

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

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

For the transition period from _____ to _____

Commission File Number 001-03761

TEXAS INSTRUMENTS INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

75-0289970
(I.R.S. Employer Identification No.)

12500 TI Boulevard, P.O. Box 660199, Dallas, Texas
(Address of principal executive offices)

75266-0199
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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1,252,873,398
Number of shares of Registrant's common stock outstanding as of
September 30, 2009

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
(Millions of dollars, except share and per-share amounts)

	For Three Months Ended Sept. 30,		For Nine Months Ended Sept. 30,	
	2009	2008	2009	2008
Revenue	\$ 2,880	\$ 3,387	\$ 7,422	\$ 10,010
Cost of revenue (COR)	1,399	1,744	4,012	4,862
Gross profit	1,481	1,643	3,410	5,148
Research and development (R&D)	368	507	1,122	1,509
Selling, general and administrative (SG&A)	340	390	972	1,252
Restructuring expense	10	--	200	--
Operating profit	763	746	1,116	2,387
Other income (expense) net	2	10	20	58
Income before income taxes	765	756	1,136	2,445
Provision for income taxes	227	193	321	632
Net income	<u>\$ 538</u>	<u>\$ 563</u>	<u>\$ 815</u>	<u>\$ 1,813</u>
Earnings per common share:				
Basic	<u>\$.42</u>	<u>\$.43</u>	<u>\$.64</u>	<u>\$ 1.37</u>
Diluted	<u>\$.42</u>	<u>\$.43</u>	<u>\$.63</u>	<u>\$ 1.35</u>
Average shares outstanding (millions):				
Basic	<u>1,255</u>	<u>1,304</u>	<u>1,266</u>	<u>1,317</u>
Diluted	<u>1,268</u>	<u>1,315</u>	<u>1,272</u>	<u>1,333</u>
Cash dividends declared per share of common stock	<u>\$.11</u>	<u>\$.10</u>	<u>\$.33</u>	<u>\$.30</u>

See accompanying notes.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Millions of dollars)

	For Three Months Ended Sept. 30,		For Nine Months Ended Sept. 30,	
	2009	2008	2009	2008
Net income	\$ 538	\$ 563	\$ 815	\$ 1,813
Other comprehensive income (loss):				
Changes in available-for-sale investments:				
Adjustment, net of taxes	(2)	(19)	17	(28)
Recognized in net income, net of taxes	5	--	6	(3)
Changes in unrecognized net actuarial loss of defined benefit plans:				
Adjustment, net of taxes	(22)	2	58	(8)
Recognized in net income, net of taxes	14	5	39	17
Changes in unrecognized prior service cost of defined benefit plans:				
Adjustment, net of taxes	1	1	(2)	4
Recognized in net income, net of taxes	--	--	(6)	--
Total	(4)	(11)	112	(18)
Total comprehensive income	<u>\$ 534</u>	<u>\$ 552</u>	<u>\$ 927</u>	<u>\$ 1,795</u>

See accompanying notes.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets
(Millions of dollars, except share amounts)

	Sept. 30, 2009	Dec. 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,294	\$ 1,046
Short-term investments	1,533	1,494
Accounts receivable, net of allowances of (\$22) and (\$30)	1,435	913
Raw materials	89	99
Work in process	767	837
Finished goods	260	439
Inventories	1,116	1,375
Deferred income taxes	592	695
Prepaid expenses and other current assets	168	267
Total current assets	6,138	5,790
Property, plant and equipment at cost	6,599	7,321
Less accumulated depreciation	(3,654)	(4,017)
Property, plant and equipment, net	2,945	3,304
Long-term investments	627	653
Goodwill	926	840
Acquisition-related intangibles	138	91
Deferred income taxes	928	990
Capitalized software licenses, net	124	182
Overfunded retirement plans	20	17
Other assets	57	56
Total assets	\$ 11,903	\$ 11,923
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 467	\$ 324
Accrued expenses and other liabilities	959	1,034
Income taxes payable	148	40
Accrued profit sharing and retirement	88	134
Total current liabilities	1,662	1,532
Underfunded retirement plans	464	640
Deferred income taxes	60	59
Deferred credits and other liabilities	279	366
Total liabilities	2,465	2,597
Stockholders' equity:		
Preferred stock, \$25 par value. Authorized – 10,000,000 shares. Participating cumulative preferred. None issued.	--	--
Common stock, \$1 par value. Authorized – 2,400,000,000 shares. Shares issued: September 30, 2009 – 1,739,770,537; December 31, 2008 – 1,739,718,073	1,740	1,740
Paid-in capital	1,071	1,022
Retained earnings	21,562	21,168
Less treasury common stock at cost:		
Shares: September 30, 2009 – 486,897,139; December 31, 2008 – 461,822,215	(14,257)	(13,814)
Accumulated other comprehensive income (loss), net of taxes	(678)	(790)
Total stockholders' equity	9,438	9,326
Total liabilities and stockholders' equity	\$ 11,903	\$ 11,923

See accompanying notes.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Millions of dollars)

	For Nine Months Ended Sept. 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 815	\$ 1,813
Adjustments to net income:		
Depreciation	668	738
Stock-based compensation	143	162
Amortization of acquisition-related intangibles	34	28
Deferred income taxes	80	(159)
Increase (decrease) from changes in:		
Accounts receivable	(520)	(24)
Inventories	263	(157)
Prepaid expenses and other current assets	24	(25)
Accounts payable and accrued expenses	36	(171)
Income taxes payable	91	25
Accrued profit sharing and retirement	(43)	(74)
Other	51	60
Net cash provided by operating activities	<u>1,642</u>	<u>2,216</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(317)	(686)
Purchases of short-term investments	(1,442)	(362)
Sales and maturities of short-term investments	1,412	1,118
Purchases of long-term investments	(5)	(8)
Redemptions and sales of long-term investments	62	48
Acquisitions, net of cash acquired	(155)	(19)
Net cash (used in) provided by investing activities	<u>(445)</u>	<u>91</u>
Cash flows from financing activities:		
Dividends paid	(418)	(396)
Sales and other common stock transactions	71	195
Excess tax benefit from share-based payments	--	17
Stock repurchases	(602)	(1,736)
Net cash used in financing activities	<u>(949)</u>	<u>(1,920)</u>
Net increase in cash and cash equivalents	248	387
Cash and cash equivalents, beginning of period	1,046	1,328
Cash and cash equivalents, end of period	<u>\$ 1,294</u>	<u>\$ 1,715</u>

See accompanying notes.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Notes to Financial Statements

1. Description of business and significant accounting policies and practices. Texas Instruments (TI) makes, markets and sells high-technology components; about 80,000 customers all over the world buy our products.

Basis of Presentation - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (US GAAP) and except for new accounting standards on business combinations, fair value measurements and earnings per share, on the same basis as the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2008. The consolidated statements of income, statements of comprehensive income and statements of cash flows for the periods ended September 30, 2009 and 2008, and the balance sheet as of September 30, 2009, are not audited but reflect all adjustments that are of a normal recurring nature and are necessary for a fair statement of the results of the periods shown. The consolidated balance sheet as of December 31, 2008, presented herein is derived from the audited consolidated balance sheet presented in our annual report on Form 10-K at that date. Certain amounts in the prior periods' financial statements have been reclassified to conform to the current period presentation. Certain information and note disclosures normally included in annual consolidated financial statements have been omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Because the consolidated interim financial statements do not include all of the information and notes required by US GAAP for a complete set of financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our annual report on Form 10-K for the year ended December 31, 2008. The results for the nine-month period are not necessarily indicative of a full year's results.

The consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

All dollar amounts in the financial statements and tables in the notes, except share and per-share amounts, are stated in millions of U.S. dollars unless otherwise indicated.

Acquisitions - In the second quarter of 2009, we expanded our microcontroller portfolio by acquiring Luminary Micro for net cash of \$51 million and other consideration of \$7 million. We recognized \$15 million of goodwill, which is not expected to be deductible for tax purposes, \$41 million of intangible assets, and \$2 million of other net assets and liabilities. The former Luminary Micro operations were integrated into our Embedded Processing segment.

In the first quarter of 2009, we acquired CICLON Semiconductor Device Corporation (CICLON), a designer of high-frequency, high-efficiency power management semiconductors for net cash of \$104 million and other consideration of \$7 million. This acquisition expands our ability to help customers improve energy efficiency in end-equipment designs, such as high-power computing and server systems. We recognized \$70 million of goodwill, which is not expected to be deductible for tax purposes, \$40 million of intangible assets, and \$1 million of other net assets and liabilities. The former CICLON operations were integrated into our Analog segment.

