, and he has been an employee of the company for more than five years. Ms. West and Messrs. Leven, Lu, Scarisbrick, Schaar, Self, Whitaker and Wroe have served as officers of the company since March 19, 1998 and have been employees of the company for more than five years.

ITEM 11. Executive Compensation.

The information which is contained under the caption "Directors Compensation," "Executive Compensation" in the company's proxy statement for the 1999 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information concerning (a) the only persons that have reported beneficial ownership of more than 5% of the common stock of TI, and (b) the ownership of TI's common stock by the Chief Executive Officer and the five other most highly compensated executive officers, and all executive officers and directors as a group, which is contained under the caption "Voting Securities" in the company's proxy statement for the 1999 annual meeting of stockholders, is incorporated herein by reference to such proxy statement. The information concerning ownership of TI's common stock by each of the directors, which is contained under the caption "Nominees for Directorship" in such proxy statement, is also incorporated herein by reference to such proxy statement.

ITEM 13. Certain Relationships and Related Transactions.

Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1 and 2. Financial Statements and Financial Statement Schedules:

The financial statements and financial statement schedules are listed in the index on page 21 hereof.

3. Exhibits:

Designation of Exhibit in this Report	Description of Exhibit
3(a)	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the year 1993).

3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the year 1993).
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(c) to the Registrant's Annual Report on Form 10-K for the year 1993).
3(d)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).
3(e)	Certificate of Ownership Merging Texas Instruments Automation Controls, Inc. into the Registrant (incorporated by reference to Exhibit 3(e) to the Registrant's Annual Report on Form 10-K for the year 1993).
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant (incorporated by reference to Exhibit 3(f) to the Registrant's Annual Report on Form 10-K for the year 1993).
3(g)	Certificate of Ownership and Merger Merging Tiburon Systems, Inc. into the Registrant (incorporated by reference to Exhibit 4(g) to the Registrant's Registration Statement No.

333-41919 on Form S-8).

3(h)	Certificate of Ownership and Merger Merging Tartan, Inc. into the Registrant (incorporated by reference to Exhibit 4(h) to the Registrant's Registration Statement No. 333-41919 on Form S-8).
3(i)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
3(j)	Certificate of Elimination of Designation of Preferred Stock of the Registrant.
3(k)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated December 4, 1997).
4(a)(i)	Rights Agreement dated as of June 18, 1998 between the Registrant and Harris Trust and Savings Bank as Rights Agent, which includes as Exhibit B the form of Rights Certificate

(incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated June 23, 1998).

4(a)(ii)	Amendment dated as of September 18, 1998 to the Rights Agreement (incorporated by reference to Exhibit 2 to the Registrant's Amendment No. 1 to Registration Statement on Form 8-A dated September 23, 1998).
4(b)	The Registrant agrees to provide the Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries.
10(a)(i)	TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1994).*
10(a)(ii)	Amendment No. 1 to TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(iii) to the Registrant's Annual Report on Form 10-K for the year 1994).*
10(a)(iii)	Amendment No. 2 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).*
10(a)(iv)	Amendment No. 3 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*
10(b)	Texas Instruments Long-Term Incentive Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1993).*
10(c)	Texas Instruments 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).*
10(d)	Texas Instruments Executive Officer Performance Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).*
10(e)	Texas Instruments Restricted Stock Unit Plan for Directors (incorporated by reference to

Exhibit 10(e) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

10(f)	Texas Instruments Directors Deferred Compensation Plan (incorporated by reference to Exhibit 10(f) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10(g)	Texas Instruments Stock Option Plan for Non-Employee Directors.
10(h)	Asset Purchase Agreement dated as of January 4, 1997 between the Registrant and Raytheon Company (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated January 4, 1997).
10(i)	Acquisition Agreement dated as of June 18, 1998 between Texas Instruments Incorporated and Micron Technology, Inc. (exhibit C omitted) (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated June 18, 1998).
10(j)	Second Amendment to Acquisition Agreement dated as of September 30, 1998 between Texas Instruments Incorporated and Micron Technology, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K dated October 15, 1998).
10(k)	Securities Rights and Restrictions Agreement dated as of September 30, 1998 between Texas Instruments Incorporated and Micron Technology, Inc.
11	Computation of Earnings Per Common and Dilutive Potential Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
13	Portions of Registrant's 1998 Annual Report to Stockholders Incorporated by Reference Herein.
21	List of Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
24	Powers of Attorney.
27	Financial Data Schedule.

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*Executive Compensation Plans and Arrangements:

TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1994).

Amendment No. 1 to TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(iii) to Registrant's Annual Report on Form 10-K for the year 1994).

Amendment No. 2 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

Amendment No. 3 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

Texas Instruments Long-Term Incentive Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1993).

Texas Instruments 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).

Texas Instruments Executive Officer Performance Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

(b) Reports on Form 8-K:

The Registrant filed the following reports on Form 8-K with the Securities and Exchange Commission during the quarter ended December 31, 1998: Form 8-K dated September 30, 1998, which included pro forma financial statements relating to the Registrant's sale of the memory business to Micron Technology, Inc.; Form 8-K dated October 1, 1998, relating to completion of the sale of the Registrant's memory business.

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

This report 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, statements herein that describe TI'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 TI or its management:

- - Market demand for semiconductors, particularly for digital signal processors and analog integrated circuits 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 by customers and suppliers of their Year 2000 programs, as well as accurate assessment of TI's Year 2000 readiness and effective implementation of corrective actions.

- - 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 or the timing of customer inventory corrections.

- - TI's ability to recruit and retain skilled personnel.

- - Availability of raw materials and critical manufacturing equipment.

- - Realization of savings from announced worldwide corporate restructuring efforts and consolidation of manufacturing operations.

For a more detailed discussion of these factors see the text under the heading "Cautionary Statements Regarding Future Operations" in Item 1 of this report. The forward-looking statements included in this report are made only as of the date of this report and TI undertakes no obligation to publicly update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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: February 19, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 19th day of February, 1999.

Signature	Title
/s/JAMES R. ADAMS* James R. Adams	Director
/s/DAVID L. BOREN* David L. Boren	Director
/s/JAMES B. BUSEY IV* James B. Busey IV	Director
/s/DANIEL A. CARP* Daniel A. Carp	Director
/s/THOMAS J. ENGIBOUS* Thomas J. Engibous	Chairman of the Board; President; Chief Executive Officer; Director
/s/GERALD W. FRONTERHOUSE* Gerald W. Fronterhouse	Director
/s/DAVID R. GOODE* David R. Goode	Director

	Director
Wayne R. Sanders	
	Director
Gloria M. Shatto	
/s/CLAYTON K. YEUTTER*	Director
Clayton K. Yeutter	
/s/WILLIAM A. AYLESWORTH	Senior Vice President; Treasurer; Chief Financial Officer
William A. Aylesworth	
/s/ M. SAMUEL SELF	Senior Vice President; Controller; Chief Accounting Officer
M. Samuel Self	

*By:
/s/WILLIAM A. AYLESWORTH
William A. Aylesworth
Attorney-in-fact

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
(Item 14(a))

	Page Reference	
	Form 10-K	Annual Report to Stockholders
Information incorporated by reference to the Registrant's 1998 Annual Report to Stockholders:		

Consolidated Financial Statements:

Consolidated Schedule for each of the three years in the period ended December 31, 1998:

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

Schedule II

TEXAS INSTRUMENTS AND SUBSIDIARIES
ALLOWANCE FOR LOSSES AND CASH-RELATED SPECIAL CHARGES
(IN MILLIONS OF DOLLARS)
Years Ended December 31, 1998, 1997, 1996

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Usage	Adjustments	Balance at End of Year
Allowance for losses:					
1998	$73	$101	$ (77)	--	$97
1997	$90	$133	$(150)	--	$73
1996	$45	$163	$(118)	--	$90

Note: Allowance for losses from uncollectible accounts, returns, etc., are deducted from accounts receivable in the balance sheet.

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Usage	Adjustments	Balance at End of Year
Cash-related special charges:					
1998	$148	$255	$(228)	$(20)	$155

1997	$116	$152	$(116)	$ (4)	$148
1996	$15	$145	$ (41)	$ (3)	$116

Notes: Adjustments are to reflect changes in estimated costs and are either reversals to income or increases in expense.

Cash-related activity for special charges is included in the above schedule. See analysis in the Retirement and Incentive Plans note to the financial statements for non-cash, as well as cash-related, activities for special charges.

Exhibit Index

Designation of Exhibit in this Report	Description of Exhibit	Electronic or Paper
3(a)	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the year 1993).	
3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the year 1993).	
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3(c) to the Registrant's Annual Report on Form 10-K for the year 1993).	
3(d)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).	
3(e)	Certificate of Ownership Merging Texas Instruments Automation Controls, Inc. into the Registrant (incorporated by reference to Exhibit 3(e) to the Registrant's Annual Report on Form 10-K for the year 1993).	
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant (incorporated by reference to Exhibit 3(f) to the Registrant's Annual Report on Form 10-K for the year 1993).	
3(g)	Certificate of Ownership and Merger Merging Tiburon Systems, Inc. into the Company (incorporated by reference to Exhibit 4(g) to the Registrant's Registration Statement No. 333-41919 on Form S-8).	
3(h)	Certificate of Ownership and Merger Merging Tartan, Inc. into the Company (incorporated by reference to Exhibit 4(h) to the Registrant's	

	Registration Statement No. 333-41919 on Form S-8).
3(i)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
3(j)	Certificate of Elimination of Designation of Preferred Stock of the Registrant.
3(k)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated December 4, 1997).
4(a)(i)	Rights Agreement dated as of June 18, 1998 between the Registrant and Harris Trust and Savings Bank as Rights Agent, which includes as Exhibit B the form of Rights Certificate (incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated June 23, 1998).
4(a)(ii)	Amendment dated as of September 18, 1998 to the Rights Agreement (incorporated by reference to Exhibit 2 to the Registrant's Amendment No. 1 to Registration Statement on Form 8-A dated September 23, 1998).
4(b)	The Registrant agrees to provide the Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries.
10(a)(i)	TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1994).*
10(a)(ii)	Amendment No. 1 to TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(iii) to the Registrant's Annual Report on Form 10-K for the year 1994).*
10(a)(iii)	Amendment No. 2 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).*
10(a)(iv)	Amendment No. 3 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*
10(b)	Texas Instruments Long-Term Incentive Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1993).*
10(c)	Texas Instruments 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).*
10(d)	Texas Instruments Executive Officer Performance Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).*
10(e)	Texas Instruments Restricted Stock Unit Plan for Directors (incorporated by reference to Exhibit 10(e) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10(f)	Texas Instruments Directors Deferred Compensation Plan (incorporated by reference to Exhibit 10(f) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

10(g)	Texas Instruments Stock Option Plan for Non-Employee Directors.
10(h)	Asset Purchase Agreement dated as of January 4, 1997 between the Registrant and Raytheon Company (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated January 4, 1997).
10(i)	Acquisition Agreement dated as of June 18, 1998 between Texas Instruments Incorporated and Micron Technology, Inc. (exhibit C omitted) (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated June 18, 1998).
10(j)	Second Amendment to Acquisition Agreement dated as of September 30, 1998 between Texas Instruments Incorporated and Micron Technology, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K dated October 15, 1998).
10(k)	Securities Rights and Restrictions Agreement dated as of September 30, 1998 between Texas Instruments Incorporated and Micron Technology, Inc.
11	Computation of Earnings Per Common and Dilutive Potential Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
13	Portions of Registrant's 1998 Annual Report to Stockholders Incorporated by Reference Herein.
21	List of Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
24	Powers of Attorney.
27	Financial Data Schedule.

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*Executive Compensation Plans and Arrangements:

TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1994).

Amendment No. 1 to TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(iii) to Registrant's Annual Report on Form 10-K for the year 1994).

Amendment No. 2 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

Amendment No. 3 to TI Deferred Compensation Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

Texas Instruments Long-Term Incentive Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year 1993).

Texas Instruments 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).

Texas Instruments Executive Officer Performance Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

EXHIBIT 3(j)

CERTIFICATE OF ELIMINATION OF PARTICIPATING CUMULATIVE PREFERRED STOCK OF TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 151(g)
of the General Corporation Law
of the State of Delaware

Texas Instruments Incorporated, a corporation organized and existing under the laws of the State of Delaware, in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. That the Company filed on June 22, 1988 in the office of the Secretary of State of Delaware, a Certificate of Designation, which established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions, of the Company's Participating Cumulative Preferred Stock.

2. That no shares of said Participating Cumulative Preferred Stock are outstanding and no shares thereof will be issued.

3. That, at a duly called meeting of the Board of Directors of the Company, the following resolution was adopted:

> RESOLVED, that the appropriate officers of the Company are hereby authorized and directed to file a Certificate with the office of the Secretary of State of Delaware setting forth a copy of this resolution whereupon all reference to the Participating Cumulative Preferred Stock, as established by a Certificate of Designation filed in the office of the Secretary of State of Delaware on June 22, 1988, no shares of which are outstanding and no shares of which will be issued, shall be eliminated from the Restated Certificate of Incorporation, as amended, of the Company.

4. That accordingly, all references to the Participating Cumulative Preferred Stock of the Company be, and it hereby is, eliminated from the Restated Certificate of Incorporation, as amended, of the Company.

IN WITNESS WHEREOF, TEXAS INSTRUMENTS INCORPORATED has caused this Certificate to be signed by Richard J. Agnich, Senior Vice President, and attested by O. Wayne Coon, its Assistant Secretary, as of this 18th day of June 1998.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Richard J. Agnich
Senior Vice President

ATTEST:

By: /s/ O. WAYNE COON

O. Wayne Coon
Assistant Secretary

EXHIBIT 10(g)

TEXAS INSTRUMENTS
STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS
As Adopted April 16, 1998

The purpose of the Texas Instruments Stock Option Plan for Non-Employee Directors (the "Plan") is to increase the proprietary and vested interest of the non-employee directors of Texas Instruments Incorporated (the "Company") in the growth and performance of the Company by granting such directors options to purchase shares of the common stock of the Company, $1.00 par value ("Shares").

Section 1. Administration.

The Plan shall be administered by the Secretary of the Company (the "Secretary"). Subject to the provisions of the Plan, the Secretary shall have full power and authority to construe, interpret and administer the Plan. The Secretary may issue rules and regulations for administration of the Plan. All decisions of the Secretary shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the directors. In the event of the absence or inability of the Secretary, any Assistant Secretary shall have the authority to act in his place.

Subject to the terms of the Plan and applicable law, the Secretary shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement relating to, or options to purchase common stock of the Company granted under, the Plan; (ii) establish amend, suspend or waive such rules and regulations and appoint such agents as the Secretary shall deem appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that the Secretary deems necessary or desirable for the administration of the Plan.

Section 2. Eligibility.

A member of the Board of Directors of the Company (the "Board") who is not an employee of the Company or its subsidiaries shall be eligible for grant of options under the Plan ("Eligible Director"). Any holder of an option granted hereunder shall hereinafter be referred to as a "Participant."

Section 3. Shares Subject to the Plan.

The Shares deliverable upon the exercise of options will be made available from treasury Shares.

Section 4. Option Grants.

Each individual who is an Eligible Director will be granted an option to purchase 5,000 Shares as of the date of each regular January meeting of the Compensation Committee of the Board or any successor committee (the "Compensation Committee") following the effective date of the Plan or, if no such January meeting is held, as of the date of the first meeting of the Compensation Committee during a calendar year. The options granted will be nonstatutory stock options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and shall have the following terms and conditions:

(a) Price. The Purchase price per share of Shares deliverable upon the exercise of each option shall be 100% of the Fair Market Value per share of the Shares on the date the option is granted. For purposes of this Plan, Fair Market Value shall be determined to be equal to the simple average of the high and low prices of the Shares on the date of grant (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal," rounded upward to the next whole cent if such Fair Market Value should include a fraction of a cent.

(b) Payment. The Secretary shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which payment of the exercise price with respect to an option may be made or deemed to have been made.

(c) Exercisability and Term of Options. Subject to Section

4(d), options shall become exercisable in four equal annual installments commencing on the first anniversary date of the grant, provided the holder of such option remains an Eligible Director until such anniversary date, and shall be exercisable through the tenth anniversary date of the grant.

(d) Termination of Service as Eligible Director. The effect of a Participant's termination of service as a director of the Company shall be as follows:

(i) Termination for cause: All outstanding options held by the Participant shall be canceled immediately upon termination.

(ii) Death: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c), and shall be exercisable by such Participant's heirs.

(iii) Permanent disability: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c).

(iv) Termination after 8 years of service: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c), except that any option granted within less than six months prior to termination shall be cancelled immediately upon termination.

(v) Termination by reason of ineligibility to stand for reelection under the Company's by-laws: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c), except that any option granted within less than six months prior to termination shall be cancelled immediately upon termination.

(vi) Other: For any termination other than those specified above, all outstanding options held by the Participant shall be exercisable for 30 days after the date of termination, only to the extent that such options were exercisable on the date of termination, except as follows:

(A) If the Participant dies within 30 days after his or her termination, then such Participant's heirs may exercise the options for a period of up to one year after the Participant's death, but only to the extent any unexercised portion was exercisable on the date of termination.

(B) If the Participant's termination occurs within 30 days before the effective date of a Change in Control (as defined in Section 6), then the Change in Control will be deemed to have occurred first and the options shall be exercisable in accordance with Section 4(c).

(e) Non-transferability of Options. No option shall be transferable by a Participant except by will or by the laws of descent and distribution, and during the Participant's lifetime may be exercised only by Participant or, if permissible under applicable law, by the Participant's legal guardian or representative.

(f) Option Agreement. Each option granted hereunder shall be evidenced by an agreement with the Company which shall contain the terms and provisions set forth herein and shall otherwise be consistent with the provisions of the Plan.

Section 5. Adjustment of and Changes in Shares.

In the event that the Secretary shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Secretary to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Secretary shall, in such manner as he or she may deem equitable, adjust any or all of (a) the number and type of Shares subject to outstanding options, and (b) the exercise price with respect to any option or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding option; provided, however, that no fractional Shares shall be issued or outstanding hereunder. Notwithstanding any such corporate transaction or event, no adjustment shall be made in the number of Shares subject to options to be granted after the occurrence of any such corporate transaction or event.

Section 6. Change of Control.

The provisions of Section 4(c) shall not apply and options outstanding under the Plan shall be exercisable in full if a Change in Control occurs. Change in Control means an event when (a) any Person, alone or together with its Affiliates and Associates or otherwise, shall become an Acquiring Person otherwise than pursuant to a transaction or agreement approved by the Board of Directors of the Company prior to the time the Acquiring Person became such, or (b) a majority of the Board of Directors of the Company shall change within any 24-month period unless the election or the nomination for election by the Company's stockholders of each new director has been approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period. For the purposes hereof, the terms Person, Affiliates, Associates and Acquiring Person shall have the meanings given to such terms in the Rights Agreement dated as of June 17, 1988 between the Company and Harris Trust and Savings Bank, successor in interest to First Chicago Trust Company of New York, (formerly Morgan Shareholder Services Trust Company), as in effect on the date hereof; provided, however, that if the percentage employed in the definition of Acquiring Person is reduced hereafter from 20% in such Rights Agreement, then such reduction shall also be applicable for the purposes hereof.

Section 7. No Rights of Stockholders.

Neither a Participant nor a Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any option, in whole or in part, unless and until certificates for such shares shall have been issued.

Section 8. Plan Amendments.

The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of any stockholder or Participant or other person: provided, however, that no such action shall impair the rights under any option theretofore granted under the Plan and that, notwithstanding any other provision of the Plan or any option agreement, no such amendment, alteration, suspension, discontinuation or termination shall be made that would permit options to be granted with a per Share exercise price of less than the Fair Market Value of a Share on the date of grant thereof.

Section 9. Effective Date.

The Plan shall become effective on April 16, 1998. The Plan shall terminate April 16, 2003 unless the Plan is extended or terminated at an earlier date.

Section 10. No Limit on Other Compensation Arrangements.

Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

Section 11. Governing Law.

The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

Section 12. Severability.

If any provision of the Plan or any option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or option, or would disqualify the Plan or any option under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan or the option, such provision shall be stricken as to such jurisdiction, person or option, and the remainder of the Plan and any such option shall remain in full force and effect.

Section 13. No Right to Continued Board Membership.

The grant of options shall not be construed as giving a participant the right to be retained as a director of the Company. The Board may at any time fail or refuse to nominate a participant for election to the Board, and the stockholders of the Company may at any election fail or refuse to elect any participant to the Board free from any liability or claim under this Plan or any options.

Section 14. No Trust or Fund Created.

Neither the Plan nor any options shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a participant or any other person. To the extent that any person acquires a right to receive options, or Shares pursuant to options, from the Company pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

EXHIBIT 10(k)

SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT

Between

MICRON TECHNOLOGY, INC.

and

TEXAS INSTRUMENTS INCORPORATED

Dated as of September 30, 1998

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SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT

THIS SECURITIES RIGHTS AND RESTRICTIONS AGREEMENT (this "Agreement") is made as of September 30, 1998, between MICRON TECHNOLOGY, INC., a Delaware corporation ("Micron"), and TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation ("TI").