The results of operations of these acquisitions have been included in our financial statements from their respective acquisition dates and were not significant for either the three or nine month periods of 2009. Pro forma information for the comparable periods of 2008 to reflect these acquisitions would not be materially different from amounts reported.

Use of Derivatives and Hedging - We use derivative financial instruments to manage exposure to foreign exchange risk. We do not apply hedge accounting to our foreign currency derivative instruments. These instruments are primarily forward foreign currency exchange contracts that are used as economic hedges to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures or for specified non-U.S. dollar forecasted transactions. Gains and losses from changes in the fair value of these forward foreign currency exchange contracts are credited or charged to other income (expense) net (OI&E). We do not use derivative financial instruments for speculative or trading purposes.

Fair Values of Financial Instruments - The fair values of our derivative financial instruments were not significant at September 30, 2009. Our investments in cash equivalents, short-term investments and certain long-term investments are carried at fair value and are disclosed in Note 5. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments.

Changes in Accounting Standards - In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (Codification) became the single source of authoritative US GAAP. The Codification did not create any new GAAP standards but incorporated existing accounting and reporting standards into a new topical structure with a new referencing system to identify authoritative accounting standards, replacing the prior references to Statement of Financial Accounting Standards (SFAS), Emerging Issues Task Force (EITF), FASB Staff Position (FSP), etc. Authoritative standards included in the Codification are designated by their Accounting Standards Codification (ASC) topical reference, and new standards will be designated as Accounting Standards Updates (ASU), with a year and assigned sequence number. Beginning with this interim report for the third quarter of 2009, references to prior standards have been updated to reflect the new referencing system.

In June 2009, the FASB concurrently issued amendments to ASC 860, *Transfers and Servicing* (formerly SFAS No. 166), and ASC 810, *Consolidation* (formerly SFAS No. 167), that change the way entities account for securitizations and other transfers of financial instruments. In addition to increased disclosure, these amendments eliminate the concept of qualifying special purpose entities and change the test for consolidation of variable interest entities. These amendments will be effective for us as of January 1, 2010. We have evaluated these amendments and believe they will have no impact on our financial condition or results of operations.

In October 2009, the FASB concurrently issued the following Accounting Standards Updates:

- ASU No. 2009-14 - *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* (formerly EITF Issue No. 09-3). This standard removes tangible products from the scope of software revenue recognition guidance and also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product, such as embedded software, are within the scope of the software revenue guidance.
- ASU No. 2009-13 - *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (formerly EITF Issue No. 08-1). This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple deliverable revenue arrangements.

These Accounting Standards Updates should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt these standards on a retrospective basis, but both these standards must be adopted in the same period using the same transition method. We expect to apply this standard on a prospective basis for revenue arrangements entered into or materially modified beginning January 1, 2011. We are currently evaluating the potential impact these standards may have on our financial position and results of operations.

2. Restructuring activities. In October 2008, we announced actions to reduce annualized expenses by more than \$200 million in our Wireless segment, especially our baseband operation. Additionally, in January 2009, we announced actions that included employment reductions to align our spending with weakened demand. Combined, these actions have eliminated about 3,900 jobs and will reduce our annualized costs by more than \$700 million. The total restructuring charges for these actions are expected to be about \$450 million and will continue through the fourth quarter of 2009.

The table below reflects the changes in accrued restructuring balances:

	Severance and Benefits	Impairments and Other Charges	Total
Restructuring charges recognized in the quarter ending December 31, 2008	\$ 218	\$ 12	\$ 230
Non-cash charges	(30)*	(7)	(37)
Payments	(2)	--	(2)
Remaining accrual at December 31, 2008	\$ 186	\$ 5	\$ 191
Restructuring charges recognized in the quarter ending March 31, 2009	98	7	105
Non-cash charges	(8)*	--	(8)
Payments	(62)	--	(62)
Remaining accrual at March 31, 2009	\$ 214	\$ 12	\$ 226
Restructuring charges recognized in the quarter ending June 30, 2009	79	6	85
Non-cash credits	4*	2	6
Payments	(89)	(3)	(92)
Remaining accrual at June 30, 2009	\$ 208	\$ 17	\$ 225
Restructuring charges recognized in the quarter ending September 30, 2009	9	1	10
Non-cash charges	(7)*	(1)	(8)
Payments	(76)	(2)	(78)
Remaining accrual at September 30, 2009	\$ 134	\$ 15	\$ 149

* Reflects charges and credits for post-employment benefit plan settlement, curtailment and special termination benefits.

Restructuring charges recognized by segment in the periods of 2009 are as follows:

	For Three Months Ended September 30, 2009	For Nine Months Ended September 30, 2009
Analog	\$ 4	\$ 81
Embedded Processing	2	40
Wireless	3	58
Other	1	21
Total restructuring charges	\$ 10	\$ 200

3. **Income taxes.** Federal income taxes have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. As of September 30, 2009, the estimated annual effective tax rate for 2009 is about 28 percent, which differs from the 35 percent statutory corporate tax rate primarily due to the effects of non-U.S. tax rates. Included in the tax provision for the first nine months of 2009 were \$9 million in discrete tax charges, with \$14 million recognized in the third quarter. The discrete charges relate primarily to adjustments identified through the completion of tax returns for prior years. The tax provision in the year-ago quarter included discrete tax benefits of \$34 million, which were primarily due to adjustments identified through the completion of tax returns for prior years. For the first nine months of 2008 there were discrete tax benefits of \$113 million, which were primarily due to our decision to indefinitely reinvest the accumulated earnings of a non-U.S. subsidiary.

4. **Earnings per share (EPS).** In 2008, the FASB issued an update to ASC 260, *Earnings per Share* (formerly FSP EITF 03-6-1), that became effective for us beginning January 1, 2009. Under this update, unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock units (RSUs), are considered to be participating securities and the two-class method should be used for purposes of calculating EPS. Under the two-class method, a portion of net income is allocated to these participating securities and therefore is excluded from the calculation of EPS allocated to common stock, as shown in the table below. This update requires retrospective application for periods prior to the effective date and as a result, all prior period earnings per share data presented herein have been adjusted to conform to these provisions. The adoption of this update resulted in no change to the previously reported basic or diluted EPS for the three months ended September 30, 2008 and a decrease of \$.01 per share to the previously reported basic and diluted EPS for the nine months ended September 30, 2008.

Computation and reconciliation of earnings per common share are as follows:

	For Three Months Ended September 30, 2009			For Three Months Ended September 30, 2008		
	Income	Shares	EPS	Income	Shares	EPS
Basic EPS:						
Net Income	\$ 538			\$ 563		
Less income allocated to RSUs	(6)			(4)		
Net Income allocated to common stock for EPS calculation	<u>\$ 532</u>	<u>1,255</u>	<u>\$ 0.42</u>	<u>\$ 559</u>	<u>1,304</u>	<u>\$ 0.43</u>
Adjustment for dilutive shares:						
Stock-based compensation plans		13			11	
Diluted EPS:						
Net Income	\$ 538			\$ 563		
Less income allocated to RSUs	(6)			(4)		
Net Income allocated to common stock for EPS calculation	<u>\$ 532</u>	<u>1,268</u>	<u>\$ 0.42</u>	<u>\$ 559</u>	<u>1,315</u>	<u>\$ 0.43</u>

	For Nine Months Ended September 30, 2009			For Nine Months Ended September 30, 2008		
	Income	Shares	EPS	Income	Shares	EPS
Basic EPS:						
Net Income	\$ 815			\$ 1,813		
Less income allocated to RSUs	(8)			(11)		
Net Income allocated to common stock for EPS calculation	<u>\$ 807</u>	<u>1,266</u>	<u>\$ 0.64</u>	<u>\$ 1,802</u>	<u>1,317</u>	<u>\$ 1.37</u>
Adjustment for dilutive shares:						
Stock-based compensation plans		6			16	
Diluted EPS:						
Net Income	\$ 815			\$ 1,813		
Less income allocated to RSUs	(8)			(11)		
Net Income allocated to common stock for EPS calculation	<u>\$ 807</u>	<u>1,272</u>	<u>\$ 0.63</u>	<u>\$ 1,802</u>	<u>1,333</u>	<u>\$ 1.35</u>

Options to purchase 121 million and 138 million shares of common stock that were outstanding during the third quarters of 2009 and 2008, and 137 million and 97 million shares outstanding during the nine months of 2009 and 2008, were not included in the computation of diluted earnings per share because their exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

5. **Valuation of debt and equity investments and certain liabilities.** We present investments on our balance sheets as cash equivalents, short-term investments or long-term investments. This presentation reflects both the liquidity and intended use of the investments.

Debt and equity investments

Our accounting policy is to classify our investments as available-for-sale, trading, equity method or cost method. Most of our investments are classified as available-for-sale.

Available-for-sale securities consist primarily of money market funds and debt securities. Available-for-sale securities are stated at fair value, which is generally based on market prices, broker quotes or, when necessary, financial models (see fair value discussion below). We record other-than-temporary losses (impairments) on these securities in OI&E in our statement of income, and all other unrealized gains and losses as an increase or decrease, net of taxes, in accumulated other comprehensive income (AOCI) on our balance sheet.

Trading securities are stated at fair value based on market prices. Our trading securities consist exclusively of mutual funds that hold a variety of debt and equity investments that are intended to generate returns that offset changes in certain deferred compensation liabilities. We record changes in the fair value of our trading securities and the related deferred compensation liabilities in selling, general and administrative (SG&A) expense in our statement of income.

Our other investments are not measured at fair value but are accounted for using either the equity method or cost method of accounting. These investments consist of interests in venture capital funds and non-marketable equity securities. Gains or losses on equity method investments are reflected in OI&E based on our ownership share of the investee's financial results. Gains and losses on cost method investments are recorded in OI&E when realized or when an impairment of the investment's value is warranted based on our assessment of the recoverability of each investment.

We determine cost or amortized cost, as appropriate, on a specific identification basis.

Details of our investments and related unrealized gains and losses included in AOCI are as follows:

	September 30, 2009			December 31, 2008		
	Cash & Cash Equivalents	Short-term Investments	Long-term Investments	Cash & Cash Equivalents	Short-term Investments	Long-term Investments

Measured at fair value:

Available-for-sale							
Money market funds	\$	953	\$	--	\$	796	\$ --
Corporate obligations		--	441		--	50	590
U.S. government agency and Treasury securities		140	1,092		--	--	654
Mortgage-backed and other securities		--	--		--	--	250
Auction-rate securities		--	--		457	--	--
							482

Trading							
Mutual funds		--	--		115	--	--
Total debt and equity investments measured at fair value	\$	1,093	\$ 1,533	\$ 572	\$ 846	\$ 1,494	\$ 578

Other measurement basis:							
Equity method investments		--	--		33	--	--
Cost method investments		--	--		22	--	--
Cash on hand		201	--		--	200	--
Total debt and equity investments	\$	1,294	\$ 1,533	\$ 627	\$ 1,046	\$ 1,494	\$ 653

Amounts included in AOCI from available-for-sale securities:

Unrealized gains (pre-tax)	\$	--	\$ 2	\$ --	\$ --	\$ 6	\$ --
Unrealized losses (pre-tax)	\$	--	\$ --	\$ 34	\$ --	\$ 19	\$ 53

All of our investments in corporate obligations are insured by either the Federal Deposit Insurance Corporation (FDIC) or the U.K. government.

As of September 30, 2009, unrealized losses included in AOCI were associated with auction-rate securities. As of December 31, 2008, unrealized losses included in AOCI were primarily associated with auction-rate securities and mortgage-backed securities. The change in unrealized losses from December 31, 2008, was primarily due to increases in fair values of the investments held as well as the effects of redemptions and sales since that date.

As of September 30, 2009, we have determined that our investments classified as available-for-sale with unrealized losses are not other-than-temporarily impaired. We expect to recover the entire cost basis of these securities. We do not intend to sell these investments, nor do we expect to be required to sell these investments. For the nine months ended September 30, 2009, we did not recognize in earnings any credit losses related to these investments.

For the nine months ended September 30, 2009, the proceeds from sales of available-for-sale securities were \$837 million. Gross realized gains and losses from the sales of these securities were not significant for any periods presented.

The following table presents the aggregate maturities of investments in debt securities classified as available-for-sale at September 30, 2009:

	Due	Fair Value
One year or less		\$ 2,050
One to three years		576
Greater than three years (auction-rate securities)		457

Fair value

We measure and report our financial assets and liabilities under the provisions of ASC 820, *Fair Value Measurement* (formerly SFAS No. 157). Effective January 1, 2009, we adopted the provisions of ASC 820 for non-financial assets and liabilities. The adoption of ASC 820 for non-financial assets and liabilities did not have a significant impact on our financial condition or results of operations.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820 establishes a three-level hierarchy for disclosure to show the extent and level of judgment used to estimate fair value measurements.

Level 1 – Uses unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models which utilize management estimates of market participant assumptions.

Investments in auction-rate securities are our only Level 3 assets. Auction-rate securities are debt instruments with variable interest rates that historically would periodically reset through an auction process. There is currently no active market for auction-rate securities, so we use a discounted cash flow (DCF) model to determine the estimated fair value of these investments as of each quarter end. The assumptions used in preparing the DCF model include estimates for the amount and timing of future interest and principal payments and the rate of return required by investors to own these securities in the current environment. In making these assumptions we consider relevant factors including: the formula for each security that defines the interest rate paid to investors in the event of a failed auction; forward projections of the interest rate benchmarks specified in such formulas; the likely timing of principal repayments; the probability of full repayment considering the guarantees by the U.S. Department of Education of the underlying student loans and additional credit enhancements provided through other means; and, publicly available pricing data for student loan asset-backed securities that are not subject to auctions. Our estimate of the rate of return required by investors to own these securities also considers the current reduced liquidity for auction-rate securities.

To date, we have collected all interest on all of our auction-rate securities when due and expect to continue to do so in the future. The principal associated with failed auctions will not be accessible until successful auctions resume, a buyer is found outside of the auction process, or issuers use a different form of financing to replace these securities. Meanwhile, issuers continue to repay principal over time from cash flows prior to final maturity, or make final payments when they come due according to contractual maturities ranging from 14 to 38 years. All of our auction-rate securities are backed by pools of student loans substantially guaranteed by the U.S. Department of Education and we continue to believe that the credit quality of these securities is high based on this guarantee. As of September 30, 2009, all but one of these securities were rated AAA/Aaa by the major credit rating agencies, with the remaining security (with a par value of \$25 million) rated AAA/B3. While our ability to liquidate auction-rate investments is likely to be limited for some period of time, we do not believe this will materially impact our ability to fund our working capital needs, capital expenditures, dividend payments or other business requirements.

The table below sets forth, by level, our assets and liabilities that were accounted for at fair value as of September 30, 2009. The table does not include cash on hand and also does not include assets and liabilities that are measured at historical cost or any basis other than fair value.

	Fair Value at September 30, 2009	Level 1	Level 2	Level 3
Items measured at fair value on a recurring basis:				
Assets:				
Money market funds	\$ 953	\$ 953	\$ --	\$ --
Corporate obligations	441	--	441	--
U.S. government agency and Treasury securities	1,232	666	566	--
Auction-rate securities	457	--	--	457
Mutual funds	115	115	--	--
Total assets measured at fair value	<u>\$ 3,198</u>	<u>\$ 1,734</u>	<u>\$ 1,007</u>	<u>\$ 457</u>
Liabilities:				
Contingent consideration	\$ 18	\$ --	\$ --	\$ 18
Deferred compensation liabilities	147	147	--	--

Total liabilities measured at fair value \$ 165 \$ 147 \$ -- \$ 18

The liabilities above are a component of Accrued expenses and other liabilities or Deferred credits and other liabilities on our balance sheets.

The following table summarizes the change in the fair values for Level 3 assets and liabilities for the three and nine months ending September 30, 2009.