RECITALS

A. Pursuant to the terms of the Acquisition Agreement dated as of June 18, 1998 (the "Acquisition Agreement"), by and between Micron and TI, Micron (in part through certain of its subsidiaries) is simultaneously herewith acquiring from TI (and certain of its subsidiaries) the Acquired Assets (as defined in the Acquisition Agreement) and assuming from TI (and certain of its subsidiaries) the Assumed Liabilities (as defined in the Acquisition Agreement).

B. In connection with the transactions contemplated by the Acquisition Agreement, Micron has agreed to issue to TI (i) 28,933,092 unregistered shares (the "Shares") of Micron's Common Stock par value, $0.10 per share (the "Common Stock"), (ii) $740 million aggregate principal amount of Micron's 6-1/2% Convertible Subordinated Notes due October 1, 2005, convertible into Common Stock at a purchase price of $60 per share (the "2005 Convertible Notes") and (iii) $210 million aggregate principal amount of Micron's 6-1/2% Subordinated Notes due September 30, 2005 (the "Subordinated Notes").

C. The Acquisition Agreement provides for the execution and delivery of this Agreement at the closing of the transactions contemplated thereby.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and conditions herein and in the Acquisition Agreement, the parties hereto hereby agree as follows:

SECTION 1

DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

(a) "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; the terms "controlling" and "controlled" have meanings correlative to the foregoing.

(b) "Beneficial ownership" or "beneficial owner" has the meaning provided in Rule 13d-3 promulgated under the Exchange Act. References to ownership of Voting Securities hereunder mean beneficial ownership.

(c) "Change in Control of Micron" shall mean a merger, consolidation or other business combination or the sale of all or substantially all of the assets of Micron (other than a transaction pursuant to which the holders of the voting stock of Micron outstanding immediately prior to such transaction have the entitlement to exercise, directly or indirectly, fifty percent (50%) or more of the Total Voting Power of the continuing, surviving entity or transferee immediately after such transaction).

(d) "Demand Registration Statement" has the meaning set forth in Section 4.1(a).

(e) "Demand Request" has the meaning set forth in Section 4.1(a).

(f) "Demand/Tranche Managing Underwriters" has the meaning set forth in Section 4.4(c).

(g) "Demand/Tranche Market Cut-Back" has the meaning set forth in Section 4.4(d).

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Group" or "group" shall have the meaning provided in Section 13(d)(3) of the Exchange Act and the rules and regulations promulgated thereunder, but shall exclude any institutional underwriter purchasing Voting Securities of Micron in connection with an underwritten registered offering for purposes of a distribution of such securities.

(j) "Indemnified Party" has the meaning set forth in Section 4.6(c).

(k) "Indemnifying Party" has the meaning set forth in Section 4.6(c).

(l) "Micron Public Offering Lock-Up" has the meaning set forth in Section 4.9(b).

(m) "Person" shall mean any person, individual, corporation, partnership, trust or other nongovernmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise).

(n) "Piggyback Market Cut-Back" has the meaning set forth in Section 4.3.(c).

(o) "Piggyback Registrable Securities" has the meaning set forth in Section 4.3.(a).

(p) "Piggyback Registration Statement" has the meaning set forth in Section 4.3(a).

(q) "Piggyback Request" has the meaning set forth in Section 4.3.(a).

(r) "Piggyback Underwriting Agreement" has the meaning set forth in Section 4.3.(b).

(s) "Register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in

compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

(t) "Registrable Securities" means (i) the Shares, (ii) the 2005 Convertible Notes, (iii) any Common Stock issued or issuable upon conversion of the 2005 Convertible Notes and (iv) any securities issued in respect of the foregoing as a result of any stock split, stock dividend, recapitalization, or similar transaction.

(u) "Registration Expenses" has the meaning set forth in Section 4.5(a).

(v) "Restricted Securities" has the meaning set forth in Section 3.3(a).

(w) "Securities Act" means the Securities Act of 1933, as amended.

(x) "SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(y) "Shelf Registrable Securities" has the meaning set forth in Section 4.2(a).

(z) "Shelf Registration Statement" has the meaning set forth in Section 4.2(a).

(aa) "Shelf Request" has the meaning set forth in Section 4.2(a).

(bb) "Suspension Condition" has the meaning set forth in Section 4.4(f).

(cc) "TI Conflict of Interest Transaction" means (i) any transaction (including the issuance of Micron securities or a transaction of which the issuance of such securities is a part) between Micron and a competitor of TI in any of the businesses in which TI is engaged, or has announced an intention to become engaged or (ii) any other transaction with respect to which TI has a significant interest that conflicts with the interests of Micron or the other stockholders of Micron as stockholders. For purposes of clause (i) of the preceding sentence, the "announced intentions" of TI at any time may be established by reference to press releases and any materials filed with the SEC or otherwise disclosed to the public pursuant to the Securities Act or the Exchange Act. For purposes of clause (ii) of such sentence, TI shall be deemed to have a substantial interest that conflicts with the interests of Micron and the other stockholders of Micron as stockholders in any situation in which TI has a substantial economic interest (direct or indirect) in the transaction that is greater than and contrary to its economic interest as a stockholder of Micron.

(dd) "TI Pooling Transaction Lock-Up" has the meaning set forth in Section 4.9(a).

(ee) "TI Public Offering Lock-Up" has the meaning set forth in Section 4.9(a).

(ff) "Tranche Registrable Securities" has the meaning set forth in Section 4.2(b).

(gg) "Tranche Request" has the meaning set forth in Section 4.2(b).

(hh) "Voting Securities" means (i) all securities of Micron, entitled, in the ordinary course, to vote in the election of directors of Micron and (ii) for the purposes of this Agreement only, all securities of Micron convertible into or exchangeable or exercisable for shares of Common Stock (including the Convertible Notes), the Voting Power of which shall be deemed equal to the number of shares of Common Stock issuable upon the conversion, exchange or exercise of such securities. Voting Securities shall not include stockholder rights or other comparable securities having Voting Power only upon the happening of a trigger event or comparable contingency and which can only be transferred together with the Voting Securities to which they attach. References herein to meetings of holders of Voting Securities shall include meetings of any class or type thereof (including without limitation meetings of holders of the Convertible Notes).

(ii) "Voting Power" or "Total Voting Power" of Micron (or any other corporation) refer to the votes or total number of votes which at the time of calculation may be cast in the election of directors of Micron (or such corporation) at any meeting of stockholders of Micron (or such corporation) if all securities entitled to vote in the election of directors of Micron (or such corporation) were present and voted at such meeting; provided that for purposes of references herein made to any Person's "Voting Power" or percentage beneficial ownership of "Total Voting Power," any rights (other than rights referred to in any rights plan of Micron (or any such other corporation) or a successor to such rights plan so long as such rights can only be transferred together with the Voting Securities to which they attach) of such Person to acquire Voting Securities (whether or not the exercise of any such right shall be conditioned upon the passage of time or any other contingency) shall be deemed to have been exercised in full.

(jj) "180-Day Limitation" has the meaning set forth in Section 4.4(a).

(kk) "2004 Convertible Notes" means Micron's 7% Convertible Subordinated Notes due July 1, 2004, and the term "Convertible Notes" means the 2004 Convertible Notes and the 2005 Convertible Notes.

All capitalized terms used and not defined herein shall have the respective meanings assigned to such terms in the Acquisition Agreement.

SECTION 2

STANDSTILL AND RELATED COVENANTS

2.1 TI Ownership of Micron Securities. On the date hereof, and without giving effect to the transactions contemplated by the Acquisition Agreement, neither TI nor any Affiliate of TI beneficially owns any Voting Securities of Micron (excluding any officers and directors of TI and any employee benefit or pension plan of TI).

2.2 Standstill Provisions. TI shall not acquire, directly or indirectly, and shall not cause or permit any Affiliate of TI (excluding any officers and directors of TI and any employee benefit or pension plan of TI) to acquire, directly or indirectly (through market purchases or otherwise), record or beneficial ownership of any Voting Securities of Micron without the prior written consent of the Board of Directors of Micron; provided, however, that the prior written consent of the Board of Directors of Micron shall not be required for the acquisition of any Voting Securities of Micron pursuant to the conversion of any of the 2005 Convertible Notes or resulting from a stock split, stock dividend or similar recapitalization by Micron. Nothing contained in this Section 2.2 shall adversely affect any right of TI to acquire record or beneficial ownership of Voting Securities of Micron pursuant to any rights plan instituted by Micron.

2.3 Voting. Unless the Board of Directors of Micron otherwise consents in writing in advance, TI shall take such action (and shall cause each Affiliate of TI that beneficially owns Voting Securities of Micron to take such action) as may be required so that all Voting Securities of Micron beneficially owned by TI (or any such Affiliate of TI) from time to time are voted on all matters to be voted on by holders of Voting Securities of Micron in the same proportion (for, against and abstain, with lost, damaged or disfigured ballots counting as abstentions to the extent that they cannot be counted as for or against under applicable law) as the votes cast by the other holders of Voting Securities of Micron with respect to such matters; provided, however, that all Voting Securities of Micron beneficially owned by TI (or any Affiliate of TI) from time to time may be voted as TI (or any such Affiliate of TI) determines in its sole discretion on any matter presented to the holders of Voting Securities of Micron (by any Person other than TI, any Affiliate of TI or an "associate" of any of them, as such term is defined in Rule 12b-2 under the Exchange Act), to approve (i) any merger, consolidation or other business combination involving Micron, (ii) any sale of all or substantially all of the assets of Micron, (iii) any issuance of equity or equity-linked securities of Micron requiring stockholder approval pursuant to applicable stock exchange rules; provided, however, that neither TI nor any Affiliate of TI shall be entitled to vote on any matter set forth in clauses (i), (ii) or (iii) hereof that constitutes, involves or is part of, a TI Conflict of Interest Transaction. TI (or any Affiliate of TI), as the holder of Voting Securities of Micron, shall use its best efforts to be present, in person or by proxy, at all meetings of the stockholders of Micron so that all Voting Securities of Micron beneficially owned by TI (or such Affiliate of TI) from time to time may be counted for the purposes of determining the presence of a quorum at such meetings. The foregoing provision shall also apply to the execution by TI of any written consent in lieu of a meeting of holders of Voting Securities of Micron or any class thereof.

2.4 Voting Trust. TI shall not, and shall not cause or permit any Affiliate of TI to, deposit any Voting Securities of Micron in a voting trust or, except as otherwise provided herein, subject any Voting Securities of Micron to any arrangement or agreement with respect to the voting of such Voting Securities of Micron.

2.5 Solicitation of Proxies. Without the prior written consent of the Board of Directors of Micron, TI shall not, and shall not cause or permit any Affiliate of TI to, directly or indirectly (i) initiate, propose or otherwise solicit Micron stockholders for the approval of one or more stockholder

proposals with respect to Micron or induce or attempt to induce any other Person to initiate any stockholder proposal, (ii) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are defined or used in Regulation 14a-1 under the Exchange Act) with respect to any Voting Securities of Micron, or become a "participant" in any "election contest" (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act), with respect to Micron or (iii) call or seek to have called any meeting of the holders of Voting Securities of Micron.

2.6 Acts in Concert with Others. Except as contemplated herein, TI shall not, and shall not cause or permit any Affiliate of TI, to participate in the formation, or encourage the formation, of any Person which owns or seeks to acquire beneficial ownership of, or otherwise acts in concert in respect of the voting or disposition of, Voting Securities of Micron. Without limiting the generality of the foregoing, and except as contemplated herein, TI shall not, and shall not cause or permit any Affiliate of TI to: (i) join a partnership, limited partnership, syndicate or other group, or otherwise act in concert with any third person, for the purpose of acquiring, holding, or disposing of Voting Securities of Micron; (ii) seek election to or seek to place a representative on the Board of Directors of Micron; (iii) seek the removal of any member of the Board of Directors of Micron; (iv) otherwise seek control of the management, Board of Directors or policies of Micron; (v) solicit, propose, seek to effect or negotiate with any other Person with respect to any form of business combination transaction with Micron or any Affiliate thereof, or any restructuring, recapitalization or similar transaction with respect to Micron or any Affiliate thereof; (vi) solicit, make or propose or encourage or negotiate with any other Person with respect to, or announce an intent to make, any tender offer or exchange offer for any Voting Securities of Micron; (vii) disclose an intent, purpose, plan or proposal with respect to Micron or any Voting Securities of Micron inconsistent with the provisions of this Agreement, including an intent, purpose, plan or proposal that is conditioned on or would require Micron to waive the benefit of or amend any provision of this Agreement; or (vii) assist, participate in, facilitate, encourage or solicit any effort or attempt by any Person to do or seek to do any of the foregoing. TI shall not, and shall not cause or permit any Affiliate of TI to, encourage or render advice to or make any recommendation or proposal to any Person to engage in any of the actions covered by Section 2.5 and this Section 2.6 hereof.

2.7 Termination. The provisions of this Article 2 shall terminate upon the earlier to occur of: (i) such time as TI (together with all Affiliates of TI) beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron; or (ii) the closing or other completion of a Change in Control of Micron.

SECTION 3

RESTRICTIONS ON TRANSFER OF SECURITIES; COMPLIANCE WITH SECURITIES LAWS

3.1 Restrictions on Transfer of Voting Securities of Micron. Subject to Section 3.6 hereof, TI shall not, and shall not cause or permit any Affiliate of TI to, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any Voting Securities of Micron, now or hereafter acquired, or with respect to which TI (or any Affiliate of TI) has or hereafter acquires the power of disposition (or enter into any agreement or understanding with respect to the foregoing), except as set forth below:

(a) to Micron, or any Person or group approved in writing in advance by the Board of Directors of Micron;

(b) to any wholly-owned subsidiary of TI, so long as such subsidiary agrees in writing (in form reasonably acceptable to counsel for Micron) to hold such Voting Securities of Micron subject to all the provisions of this Agreement, and so agrees to transfer such Voting Securities of Micron to TI or another wholly-owned subsidiary of TI if it ceases to be a wholly-owned subsidiary of TI;

(c) pursuant to a firm commitment, underwritten public offering of Voting Securities of Micron registered under the Securities Act; provided, however, that such offering is structured to distribute such securities through an underwriter in accordance with procedures designed to ensure (as far as is practically possible) that beneficial ownership of the Voting Securities of Micron with aggregate Voting Power of more than five percent (5%) of the Total Voting Power of Micron then in effect shall not be transferred during such underwriting to any single Person or group;

(d) through a sale of Voting Securities of Micron pursuant to Rule 144 under the Securities Act; provided, however, that any such sale (i) complies with the manner of sale provisions under paragraph (f) of Rule 144 or (ii) is of securities with Voting Power aggregating less than five percent (5%) of the Total Voting Power of Micron and is not made knowingly directly or indirectly to: (A) any Person or group which has theretofore filed a Schedule 13D with the SEC with respect to any class of "equity security" (as defined in Rule 13a11-1 under the Exchange Act) of Micron and which, at the time of such sale, continues to reflect beneficial ownership in excess of five percent (5%) of the Total Voting Power of Micron; (B) any Person or group known to TI (without inquiry or investigation) to beneficially own in excess of five percent (5%) of any Voting Securities of Micron or to be accumulating stock on behalf of or acting in concert with any such Person or group or a Person or group contemplated by clause (A) above; or (C) any Person or group that has announced or commenced an unsolicited offer for any Voting Securities of Micron or publicly initiated, proposed or otherwise solicited Micron stockholders for the approval of one or more stockholder proposals with respect to Micron or publicly made, or in any way participated in, any "solicitation" of "proxies" (as such terms are defined or used in Regulation 14A under the Exchange Act) with respect to any Voting Securities of Micron, or become a "participant" in

any "election contest" (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act);

(e) pursuant to any private sale of Voting Securities of Micron exempt from the registration requirements under the Securities Act, provided that no such sale may be made (i) to any Person or group which, after giving effect to such sale, will beneficially own or have the right to acquire Voting Securities of Micron with aggregate Voting Power of more than five percent (5%) of the Total Voting Power of Micron unless such Person or group is an institutional investor that acquires such Voting Securities solely for investment, in which case the total number of Voting Securities that may be sold to such Person or group shall be limited so that such Person or group shall not own or have the right to acquire more than ten percent (10%) of the Total Voting Power of Micron after giving effect to the proposed sale; and, provided, further, that any such purchaser (and any transferee of such purchaser) shall agree to take and hold such securities subject to the provisions and upon the conditions specified in this Article 3, and it will be a condition precedent to the effectiveness of any such transfer that TI shall have delivered to Micron a written agreement of such purchaser to that effect in form and substance reasonably satisfactory to Micron;

(f) in response to an offer to purchase or exchange for cash or other consideration any Voting Securities, which in any case is not opposed by the Board of Directors of Micron within the time such Board is required, pursuant to regulations under the Exchange Act, to advise the stockholders of Micron of such Board's position with respect to such offer, or, if no such regulations are applicable, within ten (10) business days of the commencement of such offer, or pursuant to a merger, consolidation or other business combination involving Micron approved by the Board of Directors of Micron; or

(g) subject to Micron's prior consent (which shall not be unreasonably withheld), pursuant to bona fide pledges of such Restricted Securities to institutional lenders (provided that the number of such lenders to which, or for the benefit of which, such pledges may be made, shall not exceed twenty (20) in the aggregate), to secure a loan, guarantee, letter of credit facility or other indebtedness or financial support; provided that each such lender to which, or for the benefit of which, such pledge is made agrees in writing to hold such Restricted Securities subject to all provisions of this Agreement, including the limitations on any sale or other disposition of such

Restricted Securities.

3.2 Restrictions on Transfer of Subordinated Notes. Subject to Section 3.6 hereof, TI shall not, and shall not cause or permit any Affiliate of TI to, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any of the Subordinated Notes, now or hereafter acquired, or with respect to which TI (or such Affiliate of TI) has or hereafter acquires the power of disposition (or enter into any agreement or understanding with respect to the foregoing), except through a sale of a minimum of $10,000,000 principal amount of Subordinated Notes (and of any integral multiple of $1,000,000 in excess thereof) under Rule 144A under the Securities Act to a "qualified institutional buyer" as defined in such Rule 144A.

3.3 Restrictive Legends.

(a) The certificate or certificates representing the (i) the Shares, (ii) the 2005 Convertible Notes, (iii) any Common Stock issued or issuable upon conversion of the 2005 Convertible Notes and (iv) any securities issued in respect of the foregoing as a result of any stock split, stock dividend, recapitalization, or similar transaction initially acquired by TI from Micron in accordance with the terms of this Agreement (collectively, the "Restricted Securities") shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

THE SHARES (or, as applicable, CONVERTIBLE NOTES) REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES (or, as applicable, CONVERTIBLE NOTES) MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER AS TO THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION.

(b) In addition to the legend provided for in Section 3.3(a), the certificate or certificates representing the Restricted Securities shall be stamped or otherwise imprinted with a legend substantially in the following form:

THE SHARES (or, as applicable, CONVERTIBLE NOTES) REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER, INCLUDING ANY SALE, PLEDGE OR OTHER HYPOTHECATION SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND TEXAS INSTRUMENTS INCORPORATED, A COPY OF WHICH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE ISSUER AT THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES.

(c) The certificate or certificates representing the Subordinated Notes shall be stamped or otherwise imprinted with legends substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE ONLY (A) TO THE ISSUER, OR (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A.

3.4 Procedures for Certain Transfers.

(a) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Article 3.

(b) Prior to any proposed transfer of any Restricted Securities pursuant to Sections 3.1(a), (b), (e) and (g) hereof, TI shall give written notice to Micron of TI's intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall be accompanied by either: (i) a written opinion of legal counsel (including in--house counsel), who shall be reasonably satisfactory to Micron, addressed to Micron and reasonably satisfactory in form and substance to Micron's counsel, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act; or (ii) a "no action" letter from the SEC and a copy of any request by TI (together with all supplements or amendments thereto), which shall have been provided to Micron at or prior to the time of first delivery to the SEC's staff, to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto, whereupon TI shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by TI to Micron.

(c) In connection with any proposed transfer of Restricted Securities pursuant to Section 3.1(d) hereof, TI shall comply with all of the requirements of Rule 144 under the Securities Act and the reasonable requirements of Micron's transfer agent with respect to sales of Restricted Securities pursuant to Rule 144.

(d) Each certificate evidencing the Restricted Securities transferred as herein provided (other than a transfer pursuant to Section 3.1(c)) shall bear the appropriate restrictive legend set forth (or described) in Section 3.4(a) above, except that such certificate shall not bear such restrictive legend if: (i) in the opinion of counsel for Micron, such legend is not required in order to establish compliance with any provisions of the Securities Act; (ii) the Restricted Securities have been held by the holder for more than two years, and the holder represents to counsel for Micron that it has not been an "affiliate" (as such term is defined for purposes of Rule 144) of Micron during the three-month period prior to the sale and shall not become an affiliate (as such term is defined for purposes of Rule 144) of Micron without resubmitting the Restricted Securities for reimposition of the legend; or (iii) the Restricted Securities have been sold pursuant to Rule 144 and in compliance with Section 3.1(d). In addition, each certificate evidencing the Restricted Securities transferred pursuant to this Article 3 (other than transfers pursuant to Sections 3.1(c) and 3.1(d) hereof) shall bear the legend set forth in Section 3.3(b) above.

3.5 Covenant Regarding Exchange Act Filings. With a view to making available to TI the benefits of Rule 144 promulgated under the Securities Act, and any other rules or regulations of the SEC which may at any time permit TI to sell any Restricted Securities without registration, until the date of termination of this Agreement, Micron agrees to use commercially reasonable

efforts to file with the SEC in a timely manner all reports and other documents required to be filed under the Exchange Act.

3.6 Termination. The provisions of this Article 3 shall terminate upon the later to occur of: (i) the tenth anniversary date of this Agreement and (ii) such time as TI (together with all Affiliates of TI) beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron or upon the closing or other completion of a Change in Control of Micron.

SECTION 4

REGISTRATION RIGHTS

4.1 Demand Registration.

(a) If at any time after the six month anniversary date of this Agreement, Micron shall receive from TI a written request (a "Demand Request") that Micron register on Form S-3 under the Securities Act (or if such form is not available, any registration statement form then available to Micron) Registrable Securities equal to at least two percent (2%) of the Voting Securities of Micron outstanding on the date of such Demand Request, then Micron shall use commercially reasonable efforts to cause the Registrable Securities specified in such Demand Request (the "Demand Registrable Securities") to be registered as soon as reasonably practicable so as to permit the offering and sale thereof and, in connection therewith, shall prepare and file with the SEC as soon as practicable after receipt of such Demand Request, a registration statement (a "Demand Registration Statement") to effect such registration; provided, however, that each such Demand Request shall: (i) specify the number of Demand Registrable Securities intended to be offered and sold by TI pursuant thereto (which number of Demand Registrable Securities shall not be less than two percent (2%) of the Voting Securities of Micron outstanding on the date of such Demand Request); (ii) express the present intention of TI to offer or cause the offering of such Demand Registrable Securities pursuant to such Demand Registration Statement, (iii) describe the nature or method of distribution of such Demand Registrable Securities pursuant to such Demand Registration Statement (including, in particular, whether TI plans to effect such distribution by means of an underwritten offering); and (iv) contain the undertaking of TI to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder, and to obtain any desired acceleration of the effective date of such Demand Registration Statement.

(b) The procedures to be followed by Micron and TI, and the respective rights and obligations of Micron and TI, with respect to the preparation, filing and effectiveness of Demand Registration Statements and the distribution of Demand Registrable Securities pursuant to Demand Registration Statements under this Section 4.1 are set forth in Section 4.4 hereof.

4.2 Shelf Registration.

(a) If at any time after the six month anniversary date of this Agreement, Micron shall receive from TI a written request (a "Shelf Request") that Micron register pursuant to Rule 415(a)(1)(i) under the Securities Act (or any successor rule with similar effect) a delayed offering of Registrable Securities, equal to at least five percent (5%) of the Voting Securities of Micron outstanding on the date of such Shelf Request, then Micron shall use commercially reasonable efforts to cause the Registrable Securities specified in such Shelf Request (the "Shelf Registrable Securities") to be registered as soon as reasonably practicable so as to permit the sale thereof and, in connection therewith, shall (i) prepare and file with the SEC as soon as practicable after receipt of such Shelf Request, a shelf registration statement on Form S-3 relating to such Shelf Registrable Securities, if such Form S-3 is available for use by Micron (or any successor form of registration statement to such Form S-3), to effect such registration (a "Shelf Registration Statement"), to enable the distribution of such Shelf Registrable Securities; provided, however, that each such Shelf Request shall: (i) specify the number of Shelf Registrable Securities intended to be offered and sold by TI pursuant thereto (which number of Shelf Registrable Securities shall not be less than five percent (5%) of the Voting Securities of Micron outstanding on the date of such Shelf Request); (ii) express the intention of TI to offer or cause the offering of such Shelf Registrable Securities pursuant to such Shelf Registration Statement on a delayed basis in the future; (iii) describe the nature or method of the proposed offer and sale of such Shelf Registrable Securities pursuant to such Shelf Registration Statement; and (iv) contain the undertaking of TI to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder, and to obtain any desired acceleration of the effective date of such Shelf Registration Statement. TI shall not be entitled to make more than one Shelf Request during any three hundred sixty-five (365) day period.

(b) It is expressly agreed by the parties that the sole purpose of Micron filing and maintaining an effective a Shelf Registration Statement for the delayed offering of Shelf Registrable Securities by TI is to make the process of distributing Registrable Securities by TI more convenient for both parties by reducing or eliminating the need to file a new Demand Registration Statement each time that TI decides to sell Registrable Securities. After a Shelf Registration Statement has been declared effective under the Securities Act by the SEC, then, upon the written request of TI (a "Tranche Request"), Micron shall prepare such amendments to such Shelf Registration Statement (including post-effective amendments), if any, and such amendments or supplements to the prospectus relating to the Registrable Securities to be offered thereunder pursuant to such Tranche Request (the "Tranche Registrable Securities"), as is necessary to facilitate the distribution of such Tranche Registrable Securities pursuant to such Tranche Request; provided, however, that such Tranche Request shall: (i) specify the number of Tranche Registrable

Securities intended to be offered and sold by TI pursuant thereto (which number of Tranche Registrable Securities shall not be less than two percent (2%) of the Voting Securities of Micron outstanding on the date of such Tranche Request); (ii) express the present intention of TI to offer or cause the offering of such Tranche Registrable Securities pursuant to the Shelf Registration Statement, (iii) describe the nature or method of distribution of such Tranche Registrable Securities pursuant to the Shelf Registration

Statement (including, in particular, whether TI plans to effect such distribution by means of an underwritten offering); and (iv) contain the undertaking of TI to provide all such information and materials and take all such actions as may be required in order to permit Micron to comply with all applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder.

(c) The procedures to be followed by Micron and TI, and the respective rights and obligations of Micron and TI, with respect to the preparation, filing and effectiveness of Shelf Registration Statements and the distribution of Tranche Registrable Securities pursuant to Shelf Registration Statements under this Section 4.2 are set forth in Section 4.4 hereof.

4.3 Piggyback Registration.

(a) If at any time after the six month anniversary date of this Agreement, Micron shall determine to register any of its equity or equity-linked securities (other than registration statements relating to (i) employee, consultant or distributor compensation or incentive arrangements (including employee benefit plans), (ii) acquisitions or any transaction or transactions under Rule 145 under the Securities Act (or any successor rule with similar effect), (iii) distributions by principal stockholders, their Affiliates or transferees (unless consented to by such principal stockholders, Affiliates or transferees), or (iv) pursuant to Rule 415 under the Securities Act), then Micron will promptly give TI written notice thereof and include in such Micron-initiated, non-shelf, registration statement (a "Piggyback Registration Statement"), and in any underwriting involved therein, all Registrable Securities (the "Piggyback Registrable Securities") specified in a written request made by TI (a "Piggyback Request") within five (5) business days after receipt of such written notice from Micron; provided, however, that nothing in this Section 4.3(a), or any other provision of this Agreement, shall be construed to limit the absolute right of Micron, for any reason and in its sole discretion: (i) to delay, suspend or terminate the filing of any Piggyback Registration Statement; (ii) to delay the effectiveness of any Piggyback Registration Statement; (iii) to terminate or reduce the number of Piggyback Registrable Securities to be distributed pursuant to any Piggyback Registration Statement (including, without limitation, pursuant to Section 4.3(c) hereof); or (iv) to withdraw such Piggyback Registration Statement.

(b) If the Piggyback Registration Statement of which Micron gives notice is for an underwritten offering, Micron shall so advise TI as a part of the written notice given pursuant to Section 4.3(a). In such event, the right of TI to registration pursuant to this Section 4.3 shall be conditioned upon the agreement of TI to participate in such underwriting and in the inclusion of such Piggyback Registrable Securities in the underwriting to the extent provided herein. TI shall (together with Micron and any other holders distributing securities in such Piggyback Registration Statement, if any) enter into an underwriting agreement (the "Piggyback Underwriting Agreement") in customary form with the underwriter or underwriters selected for such underwriting by Micron.

(c) Notwithstanding any other provision of this Agreement, if the managing underwriters of any underwritten offering pursuant to a Piggyback Request determine, in their sole discretion that, after including all the shares to be offered by Micron and all the shares of any other Persons entitled

to registration rights with respect to such Piggyback Registration Statement (pursuant to other agreements with Micron), marketing factors require a limitation of the number of Piggyback Registrable Securities to be underwritten, the managing underwriters of such offering may exclude any and all of the Piggyback Registrable Securities (a "Piggyback Market Cut-Back"). If TI disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to Micron and the managing underwriters. Any Piggyback Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from such Piggyback Registration Statement.

(d) Except to the extent specifically provided in this Section 4.3 hereof, the procedures to be followed by Micron and TI, and the respective rights and obligations of Micron and TI, with respect to the distribution of any Piggyback Registrable Securities by TI pursuant to any Piggyback Registration Statement filed by Micron shall be as set forth in the Piggyback Underwriting Agreement, or any other agreement or agreements governing the distribution of such Piggyback Registrable Securities pursuant to such Piggyback Registration Statement.

4.4 Demand and Shelf Registration Procedures, Rights and Obligations. The procedures to be followed by Micron and TI, and the respective rights and obligations of Micron and TI, with respect to the preparation, filing and effectiveness of Demand Registration Statements and Shelf Registration Statements, respectively, and the distribution of Demand Registrable Securities and Tranche Registrable Securities, respectively, pursuant thereto, are as follows:

(a) TI shall not be entitled to make more than one Demand Request or Tranche Request during any one hundred eighty (180) day period (the "180-Day Limitation"); provided, however, that (i) any Demand Request that: (A) does not result in the corresponding Demand Registration Statement being declared effective by the SEC; (B) is withdrawn by TI following the imposition of a stop order by the SEC with respect to the corresponding Demand Registration Statement; (C) is withdrawn by TI as a result of the exercise by Micron of its suspension rights pursuant to Sections 4.4(e) or (f) hereof; or (D) is withdrawn by TI as a result of a Demand/Tranche Market Cut-Back (as defined in Section 4.4(d) hereof); and (ii) any Tranche Request that: (A) is withdrawn by TI following the imposition of a stop order by the SEC with respect to the corresponding Shelf Registration Statement; (B) is withdrawn by TI as a result of the exercise by Micron of its suspension rights pursuant to Sections 4.4(e) or (f) hereof; or (C) is withdrawn by TI as a result of a Demand/Tranche Market Cut-Back, shall not count for the purposes of determining compliance with the 180-Day Limitation. Any Demand Request or Tranche Request that is withdrawn by TI for any reason other than as set forth in the previous sentence shall count for purposes of determining compliance with the 180-Day Limitation. Piggyback Requests shall not count for purposes of determining compliance with the 180-Day Limitation regardless of whether a Piggyback Registration Statement is filed, declared effective or withdrawn or whether any distribution of Piggyback Registrable Securities is effected, terminated or cut-back (pursuant to Section 4.3(c) hereof, or otherwise).

(b) Micron shall use commercially reasonable efforts to cause each Demand Registration Statement and Shelf Registration Statement to be declared effective promptly and to keep such Demand Registration Statement and Shelf Registration Statement continuously effective until the earlier to occur of: (i) the sale or other disposition of the Registrable Securities so

registered; (ii) sixty (60) days after (A) the effective date of any Demand Registration Statement or (B) the date of the final prospectus used to confirm sales in connection with any offering of Tranche Registrable Securities; and (iii) the termination of TI's registration rights pursuant to Section 4.10 hereof. Micron shall prepare and file with the SEC such amendments and supplements to each Demand Registration Statement and Shelf Registration Statement and each prospectus used in connection therewith as may be necessary to make and to keep such Demand Registration Statement and Shelf Registration Statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities proposed to be distributed pursuant to such Demand Registration Statement and Shelf Registration Statement until the earlier to occur of: (i) the sale or other disposition of such Registrable Securities so registered; (ii) sixty (60) days after (A) the effective date of any Demand Registration Statement or (B) the date of the final prospectus used to confirm sales in connection with any offering of Tranche Registrable Securities; and (iii) the termination of TI's registration rights pursuant to Section 4.10 hereof.

(c) In connection with any underwritten offering pursuant to a Demand Registration Statement or a Shelf Registration Statement, Micron, on the one hand, and TI, on the other hand, shall each select one investment banking firm to serve as co-manager of such offering. The co-manager selected by Micron shall be subject to the prior approval of TI, which approval shall not be unreasonably withheld, and the co-manager selected by TI shall be subject to the prior approval of Micron, which approval shall not be unreasonably withheld. Each of the co-managers so selected by Micron and TI are hereinafter collectively referred to as the "Demand/Tranche Managing Underwriters." The Demand/Tranche Underwriter selected by TI shall be the lead Demand/Tranche Managing Underwriter, whose responsibilities shall include running the "books" for any offering. Micron shall, together with TI, enter into an underwriting agreement with the Demand/Tranche Managing Underwriters, which agreement shall contain representations, warranties, indemnities and agreements then customarily included by an issuer in underwriting agreements with respect to secondary distributions under demand registration statements or shelf registration statements, as the case may be, and shall stipulate that the Demand/Tranche Managing Underwriters will receive equal commissions and fees and other remuneration in connection with the distribution of any Demand Registrable Securities or Tranche Registrable Securities thereunder.

(d) Notwithstanding any other provision of this Agreement, the number of Demand Registrable Securities or Tranche Registrable Securities proposed to be distributed by TI pursuant to any Demand Request or Tranche Request may be limited by the Demand/Tranche Managing Underwriters if such Demand/Tranche Managing Underwriters determine that the sale of such Demand Registrable Securities or Tranche Registrable Securities would significantly and adversely affect the market price of the Common Stock (a "Demand/Tranche Market Cut-Back"). If TI disapproves of the terms of any proposed underwritten offering under a Demand Registration Statement or a Shelf Registration Statement (including, without limitation, any reduction in the number of Demand Registrable Securities or Tranche Registrable Securities, as the case may be, to be sold by TI thereunder pursuant to this Section 4.4(d)), TI may elect to withdraw therefrom by written notice to Micron and the Demand/Tranche Managing Underwriters. Any Demand Registrable Securities excluded or withdrawn from such underwriting shall also be withdrawn from any applicable Demand

Registration Statement.

(e) Notwithstanding any other provisions of this Agreement, in the event that Micron receives a Demand Request, Shelf Request or Tranche Request at a time when Micron (i) shall have filed, or has a bona fide intention to file, a registration statement with respect to a proposed public offering of equity or equity-linked securities or (ii) has commenced, or has a bona fide intention to commence, a public offering of equity or equity-linked securities pursuant to an existing effective shelf or other registration statement, then Micron shall be entitled to suspend, for a period of up to ninety (90) days after the receipt by Micron of such Demand Request, Shelf Request or Tranche Request, the filing of any Demand Registration Statement or Shelf Registration Statement or the implementation of any Tranche Request.

(f) Notwithstanding any other provision of this Agreement, in the event that Micron determines that: (i) non-public material information regarding Micron exists, the immediate disclosure of which would be significantly disadvantageous to Micron; (ii) the prospectus constituting a part of any Demand Registration Statement or Shelf Registration Statement covering the distribution of any Demand Registrable Securities or Tranche Securities contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) an offering of Demand Registrable Securities or Tranche Registrable Securities would materially interfere with any proposed material acquisition, disposition or other similar corporate transaction or event involving Micron (each of the events or conditions referred to in clauses (i), (ii) and (iii) of this sentence is hereinafter referred to as a "Suspension Condition"), then Micron shall have the right to suspend the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or to suspend any distribution of Demand Registrable Securities or Tranche Registrable Securities pursuant to any effective Demand Registration Statement or Shelf Registration Statement for so long as such Suspension Condition exists. Micron will as promptly as practicable provide written notice to TI when a Suspension Condition arises and when it ceases to exist. Upon receipt of notice from Micron of the existence of any Suspension Condition, TI shall forthwith discontinue efforts to: (i) file or cause any Demand Registration Statement or Shelf Registration Statement to be declared effective by the SEC (in the event that such Demand Registration Statement or Shelf Registration Statement has not been filed, or has been filed but not declared effective, at the time TI receives notice that a Suspension Condition has arisen); or (ii) offer or sell Demand Registrable Securities or Tranche Registrable Securities (in the event that such Demand Registration Statement or Shelf Registration Statement has been declared effective at the time TI receives notice that a Suspension Condition has arisen). In the event that TI had previously commenced or was about to commence the distribution of Demand Registrable Securities or Tranche Registrable Securities pursuant to a prospectus under an effective Demand Registration Statement or Shelf Registration Statement, then Micron shall, as promptly as practicable after the Suspension Condition ceases to exist, make available to TI (and to each underwriter, if any, participating in such distribution) an amendment or supplement to such prospectus. If so directed by Micron, TI shall deliver to Micron all copies, other than permanent file copies then in TI's possession, of the most recent prospectus covering such Demand Registrable Securities or

Tranche Registrable Securities at the time of receipt of such notice.

(g) Notwithstanding any other provision of this Agreement, Micron shall not be permitted to postpone (i) the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or (ii) the distribution of any Demand Registrable Securities or Tranche Registrable securities pursuant to an effective Demand Registration Statement or an effective Shelf Registration Statement pursuant to Sections 4.4(e), 4.4(f) or 4.9(a) hereof for an aggregate of more than two hundred seventy-five (275) days in any three hundred sixty-five (365) day period (including any market standoff periods applicable to TI pursuant to Section 4.9(a) hereof); provided, however, that in the event that any TI Pooling Transaction Lock-Up (as defined in Section 4.9(a) hereof) would expire by its terms on a date that would extend beyond the two hundred seventy-five (275) day limitation, then Micron shall have the right to (i) postpone the filing or effectiveness of any Demand Registration Statement or Shelf Registration Statement or (ii) the distribution of any Demand Registrable Securities or Tranche Registrable Securities pursuant to an effective Demand Registration Statement or an effective Shelf Registration Statement until such time as such TI Pooling Transaction Lock-Up expires.

(h) Micron shall promptly notify TI of any stop order issued or, to Micron's knowledge, threatened, to be issued by the SEC with respect to any Demand Registration Statement or Shelf Registration Statement as to which a Tranche Request is pending, and will use its best efforts to prevent the entry of such stop order or to remove it if entered at the earliest possible date.

(i) Micron shall furnish to TI (and any underwriters in connection with any underwritten offering) such number of copies of any prospectus (including any preliminary prospectus and any amended or supplemented prospectus), in conformity with the requirements of the Securities Act, as TI (and such underwriters) shall reasonably request in order to effect the offering and sale of any Demand Registrable Securities or Tranche Registrable Securities to be offered and sold, but only while Micron shall be required under the provisions hereof to cause the Demand Registration Statement or Shelf Registration Statement pursuant to which such Demand Registrable Securities or Tranche Registrable Securities are intended to be distributed to remain current.

(j) Micron shall use commercially reasonable efforts to register or qualify the Demand Registrable Securities and Tranche Registrable Securities covered by each Demand Registration Statement and Shelf Registration Statement, respectively, under the state securities or "blue sky" laws of such states as TI shall reasonably request, maintain any such registration or qualification current, until the earlier to occur of: (i) the sale of such Demand Registrable Securities or Tranche Registrable Securities so registered; (ii) sixty (60) days after (A) the effective date of any Demand Registration Statement or (B) the date of the final prospectus used to confirm sales in connection with such distribution (in the case of an offering of Tranche Registrable Securities pursuant to a Shelf Registration Statement); and (iii) the termination of TI's registration rights pursuant to Section 4.10 hereof; provided, however, that Micron shall not be required to take any action that would subject it to the general jurisdiction of the courts of any jurisdiction in which it is not so

subject or to qualify as a foreign corporation in any jurisdiction where Micron is not so qualified.

(k) Micron shall furnish to TI and to each underwriter engaged in an underwritten offering of Demand Registrable Securities or Tranche Registrable Securities, a signed counterpart, addressed to TI or such underwriter, of (i) an opinion or opinions of counsel to Micron (with respect to Micron and securities law compliance by Micron) and (ii) a comfort letter or comfort letters from Micron's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as TI or the managing underwriters may reasonably request.

(l) Micron shall use commercially reasonable efforts to make appropriate members of its management reasonably available for due diligence purposes, "road show" presentations and analyst presentations in connection with any distributions of Demand Registrable Securities or Tranche Registrable Securities pursuant to a Demand Registration Statement or a Shelf Registration

Statement.

(m) Micron shall use commercially reasonable efforts to cause all Demand Registrable Securities and Tranche Registrable Securities to be listed on each securities exchange on which similar securities of Micron are then listed.

(n) At or prior to the effectiveness of any Demand Registration Statement or Shelf Registration Statement covering the offering of the 2005 Convertible Notes, Micron shall qualify the indenture (or any supplemental indenture) relating to such 2005 Convertible Notes under the Trust Indenture Act of 1939, as amended.

(o) Micron shall make generally available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning three months after the effective date of any Demand Registration Statement relating to the distribution of Demand Registrable Securities or the date of any final prospectus used to confirm sales in connection with any offering of Tranche Registrable Securities, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

(p) Micron shall take all such other actions either reasonably necessary or desirable to permit the Registrable Securities held by TI to be registered and disposed of in accordance with the methods of disposition described herein.