	Level 3	
	Assets	Liabilities
Changes in fair value for the three months ending September 30 (pre-tax):		
Beginning Balance, June 30, 2009	\$ 463	\$ 18
Increase in unrealized losses - included in AOCI	(4)	--
Redemptions at par	(2)	--
Ending Balance, September 30, 2009	<u>\$ 457</u>	<u>\$ 18</u>
Changes in fair value for the nine months ending September 30 (pre-tax):		
Beginning Balance, December 31, 2008	\$ 482	\$ --
New contingent consideration	--	10
Change in fair value of contingent consideration - included in operating profit	--	8
Reduction of unrealized losses - included in AOCI	19	--
Redemptions at par	(44)	--
Ending Balance, September 30, 2009	<u>\$ 457</u>	<u>\$ 18</u>

6. Post-employment benefit plans. Components of net periodic employee benefit cost are as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2009	2008	2009	2008	2009	2008
	For three months ended September 30,					
Service cost	\$ 5	\$ 6	\$ 1	\$ 1	\$ 9	\$ 11
Interest cost	12	12	7	7	16	15
Expected return on plan assets	(11)	(11)	(7)	(7)	(18)	(21)
Amortization of prior service cost	--	--	--	1	(1)	(1)
Recognized net actuarial loss	5	4	2	2	8	1
Net periodic benefit cost	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 14</u>	<u>\$ 5</u>
Settlement charges	1	--	--	--	6	--
Total, including charges	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 20</u>	<u>\$ 5</u>

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2009	2008	2009	2008	2009	2008
	For nine months ended September 30,					
Service cost	\$ 15	\$ 18	\$ 3	\$ 3	\$ 28	\$ 33
Interest cost	37	37	20	20	46	46
Expected return on plan assets	(36)	(34)	(21)	(20)	(51)	(63)
Amortization of prior service cost	1	1	1	2	(3)	(3)
Recognized net actuarial loss	13	12	6	6	27	4
Net periodic benefit cost	<u>\$ 30</u>	<u>\$ 34</u>	<u>\$ 9</u>	<u>\$ 11</u>	<u>\$ 47</u>	<u>\$ 17</u>
Settlement charges	8	3	--	--	6	--
Curtailed charges (gains)	--	--	2	--	(10)	--
Special termination benefit charges	6	--	--	--	--	--
Total, including charges and (gains)	<u>\$ 44</u>	<u>\$ 37</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 43</u>	<u>\$ 17</u>

We have made contributions of \$102 million to our post-employment benefit plans in 2009.

7. Contingencies. We routinely sell products with a limited intellectual property indemnification included in the terms of sale. Historically, we have had only minimal and infrequent losses associated with these indemnities. Consequently, we cannot reasonably estimate or accrue for any future liabilities that may result.

We accrue for known product-related claims if a loss is probable and can be reasonably estimated. During the periods presented, there have been no material accruals or payments regarding product warranty or product liability, and historically we have experienced a low rate of payments on product claims. Consistent with general industry practice, we enter into formal contracts with certain customers that include negotiated warranty remedies. Typically, under these agreements, our warranty for semiconductor products includes: three years' coverage; an obligation to repair, replace or refund; and a maximum payment obligation tied to the price paid for our products. In some cases, product claims may exceed the price of our products. From time to time, we also negotiate contingent consideration payment arrangements associated with certain acquisitions, which are recorded at fair value.

We are subject to various other legal and administrative proceedings. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity.

Discontinued Operations Indemnity – In connection with the sale of the former Sensors & Controls business to an affiliate of Bain Capital, LLC in 2006, we have agreed to indemnify the former business, renamed Sensata Technologies, Inc., for specified litigation matters and certain liabilities, including environmental liabilities. Our indemnification obligations with respect to breaches of representations and warranties and the specified litigation matters are generally subject to a total deductible of \$30 million and our maximum potential exposure is limited to \$300 million.

8. Segment data.

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	2009	2008	2009	2008
Segment Revenue				
Analog	\$ 1,184	\$ 1,289	\$ 2,981	\$ 3,841
Embedded Processing	393	427	1,059	1,291
Wireless	675	915	1,827	2,737
Other	628	756	1,555	2,141
Total revenue	<u>\$ 2,880</u>	<u>\$ 3,387</u>	<u>\$ 7,422</u>	<u>\$ 10,010</u>
Segment Operating Profit				
Analog	\$ 306	\$ 274	\$ 367	\$ 972
Embedded Processing	75	73	105	270
Wireless	110	155	154	434
Other	272	244	490	711
Total operating profit	<u>\$ 763</u>	<u>\$ 746</u>	<u>\$ 1,116</u>	<u>\$ 2,387</u>

See Note 2 for restructuring charges impacting segment results for the three months and nine months ended September 30, 2009. There were no restructuring charges impacting segment results for the periods ended September 30, 2008.

9. Subsequent Events. We have evaluated subsequent events through the issuance of these financial statements which occurred on October 30, 2009.

In October 2009, we purchased semiconductor manufacturing equipment from the bankruptcy proceedings of a U.S. subsidiary of German chipmaker Qimonda AG for \$172.5 million. The majority of this equipment will be used in our newly opened manufacturing facility in Richardson, Texas. This facility will be the world's first production facility to use 300-millimeter silicon wafers to manufacture analog chips.

On October 15, 2009, we declared a \$0.12 quarterly dividend on common stock payable November 16, 2009, to shareholders of record on October 30, 2009, which represents a nine percent increase from our prior rate.

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

The following should be read in conjunction with the Financial Statements and the related Notes that appear in Item 1. All dollar amounts in the tables in this discussion are stated in millions of U.S. dollars, except per-share amounts.

Overview

At Texas Instruments, we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930 and are incorporated in Delaware. We are headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 30 countries. We have four segments: Analog, Embedded Processing, Wireless and Other. We expect Analog and Embedded Processing to be our primary growth engines in the years ahead, and we therefore focus our resources on these segments.

We were the world's fourth largest semiconductor company in 2008 as measured by revenue, according to an external source. Additionally, we sell calculators and related products.

Product information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors come in two basic forms: individual transistors and integrated circuits (generally known as "chips") that combine multiple transistors on a single piece of material to form a complete electronic circuit. Our semiconductors are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. Our portfolio includes products that are integral to almost all electronic equipment.

We sell two general categories of semiconductor products: custom and standard. A custom product is designed for a specific customer for a specific application, is sold only to that customer and is typically sold directly to the customer. A standard product is designed for use by many customers and/or many applications and is generally sold through both distribution and direct channels. Standard products include both proprietary and commodity products.

Additional information regarding each segment's products follows.

Analog

Analog semiconductors change real-world signals – such as sound, temperature, pressure or images – by conditioning them, amplifying them and often converting them to a stream of digital data so the signals can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales from our Analog segment accounted for about 40 percent of our revenue in 2008. According to WSTS, an industry data-gathering organization, the worldwide market for analog semiconductors was about \$36 billion in 2008. Our Analog segment's revenue in 2008 was \$4.9 billion, or about 14 percent of this market, giving us the leading position. We believe that we are well positioned to increase our share over time.

Our Analog product lines are: high-performance analog, high-volume analog & logic and power management.

High-performance analog products: These include standard analog semiconductors, such as amplifiers, data converters, low-power radio frequency devices and interface semiconductors (our standard analog portfolio includes more than 15,000 products), that we market to many different customers (nearly 80,000) who use them in a wide range of products across the industrial, communications, computing and consumer markets. High-performance analog products generally have long life cycles, often 10 to 20 years.

High-volume analog & logic products: These include two product types. The first, high-volume analog, includes products for specific applications, including custom products for specific customers. The life cycles of our high-volume analog products are generally shorter than those of our high-performance analog products. End markets for high-volume analog products include communications, automotive, computing and many consumer electronics products. The second product type, standard linear and logic, includes commodity products marketed to many different customers for many different applications.

Power management products: These include both standard and custom semiconductors that help customers manage power in any type of electronic system. We design and manufacture power management semiconductors for both portable devices (battery-powered devices, such as handheld consumer electronics, laptop computers and cordless power tools) and line-powered systems (products that require an external electrical source, such as computers, digital TVs, wireless base stations and high-voltage industrial equipment).

Embedded Processing

Our Embedded Processing products include our DSPs (other than DSPs specific to our Wireless segment) and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products accounted for about 15 percent of our revenue in 2008. The worldwide market for embedded processors was about \$17 billion in 2008. According to external sources, we have about 10 percent market share in this fragmented market, and we believe we are well positioned to increase our share over time.

An important characteristic of Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because customers prefer to re-use software from one product generation to the next. We make and sell standard, or catalog, Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless

Cell phones require a modem or "baseband" to connect to the wireless carrier's network. Many of today's advanced cell phones also require an applications processor to run the phone's software and services, and semiconductors to enable connectivity to Bluetooth® devices, WiFi networks or GPS location services. We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes and our Wireless portfolio includes both standard products and custom products. Sales of Wireless products accounted for about 25 percent of our revenue in 2008, and a significant portion of our Wireless sales were to a single customer.