4.5 Expenses.

(a) All of the out-of-pocket costs and expenses incurred by Micron in connection with any registration pursuant to Sections 4.1 and 4.2 shall (subject to Section 4.7) be borne by TI; provided that TI shall not be required to reimburse Micron for compensation of Micron's officers and employees, regular audit expenses, and normal corporate costs incurred in connection with such registration. The costs and expenses of any such registration shall include, without limitation, the reasonable fees and expenses of Micron's counsel and its accountants and all other out-of-pocket

costs and expenses of Micron incident to the preparation, printing and filing of the registration statement and all amendments and supplements thereto and the cost of furnishing copies of each preliminary prospectus, each final prospectus and each amendment or supplement thereto to underwriters, dealers and other purchasers of the securities so registered, the costs and expenses incurred in connection with the qualification of such securities so registered under the securities or "blue sky" laws of various jurisdictions, the fees and expenses of Micron's transfer agent and all other costs and expenses of complying with the provisions of this Section 4 with respect to such registration (collectively, the "Registration Expenses").

(b) Micron shall pay all Registration Expenses incurred by Micron in connection with any registration statements that are initiated pursuant to Section 4.3 of this Agreement. TI shall pay all expenses incurred on its behalf with respect to any registration pursuant to Section 4.3, including, without limitation, any counsel for TI and all underwriting discounts and selling commissions with respect to the Registrable Securities sold by it pursuant to such registration statement.

4.6 Indemnification.

(a) In the case of any offering registered pursuant to this Section 4, Micron hereby indemnifies and agrees to hold harmless TI (and its officers and directors), any underwriter (as defined in the Securities Act) of Registrable Securities offered by TI, and each Person, if any, who controls TI or any such underwriter within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which any such Persons may be subject, under the Securities Act or otherwise, and to reimburse any of such Persons for any legal or other expenses reasonably incurred by them in connection with investigating any claims or defending against any actions, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Section 4, the prospectus contained therein (during the period that Micron is required to keep such prospectus current), or any amendment or supplement thereto, or the omission or alleged omission to state therein (if so used) a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are (i) based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon information furnished to Micron in writing by TI or any underwriter for TI specifically for use therein, or (ii) made in any preliminary prospectus, and the prospectus contained in the registration statement as declared effective or in the form filed by Micron with the SEC pursuant to Rule 424 under the Securities Act shall have corrected such statement or omission and a copy of such prospectus shall not have been sent or otherwise delivered to such Person at or prior to the confirmation of such sale to such Person.

(b) By requesting registration under this Section 4, TI agrees, if Registrable Securities held by TI are included in the securities as to which such registration is being effected, and each underwriter shall agree, in the same manner and to the same extent as set forth in the preceding paragraph, to

indemnify and to hold harmless Micron and its directors and officers and each Person, if any, who controls Micron within the meaning of the Securities Act

against any losses, claims, damages or liabilities, joint or several, to which any of such Persons may be subject under the Securities Act or otherwise, and to reimburse any of such Persons for any legal or other expenses incurred in connection with investigating or defending against any such losses, claims, damages or liabilities, but only to the extent it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission of a material fact in any registration statement under which the Registrable Securities were registered under the Securities Act pursuant to this Section 4, any prospectus contained therein, or any amendment or supplement thereto, which was based upon and made in conformity with information furnished to Micron in writing by TI or such underwriter expressly for use therein.

(c) Each party entitled to indemnification under this Section 4.6 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 4 unless such failure resulted in actual detriment to the Indemnifying Party. No Indemnifying Party, (i) in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, which consent shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation, or (ii) shall be liable for amounts paid in any settlement if such settlement is effected without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

4.7 Issuances by Micron or Other Holders. As to each registration or distribution referred to in Sections 4.1 and 4.2, additional shares of the Common Stock to be sold for the account of Micron or other holders may be included therein, provided that the inclusion of such securities in such registration or distribution may be conditioned or restricted if, in the opinion of the Demand/Tranche Managing Underwriters, marketing factors require a limitation of the number of shares to be underwritten. The Registration Expenses incurred by Micron, TI and any other holders participating in such registration or distribution shall be borne by Micron, TI and any other holders participating in such registration or distribution in proportion to the aggregate number of shares to be sold by Micron, TI and such other holders.

4.8 Information by TI. TI shall furnish to Micron such information regarding TI in the distribution of Registrable Securities proposed by TI as Micron may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Article 4.

4.9 Market Standoff Agreements

(a) In connection with the public offering by Micron of any of its securities, TI agrees that, upon the request of Micron or the underwriters managing any underwritten offering of Micron's securities, TI shall agree in writing (the "TI Public Offering Lock-Up") that neither TI (nor any Affiliate of TI) will, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any securities of Micron (other than those included in such registration statement, if any) now or hereafter acquired by TI (or any Affiliate of TI) or with respect to which TI (or any Affiliate of TI) has or hereafter acquires the power of disposition without the prior written consent of Micron and such underwriters for such period of time (not to exceed fourteen (14) days prior to the date such offering is expected to commence and ninety (90) days after the date of the final prospectus delivered to the underwriters for use in confirming sales in such offering) as may be requested by Micron and the underwriters; provided, however, that neither TI (nor any Affiliate of TI) shall be bound by such TI Public Offering Lock-Up more than once during any twelve month period. Furthermore, TI agrees that, at the request of Micron, TI shall agree in writing (the "TI Pooling Transaction Lock-Up") that neither TI (nor any Affiliate of TI) shall, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, pledge or grant any options or rights with respect to, any securities of Micron now or hereafter acquired directly by TI (or any Affiliate of TI) or with respect to which TI (or any Affiliate of TI) has or hereafter acquires the power of disposition without the prior written consent of Micron for such period of time as shall be necessary for Micron to complete any business combination transaction in the form of a pooling of interests; provided that Micron's independent accountants shall have concluded, after reasonable inquiry, that, at the relevant time with respect to such proposed pooling of interests transaction, TI is or was an "affiliate" of Micron for purposes of the accounting rules governing pooling of interests transactions. TI agrees that Micron may instruct its transfer agent to place stop-transfer notations in its records to enforce the provisions of the TI Public Offering Lock-Up and the TI Pooling Transaction Lock-Up contained in this Section 4.9(a).

(b) In connection with any proposed public offering by TI of any Registrable Securities, Micron agrees that, upon the request of TI or the underwriters managing any underwritten offering of TI's securities, Micron shall agree in writing (the "Micron Public Offering Lock-Up") that neither Micron (nor any Affiliate of Micron) will, directly or indirectly, offer to sell, contract to sell, make any short sale of, or otherwise sell, dispose of, loan, gift, pledge or grant any options or rights with respect to, any securities of Micron (other than those included in such registration statement, if any, or grants of stock options or issuances of Common Stock upon the exercise of outstanding stock options under Micron's existing employee benefit plans) now or hereafter acquired by Micron (or any Affiliate of Micron) or with respect to which Micron (or any Affiliate of Micron) has or hereafter acquires the power of disposition without the prior written consent of TI and such underwriters for such period of time (not to exceed fourteen (14) days prior to the date such offering is expected to commence and ninety (90) days) after the date of the final prospectus delivered to the underwriters for use in confirming sales in such offering) as may be requested by TI and the

underwriters; provided, however, that neither Micron (nor any Affiliate of Micron) shall bound by such Micron Public Offering Lock-Up more than once during any 180-day period.

4.10 Termination. The provisions of this Article 4 shall terminate upon the earlier to occur of: (i) five years after the date of the closing of transactions contemplated by the Acquisition Agreement; and (ii) such time as TI (and any Affiliates of TI) beneficially own in the aggregate less than 5,000,000 shares of Common Stock (assuming, for purposes of such calculation, the conversion of all Convertible Notes then held by TI (and any Affiliates of TI) into Common Stock).

SECTION 5

MISCELLANEOUS

5.1 Termination. This Agreement shall terminate upon the later to occur of: (i) the tenth anniversary date of this Agreement and (ii) such time as TI (together with all Affiliates of TI) beneficially owns in the aggregate Voting Securities of Micron representing less than five percent (5%) of the Total Voting Power of Micron or upon the closing or other completion of a Change in Control of Micron.

5.2 Governing Law. This Agreement shall be governed in all respects by the laws of the State of New York as applied to contracts entered into solely between residents of, and to be performed entirely within, such state.

5.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by a party without the prior written consent of the other party; provided that, without the consent of Micron, TI may assign this Agreement (and the rights and obligations hereunder) to any wholly-owned subsidiary in connection with a transfer of Voting Securities of Micron to such Affiliate of TI pursuant to Section 3.1(b), and without the consent of TI, Micron may assign all or part of this Agreement (and the rights and obligations hereunder) to the successor or an assignee of all or substantially all of Micron's business; provided that, in each case, such assignee expressly assumes the relevant obligations of this Agreement (by a written instrument delivered to the other party, in form and substance reasonably acceptable to it) and, notwithstanding such assignment, the parties hereto shall each continue to be bound by all of their respective obligations hereunder. This Agreement is not intended and shall not be construed to create any rights or remedies in any parties other than TI and Micron and no Person shall assert any rights as third party beneficiary hereunder.

5.4 Entire Agreement; Amendment. This Agreement contains the entire understanding and agreement between the parties with regard to the subject matter hereof and thereof and supersedes all prior agreements and understandings among the parties relating to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

5.5 Notices and Dates.

(a) All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be delivered personally (including by courier) or given by facsimile transmission to the parties at the following addresses (or to such other address as a party may have specified by notice given to the other pursuant to this provision) and shall be deemed given when so received:

(i) if to Micron, to:

Micron Technology, Inc.
8000 South Federal Way
Boise, Idaho 83716-9632

Attention: Roderic W. Lewis, Esq.
General Counsel
Telephone: (208) 368-4517
Facsimile: (208) 368-4540

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304

Attention: Larry W. Sonsini, Esq.
John A. Fore, Esq.
Telephone: (650) 493-9300
Facsimile: (650) 493-6811

(ii) if to TI, to:

Texas Instruments Incorporated
7839 Churchill Way - MS
Dallas, Texas 75215

Attention: Richard J. Agnich, Esq.
General Counsel
Telephone: (972) 480-5050
Facsimile: (972) 480-5061

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017

Attention: Paul R. Kingsley, Esq.
Telephone: (212) 450-4277
Facsimile: (212) 450-5515

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the

place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(b) In the event that any date provided for in this Agreement falls on a Saturday, Sunday or legal holiday, such date shall be deemed extended to the next business day.

5.6 Language Interpretation. In the interpretation of this Agreement, unless the context otherwise requires, (a) words importing the singular shall be deemed to import the plural and vice versa, (b) words denoting gender shall include all genders, (c) references to persons shall include corporations or other entities and vice versa, and (d) references to parties, sections, schedules, paragraphs and exhibits shall mean the parties, sections, schedules, paragraphs and exhibits of and to this Agreement, unless otherwise indicated by the context.

5.7 Table of Contents; Titles; Headings. The table of contents and section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement. All references herein to Articles and Sections, unless otherwise identified, are to Articles and Sections of this Agreement.

5.8 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed by each party and delivered to the other party.

5.9 Severability. If any provision of this Agreement or portion thereof is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

5.10 Injunctive Relief. TI, on the one hand, and Micron, on the other, acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specific performance of the terms and provisions hereof in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which they may be entitled at law or equity.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers as of the date aforesaid.

MICRON TECHNOLOGY, INC.,
a Delaware corporation

By: /s/ STEPHEN APPLETON

Name: Stephen Appleton

Title: Chairman of the Board of
Directors, Chief Executive
Officer and President

TEXAS INSTRUMENTS INCORPORATED,
a Delaware corporation

By: /s/ WILLIAM A. AYLESWORTH

Name: William A. Aylesworth

Title: Senior Vice President,
Treasurer and Chief
Financial Officer

EXHIBIT 11

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

	Years ended December 31		
	1998	1997	1996
Income (loss) from continuing operations before extraordinary item (in millions)	$ 407	$ 302	$ (46)
Add: Interest, net of tax and profit sharing effect, on convertible debentures assumed converted	--	--	--
Adjusted income (loss) from continuing operations before extraordinary item	407	302	(46)
Discontinued operations:			
Income from operations	--	52	109
Gain on sale	--	1,473	--
Extraordinary item	--	(22)	--
Adjusted net income	$ 407	$ 1,805	$ 63
Diluted earnings (loss) per common and dilutive potential common share:			
Weighted average common shares outstanding (in thousands)	390,495	385,141	379,388
Weighted average dilutive potential common shares:			
Stock option and compensation plans	10,434	9,319	--
Convertible debentures	--	3,267	--
Weighted average common and dilutive potential common shares	400,929	397,727	379,388
Diluted earnings (loss) per common share:			
Income (loss) from continuing operations before extraordinary item	$ 1.02	$ .76	$ (.12)
Discontinued operations:			
Income from operations	--	.13	.29
Gain on sale	--	3.70	--
Extraordinary item	--	(.05)	--
Net income	$ 1.02	$ 4.54	$ .17
Basic earnings (loss) per common share:			
Weighted average common shares outstanding (in thousands)	390,495	385,141	379,388
Basic earnings (loss) per common share:			
Income (loss) from continuing operations before extraordinary item	$ 1.04	$ .78	$ (.12)
Discontinued operations:			
Income from operations	--	.14	.29
Gain on sale	--	3.82	--
Extraordinary item	--	(.05)	--
Net income	$ 1.04	$ 4.69	$ .17

The earnings per common share computation for 1996 excludes 4.8 million shares for stock options/compensation plans and 5.0 million shares for convertible debentures because their effect would have been antidilutive.

EXHIBIT 12

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

	1998	1997	1996	1995	1994
Income from continuing operations before income taxes and fixed charges:					
Income before extraordinary item and interest expense on loans, capitalized interest amortized, and provision for income taxes..........	$ 710	$ 825	$ 65	$1,530	$ 943
Add interest attributable to rental and lease expense................	41	44	44	41	40
	$ 751	$ 869	$ 109	$1,571	$ 983
Fixed charges:					
Total interest on loans (expensed and capitalized)..........................	$ 85	$ 114	$ 108	$ 69	$ 58
Interest attributable to rental and lease expense.........................	41	44	44	41	40
Fixed charges................................	$ 126	$ 158	$ 152	$ 110	$ 98
Ratio of earnings to fixed charges...........	6.0	5.5	*	14.3	10.0

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

EXHIBIT 13

Portions of Registrant's 1998 Annual Report to Stockholder Incorporated by Reference in this Report

Financial Highlights

To understand why, let's take a closer look at TI's 1998 financial performance. Total revenues for the year were $8460 million, down 13 percent from 1997, due primarily to lower prices in DRAMs and, to a lesser extent, to the absence of revenue due to the sale of the memory business. Excluding special charges, operating margins were 10.9 percent, earnings per share totaled $1.79, and income for the year was $719 million, down from $809 million in 1997. TI orders were $8069 million compared with $9796 million the year before.

These company results were affected primarily by a near-collapse in the global market for memory chips. This had an impact on the company's financial performance. Loss from memory operations was $498 million.

It's not the first time the memory market has experienced such volatility, and it probably won't be the last. That's why we've been working to reduce TI's exposure to this commodity-type business for a number of years -investing instead in differentiated products such as our market-leading portfolios of digital signal processors (DSPs) and analog chips.

We completed this transformation on September 30, 1998, with the sale of our memory business to Micron Technology, Inc. This sale is a critical component of our efforts to increase TI's financial stability.

Excluding losses in memory chips, our 1998 financial performance looks considerably brighter. In the fourth quarter of 1998, the initial quarter without memory operations, operating margins increased to 16.0 percent, compared with 9.6 percent in the third quarter of the year.

Perhaps most significant from a strategic standpoint is the growth we achieved in the DSP category. We not only maintained our DSP leadership, we increased it. Our DSP revenues surged 29 percent in 1998, significantly faster than the growth rate of the DSP market overall. This strong performance is important on two counts:

- DSP was one of the few strong areas in a generally weak market for semiconductor chips in 1998.
- TI is #1 in DSP, both in terms of dollar sales and breadth of product portfolio.

In other words, we're not just targeting one of the fastest-growing portions of the semiconductor business. We're actually driving its growth, with important wins in the marketplace.

Leadership in this market is important in its own right, because the DSP category is expected to triple in size during the next five years - driven by demand for end-equipment devices such as wireless phones, digital cameras, modems and computer networking gear, as well as by the increased use of digital components in automobiles, home appliances, manufacturing equipment and other "embedded" systems.

At the same time, a strong position in DSP helps to pull through sales of TI's other semiconductor products - primarily our ever-expanding portfolio of analog chips. We're convinced that our DSP and analog franchises can and will combine with our other operations to create a solid foundation for near-and long-term improvements in value, growth and financial stability.

Semiconductor

TI's Semiconductor Group - our largest business - was led by the stellar performance of our DSP product line in 1998. DSP revenues increased to a record level, led by wireless. Collectively, TI's remaining semiconductor product areas saw revenues down moderately from 1997, primarily due to overall semiconductor weakness. DSP and analog products made up 59 percent of total semiconductor revenue in the fourth quarter of 1998.

Materials & Controls

Revenues declined 1 percent versus 1997 due to the weak Asian markets, but this business unit continued to make exceptional progress in cost-control, leading to operating margins of 15.0 percent.

Educational & Productivity Solutions

TI's calculator business showed a rise in operating margins of 3.4 percentage points to 16.6 percent. Through an extraordinary focus on the needs of teachers and students, this business unit has earned a commanding share of the calculator market in the U.S., and is now pursuing a similar business development strategy in other world markets.

Digital Imaging

TI's emerging Digital Imaging business achieved greater than 50 percent revenue growth in 1998 and continued to make headway in the ultra-portable projector market.

Building a Real Time Advantage

Beyond wins in the marketplace, TI reached another important milestone in

1998. We largely completed the work we set out to do two years ago, to restructure TI into a company focused primarily on differentiated technologies such as the two drivers of the digital age of electronics - DSPs and analog chips.

Along with selling our memory business, TI underwent a major restructuring to increase efficiencies and reduce costs. We also made a number of acquisitions to strengthen our expertise in our core technologies. These included Spectron Microsystems, GO DSP, Oasix and Arisix corporations, and the assets of the high-end hard disk drive operation of Adaptec, Inc.

Consolidated Financial Statements (millions of dollars, except per-share amounts)
Income

For the Years Ended December 31,	1998	1997	1996
Net revenues	$ 8,460	$ 9,750	$ 9,940
Operating costs and expenses:			
Cost of revenues	5,394	6,067	7,146
Research and development	1,206	1,536	1,181
Marketing, general and administrative	1,461	1,532	1,639
Total	8,061	9,135	9,966
Profit (loss) from operations	399	615	(26)
Other income (expense) net	293	192	76
Interest on loans	75	94	73
Income (loss) from continuing operations before provision for income taxes and extraordinary item	617	713	(23)
Provision for income taxes	210	411	23
Income (loss) from continuing operations before extraordinary item	407	302	(46)
Discontinued operations:			
Income from operations	--	52	109
Gain on sale	--	1,473	--
Income before extraordinary item	407	1,827	63
Extraordinary item: extinguishment of debt	--	(22)	--
Net income	$ 407	$ 1,805	$ 63
Diluted earnings (loss) per common share:			
Continuing operations before extraordinary item	$ 1.02	$ .76	$ (.12)
Discontinued operations:			
Income from operations	--	.13	.29
Gain on sale	--	3.70	--
Extraordinary item	--	(.05)	--
Net income	$ 1.02	$ 4.54	$ .17
Basic earnings (loss) per common share:			
Continuing operations before extraordinary item	$ 1.04	$ .78	$ (.12)
Discontinued operations:			
Income from operations	--	.14	.29
Gain on sale	--	3.82	--
Extraordinary item	--	(.05)	--
Net income	$ 1.04	$ 4.69	$ .17

See accompanying notes.

Consolidated Financial Statements (millions of dollars, except per-share amounts)
Balance Sheet

For the Years Ended December 31,	1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$ 540	$ 1,015
Short-term investments	1,709	2,005
Accounts receivable, less allowance for losses of $97 million in 1998 and $73 million in 1997	1,343	1,705
Inventories	596	742
Prepaid expenses	75	59
Deferred income taxes	583	577
Total current assets	4,846	6,103
Property, plant and equipment at cost	6,379	7,414
Less accumulated depreciation	(3,006)	(3,234)
Property, plant and equipment (net)	3,373	4,180
Investments	2,564	69
Deferred income taxes	23	134
Other assets	444	363
Total assets	$11,250	$10,849

Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 267	$ 71
Accounts payable and accrued expenses	1,582	2,082
Income taxes payable	193	154
Accrued retirement and profit sharing contributions	154	189
Total current liabilities	2,196	2,496
Long-term debt	1,027	1,286
Accrued retirement costs	895	731
Deferred income taxes	381	288
Deferred credits and other liabilities	224	134
Stockholders' equity:		
Preferred stock, $25 par value. Authorized - 10,000,000 shares.		
Participating cumulative preferred. None issued.	--	--
Common stock, $1 par value. Authorized - 1,200,000,000		

shares.		
Shares issued: 1998 - 392,395,997; 1997 - 390,359,317	392	390
Paid-in capital	1,178	1,183
Retained earnings	4,795	4,488
Less treasury common stock at cost.		
Shares: 1998 - 1,716,038; 1997 - 860,765	(134)	(94)
Accumulated other comprehensive income	296	(53)
Total stockholders' equity	6,527	5,914
Total liabilities and stockholders' equity	$11,250	$10,849

See accompanying notes.

Consolidated Financial Statements (millions of dollars, except per-share amounts)
Cash Flows

For the Years Ended December 31,	1998	1997	1996
Continuing operations:			
Cash flows from operating activities:			
Income (loss) from continuing operations before extraordinary item	$ 407	$ 302	$ (46)
Depreciation	1,144	1,109	904
Acquired in-process research and development	25	461	192
Deferred income taxes	(50)	9	(51)
Net currency exchange (gains) losses	(4)	6	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	289	(39)	250
Inventories	74	(34)	245
Prepaid expenses	(17)	(19)	9
Accounts payable and accrued expenses	(427)	(36)	(404)
Income taxes payable	24	(26)	(3)
Accrued retirement and profit sharing contributions	(24)	128	(283)
Extraordinary item: extinguishment of debt	--	(22)	--
Increase in noncurrent accrued retirement costs	42	7	79
Other	(232)	(3)	(101)
Net cash provided by operating activities	1,251	1,843	798
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,031)	(1,238)	(2,063)
Purchases of short-term investments	(2,244)	(2,457)	(27)
Sales and maturities of short-term investments	2,537	479	202
Acquisition of businesses, net of cash acquired	(152)	(304)	(313)
Loans and payments made in connection with sale of memory business	(680)	--	--
Proceeds from sale of other businesses	100	177	150
Proceeds from sale of discontinued operations less income taxes and transaction costs	--	2,138	--
Net cash used in investing activities	(1,470)	(1,205)	(2,051)

Consolidated Financial Statements (millions of dollars, except per-share amounts)
Cash Flows (continued)

For the Years Ended December 31,	1998	1997	1996
Cash flows from financing activities:			
Additions to loans payable	--	--	288
Payments on loans payable	(4)	(314)	(2)
Additions to long-term debt	--	28	871
Payments on long-term debt	(68)	(256)	(199)
Dividends paid on common stock	(133)	(131)	(129)
Sales and other common stock transactions	196	140	35
Common stock repurchase program	(253)	(86)	--
Other	--	(2)	(1)
Net cash provided by (used in) financing activities	(262)	(621)	863
Effect of exchange rate changes on cash	6	(23)	(16)
Cash used in continuing operations	(475)	(6)	(406)
Discontinued operations:			
Operating activities	--	73	86
Investing activities	--	(16)	(80)
Financing activities	--	--	--
Cash provided by discontinued operations	--	57	6
Net increase (decrease) in cash and cash equivalents	(475)	51	(400)
Cash and cash equivalents at beginning of year	1,015	964	1,364
Cash and cash equivalents at end of year	$ 540	$1,015	$ 964

See accompanying notes.

Consolidated Financial Statements (millions of dollars, except per-share amounts)
Stockholders' Equity

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income*
Balance, December 31, 1995	$ 190	$1,081	$2,881	$ (12)	$ (45)
1996					
Net income	--	--	63	--	--
Dividends declared on common stock ($.34 per share)	--	--	(130)	--	--
Common stock issued on exercise of stock options	--	28	--	--	--
Other stock transactions, net	--	7	--	--	--
Pension liability adjustment	--	--	--	--	6
Equity and cash investments adjustment	--	--	--	--	28
Balance, December 31, 1996	190	1,116	2,814	(12)	(11)
1997					
Net income	--	--	1,805	--	--
Dividends declared on common stock ($.34 per share)	--	--	(131)	--	--
Two-for-one common stock split	195	(195)	--	--	--
Common stock issued:					
On exercise of stock options	3	95	--	5	--
On conversion of debentures	2	101	--	--	--
Stock repurchase program	--	--	--	(86)	--
Other stock transactions, net	--	66	--	(1)	--
Pension liability adjustment	--	--	--	--	(24)
Equity and cash investments adjustment	--	--	--	--	(18)
Balance, December 31, 1997	390	1,183	4,488	(94)	(53)
1998					
Net income	--	--	407	--	--
Dividends declared on common stock ($.255 per share)	--	--	(100)	--	--
Common stock issued on exercise of stock options	2	(111)	--	254	--
Stock repurchase program	--	--	--	(294)	--
Other stock transactions, net	--	106	--	--	--
Pension liability adjustment	--	--	--	--	(117)
Equity, debt and cash investments adjustment	--	--	--	--	466
Balance, December 31, 1998	$ 392	$1,178	$4,795	$ (134)	$ 296

Comprehensive income, i.e., net income plus other comprehensive income, totaled $756 million in 1998, $1,763 million in 1997 and $97 million in 1996.

See accompanying notes.

Notes to Financial Statements

Accounting Policies And Practices

The company adopted SFAS No. 130 in the first quarter of 1998. It required disclosure of comprehensive income, i.e., net income plus direct adjustments to stockholders' equity such as equity, debt and cash investment adjustments and pension liability adjustments. Also in 1998, the company adopted SFAS No. 132, which mandated changes in disclosures for pension and retiree health care plans. In 1997, the company adopted SFAS No. 128, which required disclosure of two new earnings per share amounts (diluted and basic) and elimination of prior earnings per share amounts. Also in 1997, the company adopted SFAS No. 131, which required a new basis of determining reportable business segments, i.e., the management approach. Disclosures under these 1997 and 1998 standards were provided on a retroactive basis. None affected reported net income.

Accounting standard SFAS No. 133 was issued in 1998 and is effective in 2000. It requires that all derivatives be marked-to-market on an ongoing basis. This applies whether the derivatives are stand-alone instruments, such as forward currency exchange contracts and interest rate swaps, or embedded derivatives, such as call options contained in convertible debt investments. Along with the derivatives, the underlying hedged items are also to be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or stockholders' equity, depending on the nature of the transaction. The company expects to adopt the standard in the first quarter of 2000 on a cumulative basis. Based on analysis to date, the company expects the most significant impact of this standard will be the cumulative, as well as ongoing mark-to-market, adjustment through the income statement of the embedded call option on Micron Technology, Inc. (Micron) common shares contained in the convertible note received from Micron in connection with TI's 1998 sale of its memory business. The value of this option can be volatile given its sensitivity to changes in the value of Micron common shares. For example, at September 30, 1998, the estimated value of the option was $82 million; at December 31, 1998, it was $192 million. Under SFAS No. 133, this change in value of $110 million would be included in the income statement. Under current accounting principles, the change in value of the Micron convertible note, including the embedded call, is an adjustment to stockholders' equity.

Accounting standard SOP 98-1 was issued in 1998 and is effective in 1999. It requires capitalization of the development costs of software to be used internally, e.g., for manufacturing or administrative processes. The company, which currently capitalizes significant development costs for internal-use software, expects to adopt the standard in the first quarter of 1999 for developmental costs incurred in that quarter and thereafter. The effect is not expected to be material. Accounting standard SOP 98-5 was issued in 1998 and is effective in 1999. It requires expensing, rather than capitalizing, the cost of start-up activities. The company currently expenses such amounts as incurred and therefore expects no material effect from adoption of this standard.

The consolidated financial statements include the accounts of all subsidiaries. The preparation of financial statements requires the use of estimates from which final results may vary. Intercompany balances and transactions have been eliminated. Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 1998 presentation. The U.S. dollar is the functional currency for financial reporting. With regard to accounts recorded in currencies other than U.S. dollars, current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at year-end. Inventories, property, plant and equipment and depreciation thereon are remeasured at historic exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate month-end rate of exchange. Net currency exchange gains and losses from remeasurement and 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.

As discussed in the Divestitures note, the consolidated financial statements include the effect of two significant divestitures: the sale of the company's memory business and related joint venture interests to Micron in September 1998, which was accounted for as a sale of a business, and the sale of the defense business to Raytheon Company in July 1997, which was accounted for as a discontinued operation.

Inventories are stated at the lower of cost or estimated realizable value. Cost is generally computed on a currently adjusted standard (which approximates current average costs) or average basis.

Notes to
Financial Statements

Revenues are generally recognized as products are shipped. Royalty revenue is recognized by the company upon fulfillment of its contractual obligations and determination of a fixed royalty amount or, in the case of ongoing royalties, upon sale by the licensee of royalty-bearing products, as estimated by the company.

Depreciation is computed by either the declining-balance method (primarily 150 percent declining method) or the sum-of-the-years-digits method. Fully depreciated assets are written off against accumulated depreciation.

Advertising costs are expensed as incurred. Advertising expense was $100 million in 1998, $128 million in 1997 and $124 million in 1996.

Computation of earnings per common share (EPS) amounts for income (loss) from continuing operations before extraordinary item is as follows (millions, except per-share amounts):

	Millions of Dollars								
	1998			1997			1996		
	Income	Shares	EPS	Income	Shares	EPS	Loss	Shares	EPS
Basic EPS	$ 407	390.5	$1.04	$ 302	385.1	$ .78	$ (46)	379.4	$(.12)
Dilutives:									
Stock options/ compensation plans	--	10.4		--	9.3		--	--	
Convertible debentures	--	--		--	3.3		--	--	
Diluted EPS	$ 407	400.9	$1.02	$ 302	397.7	$ .76	$ (46)	379.4	$(.12)

The EPS computation for 1996 excludes 4.8 million shares for stock options/compensation plans and 5.0 million shares for convertible debentures because their effect would have been antidilutive.

Cash Equivalents and Short-Term Investments

Debt securities with original maturities within three months are considered cash equivalents. Debt securities with original maturities beyond three months have remaining maturities within 13 months and are considered short-term investments. These cash equivalent and short-term investment debt securities are available for sale and stated at fair value, which approximates their specific amortized cost. As of December 31, 1998, these debt securities consisted primarily of the following types: corporate ($1092 million) and asset-backed commercial paper ($679 million). At December 31, 1997, these debt securities consisted primarily of the following types: corporate ($1943 million) and asset-backed commercial paper ($623 million). Gross realized and unrealized gains and losses for each of these security types were immaterial in 1998, 1997 and 1996. Proceeds from sales of these cash equivalent and short-term investment debt securities in 1998, 1997 and 1996 were $647 million, $859 million and $10 million.

Inventories

	Millions of Dollars	
	1998	1997
Raw materials and purchased parts	$ 77	$ 105
Work in process	354	364
Finished goods	165	273
Inventories	$ 596	$ 742

Prior to the sale of its memory business to Micron in 1998, TI participated in DRAM manufacturing joint ventures. TI held minority interests in, and had long-term inventory purchase commitments with, each joint venture. Under the agreements, TI purchased the output of the ventures at prices based upon percentage discounts from TI's average selling prices. Inventory purchases from the ventures aggregated $416 million in 1998, $977 million in 1997 and $1176 million in 1996. Receivables from and payables to the ventures were $135 million and $69 million at December 31, 1997. TI amortized its cost of the ventures over the expected initial output period of three to five years, and recognized its share of any cumulative venture net losses in excess of amortization. The related expense charged to operations was $40 million in 1998, $88 million in 1997 and $33 million in 1996.

Property, Plant and Equipment at Cost

	Depreciable Lives	1998	1997
		Millions of Dollars	
Land		$ 88	$ 94
Buildings and improvements	5-40 years	2,297	2,583
Machinery and equipment	3-10 years	3,994	4,737
Total		$6,379	$7,414

Authorizations for property, plant and equipment expenditures in future years were approximately $541 million at December 31, 1998, and $1105 million at December 31, 1997.

Investments

At year-end 1998, equity investments primarily consisted of 28,933,092 Micron common shares, along with several other publicly traded investments. Debt investments consisted of 6.5% Micron convertible and subordinated notes. The convertible note (convertible into 12,333,358 Micron common shares at $60 per share) and the subordinated note have face amounts of $740 million and $210 million. The notes, which mature in 2005, have a weighted-average imputed interest rate of 8.7%. The Micron securities were received in 1998 in connection with TI's sale of its memory business.

TI Ventures is an externally managed venture fund which invests in the development of new markets. As of year-end 1998, it had invested in 14 companies focused on next-generation applications of digital signal processors.

Other investments consist of mutual funds that are acquired to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The mutual funds hold a variety of debt and equity investments.

Following is information on the investments:

Millions of Dollars

	Fair Value	Unrealized Gains	Unrealized (Losses)	Unrealized Net	Cost
1998					
Equity investments	$1,516	$643	$ (51)	$592	$ 924
Debt investments	978	139	--	139	839
TI Ventures	37	5	--	5	32
Other investments	33	5	(5)	--	33
Total	$2,564	$792	$ (56)	$736	$1,828
1997					
Equity investments	$53	$50	$(36)	$ 14	$39
TI Ventures	10	--	--	--	10
Other investments	6	5	--	5	1
Total	$69	$55	$(36)	$ 19	$50

Investments are stated at fair value, which is based on market quotes, current interest rates or management estimates, as appropriate. Adjustments to fair value of the equity and debt investments, which are classified as available-for-sale, are recorded as an increase or decrease in stockholders' equity. Adjustments to fair value of the venture fund are recorded in other income (expense) net. Adjustments to fair value of the other investments, which are classified as trading, are recorded in operating expense. Cost or amortized cost, as appropriate, was determined on a specific identification basis. Proceeds from sales of equity and debt investments were zero in 1998, $26 million in 1997 and zero in 1996. There were no gross realized gains or losses from sales of equity and debt investments in 1998 and 1996, and there was a $16 million gain in 1997.

Accounts Payable and Accrued Expenses

	Millions of Dollars 1998	1997
Accounts payable	$ 510	$ 698
Accrued salaries, wages, severance and vacation pay	320	405
Other accrued expenses and liabilities	752	979
Total	$1,582	$2,082

Debt and Lines of Credit

Long-Term Debt	Millions of Dollars 1998	1997
6.75% notes due 1999	$ 200	$ 200
6.875% notes due 2000	200	200
9.0% notes due 2001	55	55
6.65% notes, due in installments through 2001	159	204
9.25% notes due 2003	104	104
6.125% notes due 2006	300	300
8.75% notes due 2007	43	43
3.80% to 6.10% lira notes (9% swapped for 1.60% U.S. dollar obligation)	184	190
Other	49	57
	1,294	1,353
Less current portion long-term debt	267	67
Total	$1,027	$1,286

The coupon rates for the notes due 2006 have been swapped for LIBOR-based variable rates through 2006, for an effective interest rate of approximately 4.6% and 5.1% as of December 31, 1998 and 1997. The lira notes, and related swaps, are due in installments through 2005.

As a result of a 1997 tender offer for any or all of the company's 9.0%, 9.25% and 8.75% notes, an aggregate of $248 million of debt principal was tendered at a cash price of $280 million. This resulted in an extraordinary charge of $22 million in the fourth quarter of 1997, after elimination of deferred issuance costs and recognition of an income tax effect of $12 million.

Notes to
Financial Statements

Interest incurred on loans in 1998, 1997 and 1996 was $85 million, $114 million and $108 million. Of these amounts, $10 million in 1998, $20 million in 1997 and $35 million in 1996 were capitalized as a component of capital asset construction costs. Interest paid on loans (net of amounts capitalized) was $75 million in 1998, $94 million in 1997 and $54 million in 1996.

Aggregate maturities of long-term debt due during the four years subsequent to December 31, 1999, are as follows:

	Millions of Dollars
2000	$ 312
2001	136
2002	27
2003	161

The company maintains lines of credit to support commercial paper borrowings and to provide additional liquidity. These lines of credit totaled $669 million at December 31, 1998, and $651 million at December 31, 1997. Of these amounts, at December 31, 1998 and 1997, $600 million existed to support outstanding commercial paper borrowings or short-term bank loans.

Financial Instruments and Risk Concentration

Financial Instruments: In addition to the swaps discussed in the preceding note, as of December 31, 1998, the company had forward currency exchange contracts outstanding of $756 million to hedge net balance sheet exposures (including $161 million to sell yen, $132 million to buy lira and $105 million to buy deutsche marks). At December 31, 1997, the company had forward currency exchange contracts outstanding of $275 million to hedge net balance sheet exposures (including $101 million to buy lira, $73 million to buy deutsche marks and $24 million to buy Singapore dollars). As of December 31, 1998 and 1997, the carrying amounts and current market settlement values of these swaps and forward contracts were not significant.

The company uses forward currency exchange contracts, including the lira note currency swaps, 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 interest rate swaps for the company's notes due 2006 are used to change the characteristics of the interest rate stream on the debt from fixed rates to short-term variable rates in order to achieve a mix of interest rates that, over time, is expected to moderate financing costs. The effect of these interest rate swaps was to reduce interest expense by $3 million and $2 million in 1998 and 1997, and increase interest expense by $2 million in 1996.

In order to minimize its exposure to credit risk, the company limits its counterparties on the forward currency exchange contracts and interest rate swaps to investment-grade rated financial institutions.

As of December 31, 1998 and 1997, the fair value of long-term debt, based on current interest rates, was approximately $1346 million and $1390 million, compared with the historical cost amount of $1294 million and $1353 million.

Risk Concentration: Financial instruments that potentially subject the company to concentrations of credit risk are primarily cash investments, accounts receivable and noncurrent investments. The company places its cash investments in investment-grade, short-term debt securities and limits the amount of credit exposure to any one commercial issuer. Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the company's customer base and their dispersion across different industries and geographic areas. The company maintains an allowance for losses based upon the expected collectibility of accounts receivable. The company's noncurrent investments at year-end 1998 have an aggregate fair value of $2564 million. The investments are in high-technology companies and are subject to price volatility and other uncertainties. They include a significant concentration of Micron debt (fair value of $978 million) and equity instruments (fair value of $1463 million). The company adjusts the carrying amounts of the investments to fair value each quarter.

Stockholders' Equity

The company is authorized to issue 10,000,000 shares of preferred stock. None is currently outstanding.

Each outstanding share of the company's common stock carries a stock purchase right. Under certain circumstances, each right may be exercised to purchase one one-thousandth of a share of the company's participating cumulative preferred stock for $200. Under certain circumstances following the acquisition of 20% or more of the company's outstanding common stock by an acquiring person (as defined in the rights agreement), each right (other than rights held by an acquiring person) may be exercised to purchase common stock of the company or a successor company with a market value of twice the $200 exercise price. The rights, which are redeemable by the company at 1 cent per right, expire in June 2008.

Changes in other comprehensive income are as follows:

	Millions of Dollars		
	Pension Liability Adjustment	Equity, Debt and Cash Investments Adjustment	Total
Balance, December 31, 1995	$ (45)	$ --	$ (45)
Annual adjustments	6	43	49
Tax effect of above	--	(15)	(15)
Balance, December 31, 1996	(39)	28	(11)
Annual adjustments	(24)	(12)	(36)
Tax effect of above	--	4	4
Reclassification of realized transactions, net of tax of $6 million	--	(10)	(10)
Balance, December 31, 1997	(63)	10	(53)
Annual adjustments	(117)	717	600
Tax effect of above	--	(251)	(251)
Balance, December 31, 1998	$(180)	$ 476	$ 296

Research and Development Expense

Research and development expense, which totaled $1206 million in 1998, $1536 million in 1997 and $1181 million in 1996, included a charge in 1998 of $25 million for the value of acquired in-process research and development from two business acquisitions. Research and development expense for 1997 included a charge of $461 million for the value of acquired in-process research and development as a result of the acquisition of Amati Communications Corporation (Amati). The company acquired Amati as a result of an all-cash tender offer in fourth quarter 1997 through which approximately 78% of Amati's outstanding common shares were acquired for an aggregate of $306 million. As contractually required, the company then acquired the balance of the Amati shares through a second-step merger transaction for an aggregate of $91 million. In addition to these stock purchase costs, the company incurred approximately $117 million of additional acquisition costs, which included $50 million for the value of TI common stock options contractually required to be issued to replace outstanding Amati employee stock options. Research and development expense for 1996 included a charge of $192 million for the value of acquired in-process research and development in connection with the 1996 acquisition of Silicon Systems, Inc. (SSi) for $557 million. There was essentially no tax offset associated with these acquired in-process research and development charges.

Status at year-end 1998 of the acquired Amati and SSi research projects: The Amati research projects, which relate to digital subscriber line (DSL) system designs for Internet and other uses, were essentially completed on schedule. The first product has now been released and, although the DSL market has developed more slowly than expected, TI expects improvement in the near term in Internet-related demand. As this occurs, TI will be one of a very few suppliers who have demonstrated interoperability and standards compliance. Thus, TI does not anticipate material adverse effects regarding its operating results, financial condition or investment return as a result of these delays.

The SSi research projects, which relate to analog technology for hard disk drives and removable storage devices, were essentially completed on schedule. TI expects to meet or exceed its original return expectations.

Other Income (Expense) Net

	Millions of Dollars		
	1998	1997	1996
Interest income	$ 166	$ 146	$ 62
Other income (expense) net	127	46	14
Total	$ 293	$ 192	$ 76

Other income included gains of $83 million in 1998 from the sale of TI's interest in the TI-Acer joint venture to Acer Corporation and $66 million in 1997 from the sale of three divested activities, primarily software.