As wireless communications have proliferated, consumers have demanded capabilities beyond voice. Smartphones (phones that contain email, media, games and computing capability) represent one of the fastest growing wireless markets. These phones tend to include many semiconductor products. Major handset manufacturers are actively pursuing the smartphone market and increasingly focusing their R&D on applications and services. As a result, we believe customer demand for applications processors will grow as handset manufacturers seek to differentiate their products by providing software and a unique user experience. Our OMAP™ product line has a leading position in the applications processor market and is used by most of the top handset manufacturers.

Our Wireless segment has been shifting focus from baseband chips, a market with shrinking competitive barriers and slowing growth rates, to applications processors, a market we expect will grow faster than the baseband market. Consistent with this shift in market focus, we are concentrating our Wireless investments on our applications processors and connectivity products and have discontinued further development of standard baseband products. While we continue to sell custom baseband products, we are also decreasing custom baseband investments and expect substantially all of this revenue to cease by the end of 2012.

Other

Our Other segment includes revenue from smaller semiconductor product lines and handheld graphing and scientific calculators, and from royalties received for our patented technology that we license to other electronics companies. The semiconductor products in our Other segment include DLP® products (primarily used to create high-definition images for business and home theater projectors, televisions and movie projectors), reduced-instruction set computing (RISC) microprocessors (designed to provide very fast computing and often implemented in servers) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment accounted for about 20 percent of our revenue in 2008.

Inventory

While our inventory practices differ by product, we generally maintain inventory levels that are consistent with our expectations of customer demand.

For custom semiconductor products, where the risk of obsolescence is higher, we carry lower levels of inventory when possible. These products have a single customer, are sold in high volumes and have comparatively shorter life cycles. Life cycles of these products are often determined by end-equipment upgrade cycles and can be as short as 12 to 24 months.

For standard semiconductor products, where the risk of obsolescence is low, we generally carry higher levels of inventory. These products usually have many customers and long life cycles, and are often ordered in small quantities. Standard product inventory is sometimes held in unfinished wafer form, giving us greater flexibility to meet final package and test configurations.

As a result of the following multi-year trends, in general we expect to carry relatively higher levels of inventory (as measured in days of inventory) than in past years: standard products have become a larger part of our portfolio; we have increased consignment programs with our largest customers; and our distributors now carry relatively less inventory on average than in the past.

We manage calculator inventory consistent with expected seasonality.

Manufacturing

Semiconductor manufacturing begins with the wafer fabrication manufacturing process: a sequence of photo-lithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is tested and the wafer is cut into pieces called chips. Each chip is assembled into a package that then may be retested. The entire process typically requires between twelve and eighteen weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing sites in North America, Asia and Europe. These facilities include high-volume wafer fabrication plants and assembly/test sites. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of capacity and can adversely affect our profit margins as a result. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

Most of our Analog semiconductors require a lower level of capital investment in manufacturing and equipment than is needed for equivalent production levels of our Embedded Processing and Wireless semiconductors, which are manufactured using advanced logic wafer manufacturing equipment. While analog chips benefit from unique, proprietary wafer manufacturing processes, these processes can be applied using older, less expensive equipment. In addition, these processes and equipment remain usable for much longer than the manufacturing processes and equipment required for advanced logic wafer manufacturing.

To supplement our internal advanced logic wafer fabrication capacity, maximize our responsiveness to customer demand and minimize our overall capital expenditures, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. Our strategy involves installing internal wafer fabrication capacity to a level we believe will remain fully utilized over the equipment's useful lifetime and then outsourcing remaining capacity needs to foundries. In 2008, external foundries provided about 50 percent of the fabricated wafers for our advanced logic manufacturing needs. We expect the proportion of our advanced logic wafers provided by foundries will increase over time. We expect to maintain sufficient internal wafer fabrication capacity to meet substantially all our analog production needs.

In addition to using foundries to supplement our wafer fabrication capacity, we selectively use subcontractors to supplement our assembly/test capacity. We generally use subcontractors for assembly/test of products that would be less cost-efficient to complete in-house (e.g., relatively low-volume products that are unlikely to keep internal equipment fully utilized), or in the event demand temporarily exceeds our internal capacity. We believe we often have a cost advantage in maintaining internal assembly/test capacity. Accordingly, we have recently opened an environmentally efficient assembly/test facility in the Philippines, and the facility is in the initial stages of production.

This internal/external manufacturing strategy is designed to reduce the level of our required capital expenditures, and thereby reduce our subsequent levels of depreciation. Expected end results include less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities. As our internal manufacturing efforts shift to a higher percentage of analog products, an increasing proportion of our capital expenditures is devoted to assembly/test facilities and equipment. This is primarily due to the lower capital needs of analog wafer manufacturing equipment.

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing methods. Chip prices and manufacturing costs tend to decline over time as manufacturing methods and product life cycles mature. Typically, new chips are produced in limited quantities at first and then ramp to high-volume production over time. Consequently, new products tend not to have a significant impact on revenue for one or more quarters after they are introduced. In the discussion below, changes in our shipments are caused by changing demand for our products unless otherwise noted.

Market cycle

The "semiconductor cycle" is an important concept that refers to the ebb and flow of supply, with relatively stable demand. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. This cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Sales of our semiconductor products are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and consumer electronics applications that have stronger sales later in the year as manufacturers prepare for the holiday selling season. Calculator revenue is tied to the U.S. back-to-school season and, as a result, is at its highest in the second and third quarters. Royalty revenue is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreements.

Tax considerations

We operate in a number of tax jurisdictions and are subject to several types of taxes including those that are based on income, capital, property and payroll, as well as sales and other transactional taxes. The timing of the final determination of our tax liabilities varies among the various jurisdictions and their taxing authorities. As a result, during any particular reporting period, we might reflect in our financial statements one or more tax refunds or assessments, or changes to tax liabilities, involving one or more taxing authorities.

Third-quarter 2009 results

Our third-quarter revenue was \$2.88 billion, net income was \$538 million and earnings per share (EPS) were \$0.42.

Our performance in the quarter exceeded our expectations and was led by a second consecutive quarter of 20-percent growth in Analog. We are encouraged with the strong sequential increase in demand for our products over the past two quarters as our customers are winding down their inventory corrections and have begun to increase production levels in their factories. This revenue growth, combined with our early actions to pare costs so that we would not be dependent upon an uncertain rebound in the overall economy, has resulted in solid improvements in our profitability.

Our balance sheet is strong and has allowed us to opportunistically make investments in Analog and Embedded Processing throughout this downturn that should provide returns for years to come. For example, we are increasing our investments in manufacturing capacity to support higher levels of growth, including start-up of the world's first facility to produce analog chips on 300-millimeter wafers. Applying advanced manufacturing technology to analog at an attractive cost will give us an opportunity to accelerate our strategy and extend our leadership.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
(Millions of dollars, except share and per-share amounts)

	For Three Months Ended		
	Sept. 30, 2009	Sept. 30, 2008	June 30, 2009
Revenue	\$ 2,880	\$ 3,387	\$ 2,457
Cost of revenue	1,399	1,744	1,333
Gross profit	1,481	1,643	1,124
Research and development (R&D)	368	507	369
Selling, general and administrative (SG&A)	340	390	327
Restructuring expense	10	-	85
Operating profit	763	746	343
Other income (expense) net	2	10	13
Income before income taxes	765	756	356
Provision for income taxes	227	193	96
Net income	\$ 538	\$ 563	\$ 260
Earnings per common share:			
Basic	\$.42	\$.43	\$.20
Diluted	\$.42	\$.43	\$.20
Average shares outstanding (millions):			
Basic	1,255	1,304	1,267
Diluted	1,268	1,315	1,272
Cash dividends declared per share of common stock	\$.11	\$.10	\$.11
Percentage of revenue:			
Gross profit	51.4%	48.5%	45.7%
R&D	12.7%	15.0%	15.0%
SG&A	11.8%	11.5%	13.3%
Operating profit	26.5%	22.0%	14.0%

Details of Financial Results

Revenue for the third quarter of 2009 was \$2.88 billion, a decrease of \$507 million, or 15 percent, from the year-ago quarter as revenue declined across all segments, particularly in our Wireless segment. Revenue increased \$423 million, or 17 percent, from the prior quarter due to growth in all segments, particularly in our Analog segment.