Stock Options

The company has stock options outstanding to participants under the Texas Instruments 1996 Long-Term Incentive Plan, approved by stockholders on April 18, 1996. Options are also outstanding under the 1988 Stock Option Plan and the Texas Instruments Long-Term Incentive Plan; however, no further options may be granted under these plans. Under all these stockholder-approved plans, unless the options are acquisition-related replacement options, the option price per share may not be less than 100 percent of the fair market value on the date of the grant. Substantially all the options have a 10-year term. Options granted subsequent to 1996 generally vest ratably over four years. Options granted prior to that are fully vested.

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Under the 1996 Long-Term Incentive Plan, the company may grant stock options, including incentive stock options; restricted stock and restricted stock units; performance units; and other stock-based awards. The plan provides for the issuance of 37,000,000 shares of the company's common stock (plus shares subject to acquisition-related replacement options); in addition, if any award under the 1988 Stock Option Plan or the Long-Term Incentive Plan terminates, then any unissued shares subject to the terminated award become available for granting awards under the 1996 Long-Term Incentive Plan. No more than 4,000,000 shares of common stock may be awarded as restricted stock, restricted stock units or other stock-based awards under the plan. In 1998, 1997 and 1996, 117,000, 201,500 and 110,028 shares of restricted stock units, which vest over one to five years, were granted (weighted-average award-date value of $51.80, $37.78 and $22.65 per share). In addition, in 1998, 1997 and 1996, zero, 5,700 and 69,812 previously unissued shares were issued as Annual Incentive Plan stock awards (weighted-average award-date value of zero, $22.94 and $23.28 per share). Compensation expense for restricted stock units and annual stock awards totaled $3.9 million, $3.5 million and $1.6 million in 1998, 1997 and 1996.

The company also has stock options outstanding under the Employee Stock Purchase Plan approved by stockholders in 1997. The plan provides for options to be offered semiannually to all eligible employees in amounts based on a percentage of the employee's compensation. The option price per share may not be less than 85 percent of the fair market value on the date of grant. If the optionee authorizes and does not cancel payroll deductions that will be equal to or greater than the purchase price, options granted become exercisable seven months, and expire not more than 13 months, from date of grant. There are no options outstanding under the 1988 Employee Stock Option Purchase Plan, the predecessor to the Employee Stock Purchase Plan.

Under the Stock Option Plan for Non-Employee Directors adopted in April 1998, the company will grant stock options to each non-employee director, once a year, in the period beginning January 1999 and extending through 2003. Each grant will be an option to purchase 5,000 shares with an option price equal to fair market value on the date of grant. The option will vest ratably over four years.

Stock option transactions during 1998, 1997 and 1996 were as follows:

	Long-Term Incentive and Stock Option Plans	Weighted-Average Exercise Price	Employee Stock and Stock Option Purchase Plans	Weighted-Average Exercise Price
Balance, Dec. 31, 1995	15,765,144	$14.62	2,267,418	$28.07
Granted	5,326,750	22.92	1,697,092*	28.13
Forfeited	(397,478)	13.08	(799,818)	29.22
Expired	--	--	--	--
Exercised**	(869,320)	12.90	(772,324)	25.18
Balance, Dec. 31, 1996	19,825,096	16.96	2,392,368	28.66
Granted	10,237,160	36.45	1,187,887*	48.30
Forfeited	(2,365,382)	28.79	(763,335)	30.02
Expired	--	--	--	--
Exercised**	(3,874,438)	14.01	(1,487,181)	28.96
Balance, Dec. 31, 1997	23,822,436	24.64	1,329,739	44.71
Granted	8,064,060	47.87	1,633,095*	45.86
Granted, acquisition-related***	1,232,189	22.13	--	--
Forfeited	(1,313,987)	40.74	(243,489)	48.01
Expired	--	--	--	--
Exercised**	(4,076,607)	17.86	(1,570,521)	45.50
Balance, Dec. 31, 1998	27,728,091	$31.51	1,148,824	$44.57

*Excludes options offered but not accepted.
**Includes previously unissued shares and treasury shares of 2,039,118 and 3,608,010; 5,324,348 and 37,271; and 1,641,644 and zero for 1998, 1997 and 1996.
***Aggregate value of $52 million for two acquisitions.

In accordance with the terms of APB No. 25, the company records no compensation expense for its stock option awards. As required by SFAS No. 123, the company provides the following disclosure of hypothetical values for these non-acquisition-related awards. The weighted-average grant-date value of options granted during 1998, 1997 and 1996 was estimated to be $22.15, $15.72 and $9.24 under the Long-Term Incentive Plans and the 1988 Stock Option Plan (Long-Term Plans) and $13.34, $13.47 and $6.05 under the Employee Stock and Stock Option Purchase Plans (Employee Plans). These values were estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for 1998, 1997 and 1996: expected dividend yields of .71%, .93% and 1.48% (Long-Term Plans) and .74%, .70% and 1.21% (Employee Plans); expected volatility of 43%, 39% and 39%; risk-free interest rates of 5.47%, 5.76% and 5.42% (Long-Term Plans) and 5.32%, 5.69% and 6.15% (Employee Plans); and expected lives of 6 years (Long-Term Plans) and .8 years, .8 years and 1.5 years (Employee Plans). Had compensation expense been recorded based on these hypothetical values, the company's

1998 net income would have been $328 million, or diluted earnings per share of $0.81. A similar computation for 1997 and 1996 would have resulted in net income of $1764 million and $40 million, or diluted earnings per share of $4.43 and $0.11. Because options vest over several years and additional option grants are expected, the effects of these hypothetical calculations are not likely to be representative of similar future calculations.

Summarized information about stock options outstanding under the Long-Term Plans at December 31, 1998, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 1998	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at Dec. 31, 1998	Weighted-Average Exercise Price
$ .09 to 27.24	11,916,423	5.5 years	$ 17.52	10,694,986	$ 17.04
30.22 to 49.79	13,851,417	8.5	39.83	1,837,430	35.00
50.36 to 81.07	1,960,251	9.3	57.81	128,507	66.21
$ .09 to 81.07	27,728,091	7.3	$ 31.51	12,660,923	$ 20.15

At December 31, 1998, the stock options outstanding under the Employee Plans have exercise prices of $43.04 and $49.30, depending on the date of grant, and a remaining contractual life of three or nine months. Of the total outstanding options, 280,229 are exercisable at year-end 1998.

At year-end 1998, 21,861,771 shares were available for future grants under the 1996 Long-Term Incentive Plan and 7,518,268 shares under the Employees Stock Purchase Plan. As of year-end 1998, 50,047,468 shares were reserved for issuance under the company's stock option and incentive plans and 8,667,092 shares were reserved for issuance under the Employee Stock Purchase Plan.

In 1997, the company began a stock repurchase program with the goal of neutralizing the dilutive effect of shares to be issued upon the exercise of stock options under the Employee Stock Purchase Plan and Long-Term Plans. Treasury shares acquired in connection with this repurchase program and other stock transactions in 1998, 1997 and 1996 were 4,463,283 shares, 754,511 shares and 7,730 shares. Previously unissued common shares issued under the Long-Term Plans and the Annual Incentive Plan in 1998, 1997 and 1996 were 33,848 shares, 30,174 shares and 98,072 shares. Treasury shares issued under the Texas Instruments Restricted Stock Unit Plan for Directors in 1998, 1997 and 1996 were zero shares, zero shares and 2,334 shares.

Retirement and Incentive Plans

The company provides various retirement plans for employees including pension, savings and deferred profit sharing plans. Incentive plans include profit sharing payments and annual performance awards.

U.S. retirement plans: Effective January 1, 1998, for U.S. employees hired on or after December 1, 1997, the company provides a defined contribution plan whereby the company contributes 2% of an employee's earnings, and a matched savings program whereby an employee's contribution, up to 4% of the employee's earnings, is matched by the company at a dollar-per-dollar rate. The contributions may be invested in several investment funds including TI common stock. During a selection period in 1997, employees employed prior to December 1, 1997, irrevocably elected whether to choose this plan or remain in the savings and defined benefit programs described below. Approximately 36% chose this plan.

For U.S. employees hired prior to December 1, 1997, the company provides a matched savings program whereby an employee's contribution, up to 4% of the employee's earnings (subject to statutory limitations), is matched by the company at the rate of 50 cents per dollar. Available investments are the same as above. Also provided is a defined benefit plan with benefits based on years of service and employee's compensation. The plan is a career-average-pay plan which has been amended periodically in the past to produce approximately the same results as a final-pay type plan. The board of directors of the company has expressed an intent to make such amendments in the future, circumstances permitting, and the expected effects of such amendments have been considered in calculating U.S. pension expense.

Certain of the profit sharing plans worldwide provide that, depending on the individual plan, a portion of the profit sharing earned by employees is contributed to a deferred plan. For U.S. employees, 50% of profit sharing amounts are deferred. Several investment options are available, including TI common stock. While the board of directors of the company has authorized the issuance of 9,233,836 shares of previously unissued TI common shares for deferred profit sharing and savings plans worldwide, none have been issued in the three years ended December 31, 1998. Instead, the trustees of these plans worldwide have purchased outstanding TI common shares: 3,753,084 shares in 1998, 3,535,471 shares in 1997 and 3,123,905 shares in 1996.

The company's aggregate expense for U.S. employees under the defined contribution, deferred profit sharing and matched savings plans was $56 million in 1998, $55 million in 1997 and $17 million in 1996.

The company's U.S. employees are currently eligible to receive, during retirement, specified company-paid medical benefits. The plan is contributory and premiums are adjusted annually. For employees retiring on or after January 5, 1993, the company has specified a maximum annual amount per retiree, based on years of service, that it will pay toward retiree medical premiums. For employees who retired prior to that date, the company maintains a consistent level of cost sharing between the company and the retiree. Effective January 1, 1998, new employees are eligible for this benefit when they reach 20 years of service, regardless of age. For a 15-year transition period, current employees qualify for eligibility under either the 20-year rule or the previous requirement, which was based upon retirement eligibility under the defined benefit pension plan. Coverage eligibility under the 20-year rule is only available at termination, i.e., no subsequent election to participate is allowable.

Expense of the U.S. defined benefit and retiree health care benefit plans was as follows:

Millions of Dollars	Defined Benefit			Retiree Health Care		
	1998	1997	1996	1998	1997	1996
Service cost	$36	$36	$40	$ 3	$ 3	$ 4
Interest cost	48	48	51	21	20	22
Expected return on plan assets	(38)	(33)	(41)	--	--	--
Amortization of prior service cost	2	3	3	--	--	--
Amortization of transition obligation	(5)	(5)	(8)	--	--	--
Recognized net actuarial loss	1	2	3	--	--	--
Total	$44	$51	$48	$24	$23	$26

Settlement and curtailment gains (losses) of the U.S. defined benefit plan recognized in 1998, 1997 and 1996 were zero and $(6) million; $3 million and $18 million; and $5 million and zero. For the retiree health care benefit plan they were zero and $1 million; zero and $1 million; and zero.

Obligation data for the U.S. defined benefit and retiree health care benefit plans and asset data for the U.S. defined benefit plan at December 31 were as follows:

Millions of Dollars	Defined Benefit		Retiree Health Care	
	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at beginning of year	$ 688	$ 819	$ 319	$ 312
Service cost	36	36	3	3
Interest cost	48	48	21	20
Plan participant's contributions	--	--	6	5
Benefits paid	(38)	(202)	(25)	(22)
Actuarial loss	50	36	22	--
Settlements	(84)	(28)	--	--
Curtailments	9	(24)	6	1
Special termination benefit	9	3	--	--
Divestiture	(11)	--	--	--
Benefit obligation at end of year	707	688	352	319
Change in plan assets				
Fair value of plan assets at beginning of year	543	611		
Actual return on plan assets	88	114		
Employer contribution	26	42		
Benefits paid	(28)	(196)		
Settlements	(84)	(28)		
Divestiture	(14)	--		
Fair value of plan assets at end of year	531	543		
Funded status	(176)	(145)	(352)	(319)
Unrecognized net actuarial (gain)	(29)	(29)	(5)	(33)

Unrecognized prior service cost	6	8	(2)	(2)
Unrecognized transition obligation	(10)	(16)	-	-
Accrued retirement at December 31	(209)	(182)	(359)	(354)
Less current portion	27	40	23	19
Accrued U.S. retirement costs	$(182)	$(142)	$(336)	$(335)

The U.S. defined benefit and retiree health care obligations for 1998 and 1997 were determined using assumed discount rates of 6.75% and 7.0%. The assumed average long-term pay progression rate was 4.25%. The assumed long-term rate of return on plan assets was 9.0%. The retiree health care benefit obligation was determined using health care cost trend rates of 6.0% for 1999 decreasing to 5.0% by 2000. Increasing (decreasing) the health care cost trend rates by 1% would have increased (decreased) the retiree health care benefit obligation at December 31, 1998, by $15 million/$(15) million and 1998 plan expense by $1 million/$(1) million.

Non-U.S. retirement plans: Retirement coverage for non-U.S. employees of the company is provided, to the extent deemed appropriate, through separate plans. Defined retirement benefits are based on years of service and employee's compensation, generally during a fixed number of years immediately prior to retirement.

Certain non-U.S. locations provide for deferral of profit sharing amounts with contributions generally invested in TI common stock. The related expense for these contributions was $3 million in 1998, $6 million in 1997 and zero in 1996.

Expense of the non-U.S. defined benefit plans was as follows:

	Millions of Dollars		
	1998	1997	1996
Service cost	$ 53	$ 59	$ 64
Interest cost	31	35	34
Expected return on plan assets	(40)	(38)	(35)
Amortization of prior service cost	(1)	1	1
Amortization of transition obligation	2	2	2
Recognized net actuarial loss	12	9	10
Total	$ 57	$ 68	$ 76

Settlement and curtailment gains (losses) of the non-U.S. defined benefit plans recognized in 1998 and 1997 were $(5) million and zero; and $(3) million and zero. There were no such items in 1996.

Obligation and asset data for the non-U.S. defined benefit plans at September 30 were as follows:

	Millions of Dollars	
	1998	1997
Change in benefit obligation		
Benefit obligation at beginning of year	$ 999	$ 940
Service cost	53	59
Interest cost	31	35
Benefits paid	(20)	(19)
Actuarial gain	(83)	(16)
Benefit obligation at end of year	980	999
Change in plan assets		
Fair value of plan assets at beginning of year	543	500
Actual return on plan assets	21	59
Employer contribution	36	38
Benefits paid	(20)	(19)
Actuarial gain	(40)	(35)
Fair value of plan assets at end of year	540	543
Funded status	(440)	(456)
Unrecognized net actuarial loss	250	252
Unrecognized prior service cost	8	9
Unrecognized transition obligation	9	13
Adjustments from Sept. 30 to Dec. 31	(4)	4
Net non-U.S. amount recognized	$(177)	$(178)
Amounts recognized in the balance sheet consist of:		
Accrued retirement, current	$ (2)	$ (3)

Accrued retirement, noncurrent	(377)	(254)
Prepaid benefit cost	14	10
Intangible asset	8	6
Accumulated other comprehensive income	180	63
Total	$(177)	$(178)

The range of assumptions used for the non-U.S. defined benefit plans reflects the different economic environments within the various countries. The defined benefit obligations were determined as of September 30 using a range of assumed discount rates of 2.5% to 7.0% and a range of assumed average long-term pay progression rates of 3.0% to 6.0%. The range of assumed long-term rates of return on plan assets was 7.0% to 8.0%. Accrued retirement at September 30, 1998 and 1997 includes projected benefit obligations of $841 million and $883 million and accumulated benefit obligations of $630 million and $636 million, versus plan assets of $395 million and $408 million, for three plans whose obligations exceed their assets.

Special actions: In the second quarter of 1998, the company announced that, as a result of the various business divestitures over the past several years, the pending sale of its memory business and weakness in the current semiconductor market environment, it was implementing a severance/manufacturing efficiency program in order to more closely match the size and cost of its support functions with the company's overall size and to further combine manufacturing resources for more efficient operations. The plan, which primarily affected the company's corporate activities and semiconductor business, included the elimination of 3,441 jobs around the world through voluntary programs, attrition, outsourcing and layoffs, as well as the closing of several facilities. As a result, the company took a pretax charge of $233 million in the second quarter, of which $126 million was included in marketing, general and administrative expense and $107 million in cost of revenues. Of the $233 million charge, $161 million was for severance, $55 million for asset write-downs and $17 million for vendor cancellation and lease charges. The asset write-downs were primarily to adjust fixed assets in Singapore and inventory in the United States to their actual sale value. At year-end 1998, the program had essentially been completed, with most severance costs paid except for $49 million, which will primarily be paid in 1999. Of the 3,441 jobs, 3,260 had been eliminated, and 181 will be eliminated in 1999.

In the fourth quarter of 1998, the company took further steps to enhance manufacturing efficiency including the announced closing of a semiconductor assembly operation and sale of a materials & controls manufacturing operation, both in Europe. The sale was completed on December 31, 1998. The assembly operation closing, which is ongoing, affected 740 employees. As a result of these actions, the company took a fourth-quarter 1998 pretax charge of $72 million, of which $27 million was included in cost of revenues, $24 million in other income (expense) net and $21 million in marketing, general and administrative expense. Of this $72 million charge, $35 million was for severance, $35 million for other cash-related costs and $2 million for asset write-downs, primarily to adjust fixed assets in the European materials & controls operation to actual sale value. Of the $35 million severance charge, $19 million had been paid by year-end 1998 and $16 million will be paid in 1999.

In the first quarter of 1997, the company sold its mobile computing business and terminated its digital imaging printing development program. As a result of these divestitures, the company took a first-quarter pretax charge of $56 million, of which $28 million was included in cost of revenues and $28 million in marketing, general and administrative expense. Of this $56 million charge, $27 million was for severance for involuntary reductions worldwide. These severance actions were essentially completed by the end of the quarter and affected approximately 1,045 employees. The balance of $29 million was for other costs associated with the business sale and program termination, including vendor cancellation and lease charges. Essentially all costs were paid in 1998. In the fourth quarter of 1997, the company took a pretax charge of $42 million, of which $30 million was included in cost of revenues and $12 million in marketing, general and administrative expense, primarily for severance costs related to cost-reduction actions by the materials & controls business. These actions, which are expected to be completed in first-quarter 1999, affected approximately 260 employees. Costs of $13 million were paid by year-end 1998, with the balance to be paid by the end of 1999.

In the fourth quarter of 1996, the company took a pretax charge of $208 million, of which $169 million was included in cost of revenues and $39 million was included in marketing, general and administrative expense. Of the $208 million, $91 million was for severance for employment reduction actions in the United States and selected reductions worldwide. These actions, which primarily involved the semiconductor business as well as divested activities, was essentially completed by year-end 1996 and affected approximately 2,600 employees. Of the severance cost of $91 million, $34 million was paid in 1996 and $57 million was paid in 1997. The balance of this charge, $117 million, was for vendor cancellation and other cash-related costs of $47 million and asset write-downs of $70 million on several product lives, primarily mobile computing, an operation divested in first-quarter 1997. The asset write-downs were to adjust inventory and fixed assets to actual sale value.

Following is an analysis of the related accrual:

	Millions of Dollars
Balance, December 31, 1995	$ 15
1996 actions:	
Severance costs for employment reductions, primarily for semiconductor and divested activities	91
Mobile computing and other charges:	
Cash-related costs	47
Asset write-downs	70
Other actions	7
Non-cash write-downs of assets	(70)
Severance, vendor and other cash-related payments	(41)
Adjustment--reversal to income	(3)
Balance, December 31, 1996	116
1997 actions:	
Severance, vendor and other cash-related costs for the divestiture of mobile computing and termination of the digital imaging printing development program	56
Severance and other cash-related costs, primarily for materials & controls cost reductions	42
Other - primarily cash-related cost reserves against 1997 gains on sales of businesses	54
Severance, vendor, and other cash-related payments	(116)
Balance, December 31, 1997	152
1998 actions:	
Severance, vendor, and other cash-related costs for corporate and semiconductor actions	178
Asset write-downs in Singapore and the U.S.	55
Cash-related costs for closing of a semiconductor assembly operation and sale of a materials & controls operation	70
Asset write-downs for sale of a materials & controls operation	2
Other actions	7
Non-cash write-downs of assets	(57)
Severance, vendor and other cash-related payments	(228)
Adjustment--reversal to income	(16)
Balance, December 31, 1998	$163

Business Segment and Geographic Area Data

Texas Instruments develops, manufactures and sells a variety of products used in the commercial electronic and electrical equipment industry, primarily for industrial and consumer markets. The company's principal businesses are based on TI's broad semiconductor technology and application of this technology to digital solutions for the networked society.

TI has three principal businesses: Semiconductor, Materials & Controls and Educational & Productivity Solutions. Each of these is a business segment, with its respective financial performance detailed in this report.

Semiconductor consists of digital signal processors, analog chips, standard logic, application-specific integrated circuits, reduced instruction-set computing microprocessors and microcontrollers. These semiconductors are sold primarily to original-equipment manufacturers and through distributors.