Gross profit for the third quarter of 2009 was \$1.48 billion, or 51.4 percent of revenue, a decrease of \$162 million, or 10 percent, from the year-ago quarter due to lower revenue. This decrease was partially offset by the favorable impact of lower manufacturing costs. Gross profit increased \$357 million, or 32 percent, from the prior quarter primarily due to higher revenue.

Operating expenses for the third quarter of 2009 were \$368 million for R&D and \$340 million for SG&A. R&D expense decreased \$139 million, or 27 percent, from a year ago primarily due to the combination of the effects of our previously-announced employment reductions and, to a lesser extent, our cost-control efforts. R&D expense was about even compared with the prior quarter. SG&A expense decreased \$50 million, or 13 percent, from the year-ago quarter primarily due to the effects of employment reductions. SG&A increased \$13 million, or 4 percent, from the prior quarter primarily due to higher compensation-related costs resulting from our improved profitability.

Restructuring costs in the third quarter of 2009 were \$10 million compared with \$85 million in the prior quarter. The restructuring costs in the third quarter were primarily for additional severance and benefits costs (see Note 2 to the Financial Statements for a detailed discussion of these charges and payments made during the quarter). We expect to incur restructuring charges equivalent to about one cent of earnings per share in the fourth quarter of 2009. As of September 30, 2009, a total of about 3,900 jobs have been eliminated as a result of these actions.

For the third quarter of 2009, we had operating profit of \$763 million, an increase of \$17 million, or 2 percent, compared with the year-ago quarter, and an increase of \$420 million, or 122 percent, compared with the previous quarter. The increase from a year ago was due to lower operating expenses. The increase from the prior quarter was primarily due to higher revenue and the associated higher gross profit. Operating profit increased from the prior quarter in all segments.

As of September 30, 2009, the estimated annual effective tax rate for 2009 is expected to be about 28 percent (see Note 3 to the Financial Statements for additional information).

Quarterly income taxes are calculated using the estimated annual effective tax rate.

The tax provision for the third quarter of 2009 was \$227 million, compared with \$193 million in the year-ago quarter. The increase was due to a change in discrete tax items, partially offset by the federal research tax credit, which was not in effect in the year-ago quarter. We had discrete tax charges of \$14 million in the third quarter of 2009, compared with \$34 million of discrete tax benefits in the year-ago quarter. These items were primarily related to adjustments identified through the completion of tax returns for prior years. For the second quarter of 2009 we had a tax provision of \$96 million. The sequential increase in the tax provision for the third quarter of 2009 was due to higher income before income taxes.

In the third quarter of 2009, we had net income of \$538 million, or earnings per share of \$0.42, compared with net income of \$563 million, or earnings per share of \$0.43, for the year-ago quarter, and \$260 million, or earnings per share of \$0.20, for the prior quarter.

Orders in the third quarter were \$3.11 billion, a decrease of 4 percent from the year-ago quarter. Compared with the prior quarter, orders increased 11 percent.

Segment results

Analog

	3Q09	3Q08	3Q09 vs. 3Q08	2Q09	3Q09 vs. 2Q09
Revenue	\$ 1,184	\$ 1,289	-8%	\$ 983	20%
Operating profit*	306	274	12%	96	219%
Operating profit % of revenue	25.8%	21.2%		9.7%	
*Includes restructuring expenses of	\$ 4	\$ --		\$ 35	

Analog revenue decreased 8 percent from the year-ago quarter primarily due to lower shipments of high-volume analog & logic products, and to a lesser extent, high-performance analog products. Partially offsetting these decreases were increased shipments of power management products. Compared with the prior quarter, revenue increased 20 percent, primarily due to increased shipments of high-volume analog & logic products, and to a lesser extent, shipments of power management and high-performance analog products. Operating profit increased compared with the year-ago quarter primarily due to a combination of reduced operating expenses and, to a lesser extent, improvements in gross profit. Operating profit increased from the previous quarter primarily due to higher revenue and the associated higher gross profit.

Embedded Processing

	3Q09	3Q08	3Q09 vs. 3Q08	2Q09	3Q09 vs. 2Q09
Revenue	\$ 393	\$ 427	-8%	\$ 350	12%
Operating profit*	75	73	3%	28	168%
Operating profit % of revenue	19.0%	17.0%		8.1%	
*Includes restructuring expenses of	\$ 2	\$ --		\$ 18	

Embedded Processing revenue decreased 8 percent from the year-ago quarter primarily due to normal price declines in catalog products, and to a lesser extent, decreased shipments of communications infrastructure and automotive products. Compared with the prior quarter, revenue increased 12 percent primarily due to higher shipments of catalog products. Shipments of automotive products also increased, although by a lesser amount. Operating profit increased 3 percent compared with the year-ago quarter due to reduced operating expenses. Compared with the prior quarter, operating profit increased due to higher revenue and the associated higher gross profit.

Wireless

	3Q09		3Q08		3Q09 vs. 3Q08		2Q09		3Q09 vs. 2Q09	
Revenue	\$	675	\$	915		-26%	\$	601		12%
Operating profit*		110		155		-29%		58		90%
Operating profit % of revenue		16.3%		16.9%				9.6%		
*Includes restructuring expenses of	\$	3	\$	--			\$	23		

Wireless revenue decreased 26 percent from the year-ago quarter due to decreased shipments of baseband products, and to a lesser extent, OMAP applications processor products. Baseband revenue was \$450 million in the third quarter, a decrease of 33 percent from a year ago. Compared with the previous quarter, Wireless revenue increased 12 percent primarily due to higher shipments of baseband products, and to a lesser extent, connectivity products and OMAP applications processor products. Baseband revenue increased 10 percent from the prior quarter. Operating profit decreased 29 percent compared with the year-ago quarter, due to lower revenue and the associated lower gross profit, partially offset by lower operating expenses. Compared with the prior quarter, operating profit increased primarily due to the combination of higher revenue and the associated gross profit, and lower restructuring expenses.

Other

	3Q09		3Q08		3Q09 vs. 3Q08		2Q09		3Q09 vs. 2Q09	
Revenue	\$	628	\$	756		-17%	\$	523		20%
Operating profit*		272		244		11%		161		69%
Operating profit % of revenue		43.4%		32.3%				31.0%		
*Includes restructuring expenses of	\$	1	\$	--			\$	9		

Other revenue decreased 17 percent from the year-ago quarter, primarily due to, in decreasing order, lower shipments of RISC microprocessors, ASIC products and DLP products and lower royalties. Compared with the previous quarter, revenue increased 20 percent due to the combination of a seasonal increase in shipments of calculators and, to a lesser extent, increased shipments of DLP products and higher royalties. These increases were partially offset by lower shipments of RISC microprocessors. Operating profit for the third quarter of 2009 was higher than the year-ago quarter due to lower operating expenses. Compared with the prior quarter, operating profit increased primarily due to higher revenue and the associated higher gross profit.

First nine months of 2009 results

For the first nine months of 2009, we report the following:

Revenue of \$7.42 billion was \$2.59 billion, or 26 percent, lower than the year-ago period as a result of the downturn in global markets.

Gross profit was \$3.41 billion, a decrease of \$1.74 billion, or 34 percent, from the year-ago period primarily due to lower revenue, and to a lesser extent, the impact of lower factory utilization. About \$400 million of the decline in gross profit resulted from lower factory utilization. Gross profit margin was 45.9 percent of revenue compared with 51.4 percent in the year-ago period.

R&D expense of \$1.12 billion decreased 26 percent compared with the year-ago period primarily due to the combination of our employment reductions and, to a lesser extent, cost-control efforts. R&D expense was 15.1 percent of revenue, unchanged from the year-ago period.

SG&A expense was \$972 million, a decrease of 22 percent from \$1.25 billion in the year-ago period, primarily due to the combination of our employment reductions and, to a lesser extent, cost-control efforts. SG&A expense was 13.1 percent of revenue compared with 12.5 percent in the year-ago period.

Restructuring expenses were \$200 million, compared with zero in the year-ago period.

Operating profit was \$1.12 billion, or 15.0 percent of revenue, compared with \$2.39 billion, or 23.8 percent of revenue, in the year-ago period. The decrease was due to lower gross profit, and to a lesser extent, higher restructuring charges. These decreases were partially offset by lower operating expenses.