Materials & Controls consists primarily of electrical and electronic control devices, electronic connectors and clad metals. They are sold primarily to original-equipment manufacturers and through distributors.

Educational & Productivity Solutions, which includes educational and graphing calculators, are marketed primarily through retailers and to schools through instructional dealers.

Operating profits of the three principal businesses include the effects of profit sharing and exclude the effects of special charges and gains. The results for semiconductor include the effects of all royalty revenues from semiconductor-related cross-license agreements. Business assets are the owned or allocated assets used by each business.

Included in corporate activities are general corporate expenses, elimination of intersegment transactions (which are generally intended to approximate market prices), results for TI's emerging digital imaging operation and royalty revenues from computer-related cross-license agreements. Assets of corporate activities include unallocated cash, short-term investments, noncurrent investments and deferred income taxes.

Divested activities include the historical operating results and assets of memory (sold in 1998), mobile computing and software (both sold in 1997), custom manufacturing services and printers (both sold in 1996) and other smaller divestitures.

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Business Segment Net Revenues

	Millions of Dollars		
	1998	1997	1996
Semiconductor			
Trade	$ 6,267	$ 6,490	$ 5,340
Intersegment	23	24	45
	6,290	6,514	5,385
Materials & Controls			
Trade	943	950	887
Intersegment	1	4	3
	944	954	890
Educational & Productivity Solutions			
Trade	456	447	422
Corporate activities	140	154	91
Divested activities	630	1,681	3,152
Total	$ 8,460	$ 9,750	$ 9,940

Business Segment Profit (Loss)

	Millions of Dollars		
	1998	1997	1996
Semiconductor	$1,439	$1,546	$1,012
Materials & Controls	142	123	90
Educational & Productivity Solutions	76	59	56
Corporate activities	(235)	(273)	(312)
Special charges and gains	(466)	(532)	(400)
Interest on loans/other income (expense) net, excluding 1998 and 1997 net gains of $59 million and $66 million included above	159	32	3
Divested activities	(498)	(242)	(472)
Income (loss) from continuing operations before provision for income taxes and extraordinary item	$ 617	$ 713	$ (23)

Details of special charges and gains are as follows:

	Millions of Dollars		
	1998	1997	1996
Severance/manufacturing efficiency program	$ (233)	$ --	$ --
Closing of a semiconductor operation and sale of a materials & controls operation, of which $(24) million was included in other income (expense) net	(72)	--	--
Discontinuance of TI-Hitachi joint venture	(219)	--	--
Sale of interest in TI-Acer joint venture	83	--	--
Acquired in-process R&D charge	(25)	(461)	(192)
Severance and other costs, primarily from the divestiture of mobile computing	--	(56)	--
Other income: gain on sale of three divested activities, primarily software	--	66	--
Termination of Thailand joint venture agreements	--	(44)	--
Severance and other costs, primarily for materials & controls cost			

reductions	--	(42)	--
Asset write-downs and other costs, primarily mobile computing	--	--	(117)
Severance costs for employment reductions, primarily for semiconductor and divested activities	--	--	(91)
Other	--	5	--
Total	$ (466)	$ (532)	$ (400)

Business Segment Assets

	Millions of Dollars		
	1998	1997	1996
Semiconductor	$ 4,710	$ 4,798	$ 4,763
Materials & Controls	397	391	380
Educational & Productivity Solutions	117	151	141
Corporate activities	5,932	4,309	2,197
Divested activities	94	1,200	1,350
Net assets of discontinued operations	--	--	529
Total	$11,250	$10,849	$ 9,360

Business Segment Property, Plant and Equipment

Depreciation	1998	1997	1996
	Millions of Dollars		
Semiconductor	$ 913	$ 853	$ 655
Materials & Controls	47	46	41
Educational & Productivity Solutions	1	1	--
Corporate activities	49	58	56
Divested activities	134	151	152
Total	$ 1,144	$ 1,109	$ 904

Additions	1998	1997	1996
	Millions of Dollars		
Semiconductor	$ 731	$ 858	$ 1,633
Materials & Controls	49	49	53
Educational & Productivity Solutions	1	1	--
Corporate activities	32	147	225
Divested activities	218	183	152
Total	$ 1,031	$ 1,238	$ 2,063

The following geographic area data include trade revenues, based on product shipment destination and royalty payor location, and property, plant and equipment based on physical location:

Geographic Area Net Trade Revenues

	1998	1997	1996
	Millions of Dollars		
United States	$ 2,722	$ 3,216	$ 3,548
Japan	1,619	1,971	1,832
Singapore	798	1,110	866
Rest of world	3,321	3,453	3,694
Total	$ 8,460	$ 9,750	$ 9,940

Geographic Area Property, Plant and Equipment (Net)

	1998	1997	1996
	Millions of Dollars		
United States	$ 2,440	$ 2,640	$ 2,619
Japan	417	478	519
Rest of world	516	1,062	1,024
Total	$ 3,373	$ 4,180	$ 4,162

Income Taxes

Income (Loss) from Continuing Operations before Provision for Income Taxes and Extraordinary Item

	U.S.	Non-U.S.	Total
	Millions of Dollars		
1998	$ 201	$ 416	$ 617
1997	93	620	713
1996	(529)	506	(23)

Provision (Credit) for Income Taxes

		Millions of Dollars			
		U.S. Federal	Non-U.S.	U.S. State	Total
1998	Current	$ 4	$ 263	$ (7)	$ 260
	Deferred	(13)	(36)	(1)	(50)
Total		$ (9)	$ 227	$ (8)	$ 210
1997	Current	$ 112	$ 286	$ 4	$ 402
	Deferred	51	(44)	2	9
Total		$ 163	$ 242	$ 6	$ 411
1996	Current	$(125)	$ 202	$ (3)	$ 74
	Deferred	(44)	(6)	(1)	(51)
Total		$(169)	$ 196	$ (4)	$ 23

Principal reconciling items from income tax computed at the statutory federal rate follow.

	Millions of Dollars		
	1998	1997	1996
Computed tax at statutory rate	$ 216	$ 249	$ (8)
Effect of acquired in-process R&D	4	161	67
Effect of non-U.S. rates	76	(11)	(3)
Research and experimentation tax credits	(20)	(30)	(11)
Effect of U.S. state income taxes	(14)	4	(3)
Effect of joint venture costs	(48)	31	12
Other	(4)	7	(31)
Total provision for income taxes	$ 210	$ 411	$ 23

Included in the effect of non-U.S. rates for 1996 is a $4 million benefit from tax loss carryforward utilization reduced by certain non-U.S. taxes and losses for which no benefit was recognized. Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from such companies are expected to result in additional tax liability. The remaining undistributed earnings (approximately $620 million at December 31, 1998) have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable.

The primary components of deferred income tax assets and liabilities at December 31 were as follows:

	Millions of Dollars	
	1998	1997
Deferred income tax assets:		
Accrued retirement costs (pension and retiree health care)	$ 322	$ 221
Inventories and related reserves	242	216
Accrued expenses	251	195
Loss and credit carryforwards	49	80
Other	59	210
	923	922
Less valuation allowance	(173)	(121)
	750	801
Deferred income tax liabilities:		
Investments	(256)	(5)
Property, plant and equipment	(104)	(165)
International earnings	(19)	(38)
Other	(146)	(170)
	(525)	(378)
Net deferred income tax asset	$ 225	$ 423

As of December 31, 1998 and 1997, the net deferred income tax asset of $225 million and $423 million was presented in the balance sheet, based on tax jurisdiction, as deferred income tax assets of $606 million and $711 million and deferred income tax liabilities of $381 million and $288 million. The valuation allowance shown above reflects the company's ongoing assessment regarding the realizability of certain non-U.S. deferred income tax assets. The balance of the deferred income tax assets is considered realizable based on carryback potential, existing taxable temporary differences and expectation of future income levels comparable to recent results. Such future income levels are not assured because of the nature of the company's businesses, which are generally characterized by rapidly changing technology and intense competition.

The company has aggregate U.S. and non-U.S. tax loss carryforwards of approximately $125 million. Of this amount, $117 million expires through the year 2013, and $8 million of the loss carryforwards has no expiration.

Income taxes paid were $162 million, $1145 million and $240 million for 1998, 1997 and 1996.

Rental Expense and Lease Commitments

Rental and lease expense was $153 million in 1998, $168 million in 1997 and $175 million in 1996. The company conducts certain operations in leased facilities and also leases a portion of its data processing and other equipment. The lease agreements frequently include purchase and renewal provisions and require the company to pay taxes, insurance and maintenance costs.

At December 31, 1998, the company was committed under noncancelable leases with minimum rentals in succeeding years as follows:

	Millions of Dollars
1999	$86
2000	61
2001	34
2002	27
2003	26
Thereafter	129

Divestitures
In the first quarter of 1998 the company's DRAM manufacturing joint venture with Hitachi, Ltd. was discontinued. As a result, TI incurred a first quarter pretax charge of $219 million, included in cost of revenues. In the second quarter of 1998, the company sold its interest in the TI-Acer DRAM manufacturing joint venture to Acer Corporation for $120 million in cash. This sale resulted in a pretax gain of $83 million. On September 30, 1998, TI sold its memory business, including its remaining DRAM manufacturing joint venture interests in TECH Semiconductor Singapore (TECH) and KTI Semiconductor in Japan to Micron Technology, Inc. (Micron). As a result, TI received 28,933,092 Micron common shares, a $740 million note convertible into an additional 12,333,358 Micron common shares and a $210 million subordinated note. The market value of the seven year, 6.5% convertible and subordinated notes was approximately $836 million at closing, with an average imputed interest rate of 8.7%. In addition to TI's memory assets, Micron received $550 million in cash from TI to

facilitate the deployment of Micron's technology throughout the acquired business. In the fourth quarter of 1998, TI made an additional $130 million payment to Micron as part of the contractually required working capital. TI deferred the estimated pretax gain of $127 million on the sale until the repayment of the TI-provided financing. The deferred gain is subject to change to the extent actual transaction costs vary from estimates. In connection with the sale, TI agreed to guarantee the payment obligations of TECH under a newly syndicated $450 million principal amount credit facility for debt maturing 2002. As of year-end 1998, TECH had borrowed $240 million under the facility. As a result of the guarantee, TI was granted a security interest in TECH's assets. In addition, the guarantee is partially offset by certain contingent funding obligations of TECH's shareholders. In another matter, approximately $300 million of grants from the Italian government to TI's former memory operations in Italy are being reviewed in the ordinary course by government auditors. TI understands that these auditors are questioning whether some of the grants were applied to purposes outside the scope of the grants. TI's deferred gain on the sale may be reduced to the extent that any grants are determined to have been misapplied. Also, TI understands that an Italian prosecutor is conducting a criminal investigation concerning a portion of the grants relating to specified research and development activities. TI believes that the grants were obtained and used in compliance with applicable law and contractual obligations.

In July, 1997 the company sold its Defense Systems and Electronics business (DSE) to Raytheon Company for $2.95 billion in cash. The net gain on sale of this discontinued operation, after income taxes of $876 million, was $1473 million. The consolidated financial statements of TI present the DSE operations as discontinued operations. Summarized results of discontinued operations prior to the close were as follows:

	Millions of Dollars	
	1997	1996
Net revenues	$ 812	$1,773
Income before provision for income taxes	84	175
Provision for income taxes	32	66
Income from discontinued operations	52	109

TI provided various ongoing services to DSE including, but not limited to, facilities management, data processing, security, payroll and employee benefits administration, insurance administration and duplicating and telecommunications services. Their inclusion in discontinued operations was based upon TI's intercorporate allocation procedures for such services. The allocation basis of these expenses and all other central operating costs was first on the basis of direct usage when identifiable, with the remainder allocated among DSE and other TI businesses on the basis of their respective revenues, head count or other measures. These expenses allocated to DSE totaled $76 million in 1997 and $163 million in 1996. TI has agreements to receive payments from Raytheon for continuing to provide certain of these services on an ongoing basis and others on a transition basis to DSE.

Report of Ernst & Young LLP,
Independent Auditors

The Board of Directors
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheets of Texas Instruments Incorporated and subsidiaries (the Company) at December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Instruments Incorporated and subsidiaries at December 31, 1998 and 1997, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Dallas, Texas
January 19, 1999

Summary of Selected Financial Data

Years Ended December 31,	1998	1997	1996	1995	1994
	Millions of Dollars				
Millions of Dollars					
Net revenues	$ 8,460	$ 9,750	$ 9,940	$11,409	$ 8,608
Operating costs and expenses	8,061	9,135	9,966	9,970	7,682
Profit (loss) from operations	399	615	(26)	1,439	926
Other income (expense) net	293	192	76	79	6
Interest on loans	75	94	73	48	45
Income (loss) from continuing operations before provision for income taxes and extraordinary item	617	713	(23)	1,470	887
Provision for income taxes	210	411	23	474	295
Income (loss) from continuing operations before extraordinary item	$ 407	$ 302	$ (46)	$ 996	$ 592
Diluted earnings (loss) per common share from continuing operations before extraordinary item	$ 1.02	$ .76	$ (.12)	$ 2.58	$ 1.56
Basic earnings (loss) per common share from continuing operations before extraordinary item	$ 1.04	$ .78	$ (.12)	$ 2.65	$ 1.61
Dividends declared per common share	$ 0.255	$ .34	$ .34	$ .32	$ .235
Average common and dilutive potential common shares outstanding during year, in thousands	400,929	397,727	379,388	387,262	381,709

As of December 31,	1998	1997	1996	1995	1994
Millions of Dollars					
Working capital	$ 2,650	$3,607	$1,968	$2,566	$1,965
Property, plant and equipment (net)	3,373	4,180	4,162	2,894	2,277
Total assets	11,250	10,849	9,360	8,748	6,468
Long-term debt	1,027	1,286	1,697	804	808
Stockholders' equity	6,527	5,914	4,097	4,095	3,039
Employees	35,948	44,140	59,927	59,574	56,333
Stockholders of record	29,258	29,550	32,804	30,034	28,740

See Notes to Financial Statements and Management Discussion and Analysis of Financial Condition and Results of Operations.

Supplemental Financial Information

Management Discussion and Analysis of Financial
Condition and Results of Operations

Note: Throughout this report, TI total financial results are reported with the memory business. Semiconductor results are reported without memory. The memory business was divested in the third quarter of 1998.

The management discussion and analysis consists of the information under the headings Financial Highlights, Semiconductor, Materials & Controls, Educational & Productivity Solutions, Digital Imaging and the first two paragraphs under the heading Building a Real Time Advantage set forth on pages 3 and 4 of this report, and the following additional information.

1998 Results of Operations Compared with 1997

TI revenues for 1998 were $8460 million, down 13 percent from 1997, due primarily to lower prices in dynamic random access memories (DRAMs), and to a lesser extent, to the absence of revenue due to the sale of the memory business. Operating margins were 10.9 percent, down from 12.4 percent in 1997, excluding special charges, primarily due to lower DRAM prices. TI earnings per share were $1.79, compared with $2.03 for 1997, excluding special items.

Income for the year was $719 million, down from $809 million in 1997, excluding special items, primarily due to losses in memory. TI orders were $8069 million for 1998, compared with $9796 million in 1997, primarily due to declines in memory orders.

Including the effect of the special items for 1998, operating margins for the year were 4.7 percent, earnings per share for the year were $1.02 and income was $407 million.

During the fourth quarter, TI essentially completed the restructuring announced in June of 1998. Annualized cost savings for the company are estimated to be $270 million.

The results for the fourth quarter include special charges of $72 million, substantially all of which was related to the closing of an assembly/test joint venture with Samsung Electronica, Lda. in Portugal and the sale of the Aversa, Italy, plant. Of the $72 million, $35 million was for severance, $35 million for other cash-related costs and $2 million for asset write-downs. The year-ago quarter had a charge of $461 million for in-process R&D associated with the acquisition of Amati Communications Corporation, along with a pretax charge of $42 million for cost-reduction actions, primarily for severance in the materials & controls business.

In addition to the fourth-quarter charges, 1998 earnings include special charges of $477 million, of which $244 million was cash payments primarily for discontinuing the memory-chip manufacturing joint venture with Hitachi, Ltd., and $233 million was for a worldwide restructuring of support functions and consolidation of manufacturing operations. Of the $233 million, $161 million was for severance, $55 million for asset write-downs and $17 million for other cash-related charges. There was also an $83 million pretax gain in the year on the sale of TI's shares in the TI-Acer joint venture to Acer Corporation. In 1997, special pretax charges, in addition to those in the fourth quarter, were $100 million, primarily related to the sale of TI's mobile computing business and the termination of joint-venture agreements in Thailand. There also was a $66 million special pretax gain for the sale of three businesses, the largest of which was software.

Semiconductor: For 1998, semiconductor revenues and operating margins were down slightly, and orders were down modestly, due to overall semiconductor market weakness.

For the year, DSP revenues increased 29 percent to a record level, driven by wireless. Analog revenues declined 4 percent for the year, as strength in wireless was insufficient to offset weakness in other markets, particularly hard disk drive (HDD). Collectively, TI's remaining semiconductor product areas saw revenues down moderately from 1997, primarily due to overall semiconductor market weakness.

In the fourth quarter, DSP and analog comprised 59 percent of TI's semiconductor revenues.

TI expects modest sequential revenue growth in its semiconductor business in the first quarter of 1999, leading to moderate growth for the year, based on continuing strength in wireless and ongoing improvements in HDD and the mass markets. The HDD market represents a growing opportunity for TI, due to its market leadership and extensive portfolio across the primary HDD integrated circuits (application-specific integrated circuits (ASICs), read channels, pre-amps, and servo control).

TI expects that 1999 earnings will reflect continued improvement in semiconductor markets and the ongoing benefit of TI's strategic positioning, as well as the cost reductions realized from completion of restructuring actions. In the first quarter, these improvements may be largely offset by the transition to increased profit sharing, as the company moves to higher operating margins. Profit-sharing expenses are accrued quarterly, based on the company's full-year estimated operating profit margin.

Materials & Controls (M&C): For the full year, M&C revenues were down 1 percent due to weak Asian markets. Operating margins were up for the year to 15.0 percent, reflecting gains from the best-cost producer strategy. During 1998, plant closings took place in Canada and Michigan, restructuring and early retirements took place in Holland and Japan and the Aversa, Italy, plant was sold.

Educational & Productivity Solutions (E&PS): For the year, the E&PS business showed a rise in operating margins of 3.4 percentage points to 16.6 percent, as a result of cost improvements.

Digital Imaging: For 1998, the operation reduced its loss to one-half of the 1997 level and continues to make progress on product positioning and operational performance.

Divested Activities: For 1998, memory revenues were down 60 percent and orders were down 62 percent from 1997 levels, primarily due to lower DRAM prices, with the balance due to the divestiture of the memory business in the third quarter of 1998. Loss from memory operations was $498 million, versus a loss of $192 million in 1997.

Financial Condition: During 1998, cash and cash equivalents plus short-term investments decreased by $771 million to $2249 million. The discontinuance of the joint venture with Hitachi and the acquisition of those operating assets (which were subsequently included in the sale of the memory business) required $281 million of cash in the first quarter. In addition, $91 million of cash was used to purchase the remaining outstanding shares of Amati Communications Corporation's common stock in the first quarter. Under the terms of the sale of TI's memory business to Micron Technology, TI provided $550 million of cash financing to Micron in the third quarter. At closing, TI deferred an estimated pretax gain of $127 million on the sale until the repayment of the TI-provided financing. In the fourth quarter, TI made an additional $130 million payment to Micron as part of the contractually required working capital.

In the memory transaction, TI received approximately 28.9 million shares of Micron common stock, $740 million face value of a 6.5 percent convertible note and $210 million face value of a 6.5 percent subordinated note. These securities were originally valued at $1717 million. At year-end, market value was $2441 million. Market value changes, net of tax, are recorded as an adjustment to stockholders' equity.

Approximately $300 million of grants from the Italian government to TI's former memory operations in Italy are being reviewed in the ordinary course by government auditors. TI understands that these auditors are questioning whether some of the grants were applied to purposes outside the scope of the grants. TI's deferred gain on the sale of its memory business may be reduced to the extent that any grants are determined to have been misapplied. Also, TI understands that an Italian prosecutor is conducting a criminal investigation concerning a portion of the grants relating to specified research and development activities. TI believes that the grants were obtained and used in compliance with applicable law and contractual obligations.

Cash flow from operating activities net of additions to property, plant and equipment was $220 million in 1998.

Capital expenditures totaled $1031 million for 1998 versus $1238 million for Depreciation was $1144 million for 1998 compared to $1109 million for 1997. Authorizations for future capital expenditures were $541 million at December 31, 1998. TI's capital expenditures for 1999 are forecast to be level with 1998 at $1.0 billion. Depreciation for 1999 is expected to be $1.0 billion. R&D is expected to be $1.1 billion, versus $1.2 billion in 1998.

The company maintains lines of credit to support commercial paper borrowings and to provide additional liquidity. These lines of credit totaled $669 million at December 31, 1998. Of this amount, $600 million exists to support commercial paper borrowings or short-term bank loans.

During 1998, TI repurchased approximately 4.5 million shares of common stock, at a cost of $294 million, as a part of its previously stated intent to neutralize the potential dilutive effect of shares to be issued under employee stock options.

At the end of 1998, the debt-to-total-capital ratio was .17, compared to the 1997 year-end value of .19.

As previously announced, the timing of TI dividend declarations in 1998 was moved, effective March 1998, from the third month of a quarter to the first month of the following quarter. As a result of this one-time lag, 1998 contains three rather than four dividend declarations.

YEAR 2000: Since 1995, TI has been actively engaged in addressing Year 2000 (Y2K) issues. These result from the use of two-digit, rather than four-digit, year dates in software, a practice which could cause date-sensitive systems to malfunction or fail because they may not recognize or process date information correctly.

State of Readiness: To manage its Y2K program, TI has divided its efforts into four program areas:

- Information Technology (computer hardware, software and electronic data interchange (EDI) interfaces);
- Physical Plant (manufacturing equipment and facilities);

Products (including product development); and
Extended Enterprise (suppliers and customers).

For each of these program areas, TI is using a four-step approach:
Ownership (creating awareness, assigning tasks);
Inventory (listing items to be assessed for Y2K readiness);
Assessment (prioritizing the inventoried items, assessing their Y2K readiness, planning corrective actions, making initial contingency plans); and
Corrective Action Deployment (implementing corrective actions, verifying implementation, finalizing contingency plans).

At December 31, 1998, the Ownership, Inventory, and Assessment steps were essentially complete for priority items in Information Technology, Physical Plant and Products. TI's assessment activities for Extended Enterprise will continue into 1999. TI considers priority items to be those that could significantly disrupt TI's business operations. The target completion date for priority items for the remaining step (Corrective Action Deployment) is June 1999 for all program areas.

As of December 31, 1998, the status for each program area is as follows:

Information Technology: Corrective actions have been deployed for substantially all of TI's legacy business strategic information systems (manufacturing, marketing, financial and human resources). In the ordinary course of business, TI continues to install new business systems as appropriate. Verification of Year 2000 readiness is incorporated into the process of implementing these new systems. Assessment of infrastructure hardware and software that support TI's enterprise-wide networks and servers is essentially complete, and deployment of corrective actions is under way. TI has also deployed an assessment tool and corrective action process for desktop computers. The readiness of TI's EDI interfaces has been assessed, and testing continues with major customers and suppliers.

Physical Plant: Assessment of manufacturing equipment and facilities is substantially complete and corrective actions are under way.

Products: TI is essentially complete with the Year 2000 readiness assessment of its products and is providing product status information on its company web site. Divested product lines are not part of the assessment. This effort includes semiconductor devices sold within the past five years. TI's assessment indicates that the majority of semiconductor products either have no date logic or are programmable devices that require customer assessment of any software and firmware or other elements added by or at the request of TI's customers. TI has identified date-related issues with certain of TI's semiconductor application software development tools and is providing corrective software patches. The company believes these development tool issues are unlikely to cause significant problems for TI customers. Assessment of products of the materials & controls and educational & productivity solutions businesses indicates they are either Year 2000 ready or have no date logic.

Extended Enterprise: TI's Y2K supplier program attempts to assess the readiness of TI suppliers, focusing on those that could significantly disrupt TI's business operations. TI began contacting its suppliers in 1997 to assess their readiness. This effort is ongoing and is expected to be complete by June 1999. TI intends to finalize contingency plans by June 1999 on the basis of information gathered through the assessment process. TI continues to discuss Y2K status with selected strategic customers.

Costs to Address Y2K Issues: TI's estimated aggregate costs for its Y2K activities from 1995 through 2000 are expected to range from $70 million to $90 million. Through December 31, 1998, TI has spent approximately $53 million.

Risks of Y2K Issues and Contingency Plans: TI continues to review Year 2000 issues relating to its information technology, physical plant, products, suppliers and customers, as well as legal risks that may be associated with discontinued products and divested product lines. TI's contingency planning process is intended to mitigate worst-case business disruptions. The company is preparing contingency plans to address worst-case issues such as delays in delivery of product. As noted above, the company expects its contingency plans to be complete by June 1999.

Market Risk Sensitive Instruments: The U.S. dollar is the functional currency for financial reporting. In this regard, the company uses forward currency exchange contracts, including lira note currency swaps, 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. For example, at year-end 1998, the company had forward currency exchange contracts outstanding of $756 million (including $161 million to sell yen, $132 million to buy lira and $105 million to buy deutsche marks). Similar hedging activities existed at year-end 1997. Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by these exchange contracts and swaps, a hypothetical 10% plus or minus fluctuation in non-U.S. currency exchange rates would not be expected to have a material earnings impact, e.g., based on year-end 1998 balances and rates, a pretax currency exchange gain or loss of $6 million.

The company has interest rate swaps that 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. The effect of these interest rate swaps was to reduce interest expense by $3 million in 1998. The year-end 1998 effective interest rate for the $300 million of notes due 2006, including the effect of the swaps, was approximately 4.6% (5.1% at year-end 1997). These swaps are sensitive to interest rate changes. For example, if short-term interest rates increase (decrease) by one percentage point from year-end 1998 rates, annual pretax interest expense would increase (decrease) by $3 million.

The company's long-term debt has a fair value, based on current interest rates, of approximately $1346 million at year-end 1998 ($1390 million at year-end 1997). Fair value will vary as interest rates change. The following table presents the aggregate maturities and historical cost amounts of the debt principal and related weighted-average interest rates by maturity dates at year-end 1998:

Millions of Dollars

Maturity Date	U.S. Dollar Fixed-Rate Debt	Average Interest Rate	Lira Fixed-Rate Debt	Average Interest Rate
1999	$ 235	6.74%	$ 32	5.25%
2000	274	6.81%	38	5.09%
2001	105	7.90%	30	4.95%
2002	--	n/a	27	4.73%
2003	133	8.47%	28	4.74%
Thereafter	356	6.40%	36	4.53%
Total	$1,103	6.97%	$ 191	4.89%

Total long-term debt historical cost amount at year-end 1998 was $1294 million.

The company's cash equivalents and short-term investments are debt securities with remaining maturities within three months (cash equivalents) and beyond three months and within 13 months (short-term investments). Their aggregate fair value and carrying amount was $1771 million at year-end 1998 ($2566 million at year-end 1997). Fair value will vary as interest rates change. The following table presents the aggregate maturities of cash equivalents and short-term investments and related weighted-average interest rates by maturity dates at year-end 1998:

Millions of Dollars

Maturity Date	Cash Equivalents and Short-Term Investments	Average Interest Rate
1999	$1,681	5.32%
2000	90	5.12
Total	$1,771	5.31%

The company's investments at year-end 1998 consisted of the following (amounts at year-end 1997 were not material):

- Equity investments - primarily 28,933,092 Micron common shares acquired in 1998, along with several other publicly traded investments.
- Debt investments - 6.5% Micron convertible and subordinated notes acquired in 1998. The convertible note (convertible into 12,333,358 Micron common shares at $60 per share) and the subordinated note have face amounts of $740 million and $210 million. The notes, which mature 2005, have a weighted-average imputed interest rate of 8.7%.
- TI Ventures - an externally managed venture fund that invests in the development of new markets. As of year-end 1998, it had invested in 14 companies focused on next-generation applications of digital signal processors.
- Other investments - consist of mutual funds that are acquired to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The mutual funds hold a variety of debt and equity investments.

The equity investments (fair value of $1516 million) and venture fund (fair value of $37 million) are sensitive to equity price changes. For example, if prices of the equity investments increase or decrease 10%, the company would record an increase or decrease in stockholders' equity of $152 million. Similarly, if prices for the venture fund increase or decrease 10%, the company would record an increase or decrease in other income (expense) of $4 million. Changes in prices of the other investments are expected to offset related changes in deferred compensation liabilities such that a 10% increase or decrease in investment prices would not affect operating results.

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Fair value of the debt investments ($978 million) will vary as interest rates change (and also for the convertible note, as the underlying equity share price changes). The following table presents the aggregate historical cost maturities of debt investments and related weighted-average interest rates by maturity dates:

Millions of Dollars

Maturity Date	Debt Investments	Average Interest Rate
1999-2004	None	N/A
2005	$839	8.7%

1997 Results of Operations Compared with 1996

Business	Change in Orders, 1997 vs. 1996	Change in Net Revenues, 1997 vs. 1996
Semiconductor	up 25%	up 21%
Material & Controls	up 9%	up 7%
Educational & Productivity Solutions	up 5%	up 6%
Total TI	up 6%	down 2%
Total TI excluding businesses sold	up 22%	up 19%

UNLESS STATED OTHERWISE, THE FINANCIAL RESULTS THAT FOLLOW ARE FROM CONTINUING OPERATIONS AND EXCLUDE SPECIAL ITEMS.

TI's orders in 1997 were $9796 million, compared with $9268 million in 1996. Net revenues in 1997 were $9750 million, compared with $9940 million in 1996. Financial results in 1997 and 1996 included revenues from TI businesses that have been sold, primarily memory, software, mobile computing and printers. Excluding these divested activities, TI orders were up 22 percent for the year and revenues were up 19 percent, primarily due to growth in semiconductor.

Profit from operations in 1997 was $1213 million, up from $374 million in 1996. The increase was primarily from higher semiconductor profits and the absence of losses in the sold businesses, primarily memory, software and mobile computing. In 1996, these sold businesses lost $229 million more than in 1997.

Results for the fourth quarter include a charge of $461 million for in-process R&D associated with the acquisition of Amati Communications Corporation, along with a pretax charge of $42 million for cost reduction actions, primarily in the materials & controls business. In addition to the fourth-quarter charges, the 1997 earnings include previously announced special pretax charges of $56 million, primarily related to the sale of TI's mobile computing business, and $44 million for the termination of joint-venture agreements in Thailand.

Results for 1997 also include a $66 million gain for the sale of three businesses, the largest of which was software. The total of the 1997 special items is equivalent to $1.27 per share. In 1996, special charges were $400 million before taxes, with $208 million being in the fourth quarter. These charges were equivalent to $0.86 per share for the year.

Income for the year was $809 million, compared with $281 million in 1996. TI's diluted earnings per share in 1997 were $2.03, compared with $0.74 in 1996. Including the effect of the special items, income for the year was $302 million compared to a loss of $46 million in 1996, and earnings per share were $0.76 compared with a loss per share of $0.12 in 1996.

Results for 1997 also included an accrual for profit sharing of $122 million, which was 7.82 percent of eligible payroll. There was no profit sharing in 1996.

Including the effect of special items, net income for 1997 was $1805 million, which consisted of income from continuing operations of $302 million, income from the discontinued defense business of $52 million, gain on sale of the discontinued defense business of $1473 million, and an extraordinary charge of $22 million associated with debt retirement. On a similar basis, net income for 1996 was $63 million, which consisted of a loss from continuing operations of $46 million and income from the discontinued defense business of

$109 million.

Royalty revenues in 1997 were essentially steady with 1996.

Interest income for 1997 was up $84 million from 1996, primarily as a result of investment of net proceeds from the sale of the defense business to Raytheon.

The income tax rate for 1997 was 35 percent.

TI's backlog of unfilled orders as of December 31, 1997, was $1623 million, unchanged from year-end 1996.

R&D for 1997 was $1075 million, excluding the $461 million charge for in-process R&D associated with the Amati acquisition, compared with $989 million in 1996, excluding the $192 million charge for in-process R&D associated with the SSi acquisition.

Capital expenditures were $1238 million in 1997, compared with $2063 million in 1996. Depreciation for 1997 was $1109 million compared with $904 million in 1996.

Semiconductor: Orders in semiconductor for 1997 were $6610 million, up 25 percent from $5267 million in 1996. The increase resulted from strong demand for digital signal processing solutions (DSPS), as DSPS orders increased over 40 percent. Semiconductor revenues were $6514 million, up 21 percent from $5385 million in 1996. The increase in semiconductor resulted from an increase of more than 35 percent in DSPS revenues due to increased shipments.

For the fourth quarter, semiconductor revenues, which include royalties from semiconductor patent licenses, represented about 71 percent of TI's revenues. Digital signal processors plus mixed signal/analog represented about 54 percent of semiconductor. The remainder of semiconductor consists primarily of a broad range of advanced products, including application-specific integrated circuits, reduced instruction-set microprocessors, microcontrollers and standard logic.

Revenues reached record levels for digital signal processing for both the year and the fourth quarter. Mixed-signal/analog also had a strong year, with record revenues for the year and fourth quarter, growing more than twice as fast as the market in 1997.

TI's other semiconductor products, such as microcontrollers and application-specific integrated circuits, made good progress in growth and profitability in 1997.

Semiconductor profit from operations increased from $1012 million in 1996 to $1546 million in 1997, and operating margins improved from 18.8 percent to 23.7 percent. Results particularly benefited from higher DSPS shipments.

Materials & Controls: Orders in Materials & Controls of $972 million were up from $896 million in 1996, primarily due to TIRIS. Revenues of $954 million were up $64 million from 1996 due primarily to the growing acceptance of TIRIS in automotive applications. PFO increased from $90 million in 1996 to $123 million in 1997, with margins improving from 10.1 percent to 12.9 percent. The increase was due primarily to manufacturing cost reduction.

Educational & Productivity Solutions: Orders in Educational & Productivity Solutions were $448 million, up $22 million from 1996 as a result of continued growth in instructional calculators. Revenues were $447 million, an increase of $24 million from 1996 also as a result of growth in instructional calculators. PFO increased from $56 million in 1996 to $59 million in 1997, and operating margins remained flat at 13.2 percent.

Digital Imaging: TI's digital imaging business continued to make progress throughout 1997, further focusing its strategy on key market opportunities.

Divested Activities: Revenues for memory decreased $400 million in 1997, compared to 1996, as DRAM prices continued to decline sharply.

Common Stock Prices and Dividends

TI common stock is listed on the New York Stock Exchange and traded principally in that market. The table below shows the high and low prices of TI common stock on the composite tape as reported by The Wall Street Journal and the dividends paid per common share for each quarter during the past two years.

	QUARTER			
	1st	2nd	3rd	4th
Stock prices:				
1998 High	$62.75	$67.00	$63.69	$90.44
Low	40.25	46.88	46.06	45.38
1997 High	43.63	48.19	71.00	71.25
Low	31.06	36.81	42.13	39.63
Dividends paid:				
1998	$.085	$.085	$.085	$.085
1997	$.085	$.085	$.085	$.085

Quarterly Financial Data

1998	Millions of Dollars, Except Per-share Amounts			
	1st	2nd	3rd	4th
Net revenues	$2,187	$2,167	$2,113	$1,993
Gross profit	670	711	805	880
Profit (loss) from operations	(22)	(52)	203	270
Net income	$ 11	$ 43	$ 164	$ 189
Diluted earnings per common share	$ .03	$ .11	$ .41	$ .47
Basic earnings per common share	$ .03	$ .11	$ .42	$ .48

1997	Millions of Dollars, Except Per-Share Amounts			
	1st	2nd	3rd	4th
Net revenues	$2,263	$2,559	$2,500	$2,428
Gross profit	791	962	982	948
Profit (loss) from operations	171	287	358	(201)
Income (loss) from continuing operations before extraordinary item	102	224	239	(263)
Discontinued operations:				
Income from operations	27	25	--	--
Gain on sale	--	--	1,473	--
Extraordinary item	--	--	--	(22)
Net income (loss)	$ 129	$ 249	$1,712	$ (285)
Diluted earnings (loss) per common share:				
Continuing operations before extraordinary item	$ .26	$ .56	$ .60	$ (.67)
Discontinued operations:				
Income from operations	.07	.07	--	--
Gain on sale	--	--	3.68	--
Extraordinary item	--	--	--	(.06)
Net income (loss)	$ .33	$ .63	$ 4.28	$ (.73)
Basic earnings (loss) per common share:				
Continuing operations before extraordinary item	$ .27	$ .58	$ .62	$ (.67)
Discontinued operations:				
Income from operations	.07	.07	--	--
Gain on sale	--	--	3.81	--
Extraordinary item	--	--	--	(.06)
Net income (loss)	$ .34	$ .65	$ 4.43	$ (.73)

Results for the first quarter of 1998 include a pretax charge of $219 million, included in cost of revenues, for discontinuance of the TI-Hitachi joint venture and a charge of $25 million for the value of acquired research and development from two business acquisitions. The second quarter of 1998 includes a pretax operating charge of $233 million for a severance/manufacturing efficiency program and a pretax gain of $83 million for the company's sale of its interest in the TI-Acer joint venture. Fourth-quarter 1998 results include a pretax operating charge of $72 million, essentially all of which is for the disposition of two European operations.

In the first quarter of 1997, the company took a pretax charge of $56 million related to the sale of its mobile computing business and termination of its digital imaging printing development program. Results for the second quarter of 1997 include a pretax operating charge of $44 million for the termination of agreements related to proposed Thailand joint ventures and a $66 million pretax gain from the sale of three divested activities, principally software. Results for the third quarter of 1997 reflect the sale of TI's defense business, which was closed with Raytheon Company on July 11 for $2.95 billion in cash. The net gain from this sale, after income taxes of $876 million, was $1473 million and was included in discontinued operations. As a result of the 1997 acquisition of Amati Communications Corporation, the company took a charge of $461 million in the fourth quarter for the value of acquired in-process research and development. Also in the fourth quarter, the company took a pretax charge of $42 million, primarily for severance costs related to cost-reduction actions by the materials & controls business.

Diluted earnings (loss) per common share are based on average common and dilutive potential common shares outstanding (402,230,699 shares and 389,695,136 shares for the fourth quarters of 1998 and 1997).

Exhibit 21

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
LIST OF SUBSIDIARIES OF THE REGISTRANT

The following are current subsidiaries of the Registrant.

Subsidiary and Name Under Which Business is Done	Where Organized
Silicon Systems, Inc.	Delaware
Texas Instruments Deutschland G.m.b.H.	Germany
Texas Instruments France S.A.	France
Texas Instruments Holland B.V.	Netherlands
Texas Instruments Hong Kong Limited	Hong Kong
Texas Instruments International Capital Corporation	Delaware
Texas Instruments Italia S.p.A.	Italy
Texas Instruments Japan Limited	Japan
Texas Instruments Limited	United Kingdom
Texas Instruments Malaysia Sdn. Bhd.	Malaysia
Texas Instruments (Philippines) Incorporated	Delaware
Texas Instruments Singapore (Pte) Limited	Singapore
Texas Instruments Taiwan Limited	Taiwan
Texas Instruments Trade and Investment Company S.A.	Panama

Note: The names of other subsidiaries of the Registrant are not listed herein since the additional subsidiaries considered in the aggregate as a single subsidiary do not constitute a significant subsidiary as defined by Rule 1.02(v) of Regulation S-X.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Texas Instruments Incorporated of our report dated January 19, 1999, included in the 1998 Annual Report to Stockholders of Texas Instruments Incorporated.

Our audits also included the financial statement schedule of Texas Instruments Incorporated listed in Item 14(a). This schedule is the responsibility of the Registrant's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements, and in the related prospectuses thereto, of our report dated January 19, 1999 with respect to the consolidated financial statements and schedule of Texas Instruments Incorporated, included in or incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1998: Registration Statements (Form S-8) No. 33-61154, No. 33-21407, No. 33-42172 No. 33-54615, No. 333-07127, No. 333-41913, No. 333-41919, No. 333-31319, No. 333-31321, No. 333-31323 and No. 333-48389, and Registration Statement (Form S-3) No. 333-03571.

ERNST & YOUNG LLP

Dallas, Texas
February 16, 1999

Exhibit 24

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints THOMAS J. ENGIBOUS, WILLIAM A. AYLESWORTH and RICHARD J. AGNICH, and each of them, with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full and several power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 1998, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ JAMES R. ADAMS
James R. Adams

Exhibit 24

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints THOMAS J. ENGIBOUS, WILLIAM A. AYLESWORTH and RICHARD J. AGNICH, and each of them, with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full and several power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 1998, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ DAVID L. BOREN
David L. Boren

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ JAMES B. BUSEY IV
James B. Busey IV

Exhibit 24

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ DANIEL A. CARP
Daniel A. Carp

Exhibit 24

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints WILLIAM A. AYLESWORTH and RICHARD J. AGNICH, and each of them, with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full and several power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 1998, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ THOMAS J. ENGIBOUS
Thomas J. Engibous

Exhibit 24

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ GERALD W. FRONTERHOUSE
Gerald W. Fronterhouse

Exhibit 24

POWER OF ATTORNEY

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/s/ DAVID R. GOODE
David R. Goode

Exhibit 24

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this 18th day of February 1999.

/s/ CLAYTON K. YEUTTER
Clayton K. Yeutter

This schedule contains summary financial information extracted from THE CONSOLIDATED FINANCIAL STATEMENTS OF TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES AS OF DECEMBER 31, 1998, AND FOR THE YEAR THEN ENDED, and is qualified in its entirety by reference to such financial statements.

1,000,000
YEAR
DEC-31-1998
DEC-31-1998
540
1,709
1,343
97
596
4,846
6,379
3,006
11,250
2,196
1,027
0
0
392
6,135
11,250
8,460
8,460
5,394
5,394
1,206
0
75
617
210
407
0
0
0
407
1.04
1.02