Other income and expense net (OI&E) was \$20 million, a decrease of \$38 million from the year-ago period due to lower interest income.

The tax provision for the first nine months of 2009 was \$321 million, compared with \$632 million in the same period of 2008. The decrease was due to lower income before income taxes, partially offset by a change in discrete tax items. Included in the tax provision for the first nine months of 2009 were \$9 million in discrete tax charges primarily related to adjustments identified through the completion of tax returns for prior years. This compares with discrete tax benefits of \$113 million in the year-ago period, which were primarily due to our decision to indefinitely reinvest the accumulated earnings of a non-U.S. subsidiary.

Net income was \$815 million compared with \$1.81 billion in the year-ago period. Earnings per share were \$0.63 per share, compared with \$1.35 per share in the year-ago period.

Orders of \$8.10 billion were down 19 percent from the year-ago period.

Segment results

Analog

	YTD 2009		YTD 2008		YTD 2009 vs. YTD 2008	
Revenue	\$	2,981	\$	3,841		-22%
Operating profit*		367		972		-62%
Operating profit % of revenue		12.3%		25.3%		
*Includes restructuring expenses of	\$	81	\$	--		

Analog revenue decreased 22 percent from the year-ago period due to lower shipments of, in decreasing order, high-volume analog & logic products, high-performance analog products and power management products. Compared with the year-ago period, operating profit decreased 62 percent, primarily due to lower revenue.

Embedded Processing

	YTD 2009		YTD 2008		YTD 2009 vs. YTD 2008	
Revenue	\$	1,059	\$	1,291		-18%
Operating profit*		105		270		-61%
Operating profit % of revenue		9.9%		20.9%		
*Includes restructuring expenses of	\$	40	\$	--		

Embedded Processing revenue decreased 18 percent from the year-ago period, primarily due to decreased shipments of catalog products, and to a lesser extent, automotive products. Compared with the year ago period, operating profit decreased 61 percent, primarily due to lower revenue.

Wireless

	YTD 2009	YTD 2008	YTD 2009 vs. YTD 2008
Revenue	\$ 1,827	\$ 2,737	-33%
Operating profit*	154	434	-65%
Operating profit % of revenue	8.5%	15.8%	

*Includes restructuring expenses of \$ 58 \$ --

Wireless revenue declined 33 percent from the year-ago period primarily due to decreased shipments of baseband products, and to a lesser extent, OMAP applications processor products. These decreases were partially offset by increased shipments of connectivity products. Baseband revenue was \$1.26 billion, a decrease of 39 percent from a year ago. Compared with the year-ago period, Wireless operating profit decreased 65 percent, due to lower revenue.

Other

	YTD 2009	YTD 2008	YTD 2009 vs. YTD 2008
Revenue	\$ 1,555	\$ 2,141	-27%
Operating profit*	490	711	-31%
Operating profit % of revenue	31.5%	33.2%	

*Includes restructuring expenses of \$ 21 \$ --

Other revenue decreased 27 percent from the year-ago period due to, in decreasing order, lower shipments of RISC microprocessors, DLP products and calculators. Lower royalties also contributed to the decline. Compared with the year-ago period, operating profit decreased 31 percent, due to lower revenue.

Financial condition

At the end of the third quarter of 2009, total cash (cash and cash equivalents plus short-term investments) was \$2.83 billion. This was \$287 million higher than at the end of 2008.

Accounts receivable were \$1.44 billion at the end of the quarter. This was an increase of \$522 million from the end of 2008. Days sales outstanding were 45 at the end of the quarter compared with 33 at the end of 2008. Days sales outstanding were unusually low at year end due to a sharp decrease in shipments to customers during the fourth quarter of 2008, particularly in December.

Inventory was \$1.12 billion at the end of the quarter. This was a reduction of \$259 million from the end of 2008. Days of inventory at the end of the third quarter were 72, compared with 89 days at the end of 2008.

Depreciation in the first nine months of 2009 was \$668 million, a decrease of \$70 million from the same period a year ago. Capital spending in the first nine months of 2009 totaled \$317 million. This was a decrease of \$369 million from a year ago primarily due to lower expenditures for analog manufacturing facilities, and to a lesser extent, for semiconductor assembly/test facilities and equipment. We expect our capital expenditures for 2009 to be about \$800 million. We are purchasing additional semiconductor assembly/test equipment to alleviate the stress of current high demand for certain product types. In addition, beginning in the fourth quarter, we will be equipping a 300-millimeter-wafer analog manufacturing facility. Once that facility is equipped, we would expect our capital expenditures to return to a range of about 5% to 8% of revenue.

Liquidity and capital resources

Our sources of liquidity are our cash flows from operations, cash and cash equivalents, short-term investments and revolving credit facilities. Cash flow from operations for the first nine months of 2009 was \$1.64 billion, a decrease of \$574 million from the year-ago period. This decrease was due to lower net income, partially offset by changes in working capital.

We have \$1.29 billion of cash and cash equivalents and \$1.53 billion of short-term investments as of September 30, 2009. We have a multi-year \$1 billion revolving credit facility and a non-U.S. revolving credit facility of \$175 million. As of September 30, 2009, these credit facilities were not being utilized.

For the first nine months of 2009, cash used in investing activities was \$445 million, compared with \$91 million of cash provided in the year-ago period. The change in cash from investing activities primarily reflects the movement in 2008 of our investments from short-term investments to cash securities. This was partially offset by lower capital expenditures. We also used \$155 million for acquisitions in the first nine months of 2009, compared with \$19 million in the year-ago period (see Note 1 to the Financial Statements for additional information).

For the first nine months of 2009, net cash used in financing activities was \$949 million compared with \$1.92 billion in the year-ago period. We used \$602 million of cash in the first nine months of 2009 to repurchase 30.5 million shares of our common stock. In the same period last year, we used \$1.74 billion of cash to repurchase 60 million shares of common stock.

In October 2009, we raised our quarterly cash dividend rate by \$0.01 per common share to \$0.12 per share, effective with the dividend payable November 16, 2009, to stockholders of record on October 30, 2009. Cash dividends paid during the first nine months of 2009 were \$418 million, compared with \$396 million for the same period last year.

In 2009, we expect approximately the following: an annual effective tax rate of 28 percent; R&D expense of \$1.5 billion; capital expenditures of \$800 million; and depreciation of \$900 million.

We believe we have the necessary financial resources to fund our working capital needs, capital expenditures, authorized stock repurchases, dividend payments and other business requirements for at least the next 12 months.

Changes in accounting standards

See Note 1 to the Financial Statements for detailed information regarding the status of new accounting standards that are not yet effective for us.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is contained on page 48 of Exhibit 13 to our Form 10-K for the year ended December 31, 2008, and is incorporated by reference to such exhibit.

ITEM 4. Controls and Procedures.

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective. In addition, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table contains information regarding our purchases of our common stock during the quarter:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
July 1 through July 31, 2009	10,439,000	\$23.94	10,439,000	\$2.95 billion
August 1 through August 31, 2009	50,000	\$18.74	50,000	\$2.95 billion
September 1 through September 30, 2009	0	--	0	\$2.95 billion
Total	10,489,000	\$23.92	10,489,000 ⁽²⁾	\$2.95 billion

(1) All purchases during the quarter were made under an authorization to purchase up to \$5 billion of additional shares of TI common stock announced on September 21, 2007. No expiration date has been specified for this authorization.

(2) All purchases were made through open-market purchases except for 50,000 shares that were acquired in August through a privately negotiated forward purchase contract with a non-affiliated financial institution. The forward purchase contract was designed to minimize the adverse impact on our earnings from the effect of stock market value fluctuations on the portion of our deferred compensation obligations denominated in TI stock.

ITEM 6. Exhibits.

Designation of Exhibits in This Report	Description of Exhibit
10.1	Texas Instruments 2009 Long-Term Incentive Plan.
10.2	Texas Instruments Executive Officer Performance Plan.
31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
32.1	Certification by Chief Executive Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.
32.2	Certification by Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.*
101.LAB	XBRL Taxonomy Extension Labels Linkbase.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.*
101.DEF	XBRL Taxonomy Extension Definition Document.*

* Furnished, not filed.

“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 our 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 in key markets such as communications, entertainment electronics and computing;
- TI's ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- 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;
- Expiration of license agreements between TI and its patent licensees, and market conditions reducing royalty payments to TI;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather and earthquakes in the locations in which TI, its customers or its suppliers operate;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- Changes in laws and regulations to which TI or its suppliers are or may become subject, such as those imposing fees or reporting, or substitution costs relating to the discharge of emissions into the environment or the use of certain raw materials in our manufacturing processes;
- Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- Customer demand that differs from our forecasts;
- The financial impact of inadequate or excess TI inventory that results from demand that differs from projections;
- The ability of TI and its customers and suppliers to access their bank accounts and lines of credit or otherwise access the capital markets;
- Product liability or warranty claims, claims based on epidemic or delivery failure or recalls by TI customers for a product containing a TI part;
- TI's ability to recruit and retain skilled personnel; and
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services.

For a more detailed discussion of these factors, see the Risk Factors discussion in Item 1A of our most recent Form 10-K. The forward-looking statements included in this quarterly report on Form 10-Q are made only as of the date of this report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

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

TEXAS INSTRUMENTS INCORPORATED

Date: October 30, 2009

By: /s/ KEVIN P. MARCH
Kevin P. March
Senior Vice President
and Chief Financial Officer

TEXAS INSTRUMENTS 2009 LONG-TERM INCENTIVE PLAN

As amended September 17, 2009

SECTION 1 . Purpose.

The Texas Instruments 2009 Long-Term Incentive Plan is intended as a successor plan to the Company's 2000 Long-Term Incentive Plan, 2003 Long-Term Incentive Plan and the predecessors thereto. This Plan is designed to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

SECTION 2 . Definitions.

As used in the Plan, the following terms shall have the meanings set forth in this Section 2. Any definition of a performance measure used in connection with an Award described by Section 11(f) shall have the meaning commonly ascribed to such term by generally acceptable accounting principles as practiced in the United States.

(a) "**Affiliate**" shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "**Award**" shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) "**Award Agreement**" shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant. An Award Agreement may be in electronic form.

(d) "**Board**" shall mean the board of directors of the Company.

(e) "**Cash Flow**" for a period shall mean net cash provided by operating activities.

(f) "**Change in Control**" shall mean an event that will be deemed to have occurred:

(i) On the date any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding stock under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, acquires ownership of stock of the Company that, together with stock held by such Person, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. However, if any Person is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person is not considered to be a Change in Control;

(ii) On the date a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; or

(iii) On the date any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 80 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. However, there is no Change in Control when there is such a sale or transfer to (i) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's then outstanding stock; (ii) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns, directly or indirectly, at least 50 percent of the total value or voting power of the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, at least 50 percent of the total value or voting power of the outstanding stock of the Company.

(iv) For purposes of (i), (ii) and (iii) of this Section 2(f),

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended;

(B) "Person" shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code; and

(C) "Subsidiary" means any entity whose assets and net income are included in the consolidated financial statements of the Company audited by the Company's independent auditors and reported to stockholders in the annual report to stockholders.

(v) Notwithstanding the foregoing, in no case will an event in (i), (ii) or (iii) of this Section 2(f) be treated as a Change in Control unless such event also constitutes a "change in control event" with respect to the Company within the meaning of Treas. Reg. § 1.409A-3(i)(5) or any successor provision.

(g) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "**Committee**" shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under the Plan.

(i) "**Company**" shall mean Texas Instruments Incorporated, together with any successor thereto.

(j) "**Cycle Time**" shall mean the actual time a specific process relating to a product or service of the Company takes to accomplish.

(k) "**Earnings Before Income Taxes**" shall mean income from continuing operations plus provision for income taxes.

(l) "**Earnings Before Income Taxes, Depreciation and Amortization**" or "**EBITDA**" shall mean income from continuing operations plus 1) provision for income taxes, 2) depreciation expense and 3) amortization expense.

(m) "**Earnings Per Share**" for a period shall mean diluted earnings per common share from continuing operations before extraordinary items.

(n) "**Executive Group**" shall mean every person who is expected by the Committee to be both (i) a "covered employee" as defined in Section 162(m) of the Code as of the end of the taxable year in which an amount related to or arising in connection with the Award may be deducted by the Company, and (ii) the recipient of taxable compensation of more than \$1,000,000 for that taxable year.

(o) "**Fair Market Value**" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(p) "**Free Cash Flow**" for a period shall mean net cash provided by operating activities of continuing operations less additions to property, plant and equipment.

(q) "**Gross Profit**" for a period shall mean net revenue less cost of revenue.

(r) "**Gross Profit Margin**" for a period shall mean Gross Profit divided by net revenue.

(s) "**Incentive Stock Option**" shall mean an option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

(t) "**Involuntary Termination**" shall mean a Termination of Employment, other than for cause, due to the independent exercise of unilateral authority of TI to terminate the Participant's services, other than due to the Participant's implicit or explicit request, where the Participant was willing and able to continue to perform services, in accordance with Treas. Reg. § 1.409A-1(n)(1) or any successor provision.

(u) "**Manufacturing Process Yield**" shall mean the good units produced as a percent of the total units processed.

(v) "**Market Share**" shall mean the percent of sales of the total available market in an industry, product line or product attained by the Company or one or more of its business units, product lines or products during a time period.

(w) "**Net Revenue Per Employee**" in a period shall mean net revenue divided by the average number of employees, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

(x) **“Non-Qualified Stock Option”** shall mean an option granted under Section 6 that is not intended to be an Incentive Stock Option.

(y) **“Option”** shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(z) **“Other Stock-Based Award”** shall mean any right granted under Section 10.

(aa) **“Participant”** shall mean an individual granted an Award under the Plan.

(bb) **“Performance Unit”** shall mean any right granted under Section 8.

(cc) **“Plan”** shall mean this Texas Instruments 2009 Long-Term Incentive Plan.

(dd) **“Operating Profit”** shall mean revenue less (i) cost of revenue, (ii) research and development expense and (iii) selling, general and administrative expense.

(ee) **“Restricted Stock”** shall mean any Share granted under Section 7.

(ff) **“Restricted Stock Unit”** shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) on the terms and conditions set forth in the Plan and the applicable Award Agreement.

(gg) **“Return on Assets”** for a period shall mean net income divided by average total assets, with average defined as the sum of the amount of assets at the beginning and ending of the period divided by two.

(hh) **“Return on Capital”** for a period shall mean net income divided by stockholders' equity.

(ii) **“Return on Common Equity”** for a period shall mean net income divided by total stockholders' equity, less amounts, if any, attributable to preferred stock.

(jj) **“Return on Invested Capital”** for a period shall mean net income divided by the sum of stockholders' equity and long-term debt.

(kk) **“Return on Net Assets”** for a period shall mean net income divided by the difference of average total assets less average non-debt liabilities, with average defined as the sum of assets or liabilities at the beginning and ending of the period divided by two.

(ll) **“Revenue Growth”** shall mean the percentage change in revenue from one period to another.

(mm) **“Shares”** shall mean shares of the common stock of the Company, \$1.00 par value.

(nn) **“Specified Employee”** shall mean an employee who is a “specified employee” (as defined in Section 409A(2)(b)(i) of the Code) for the applicable period, as determined by the Committee in accordance with Treas. Reg. § 1.409A-1(i) or any successor provision.

(oo) **“Stock Appreciation Right”** or **“SAR”** shall mean any right granted pursuant to Section 9 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or any date or dates during a specified period before the date of exercise over (ii) the grant price of the right, which grant price, except in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on the date of grant of the right.

(pp) **“Substitute Awards”** shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

(qq) **“Termination of Employment”** shall mean the date on which the Participant has incurred a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision.

(rr) **“IT”** shall mean and include the Company and its Affiliates.

(ss) **“Total Stockholder Return”** shall mean the sum of the appreciation in stock price and dividends paid on common stock over a given period of time.

SECTION 3 . Eligibility.

(a) Any individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor, including any officer or employee-director, shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of commencement of employment.

(c) Directors who are not full-time or part-time officers or employees are not eligible to receive Awards hereunder.

(d) Holders of options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder.

SECTION 4 . Administration.

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board. A director may serve as a member or alternate member of the Committee only during periods in which the director is (i) independent within the meaning of the rules of the New York Stock Exchange and the Company's director independence standards and (ii) an “outside director” as described in Section 162(m) of the Code.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine, consistent with Section 11(g), whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, including adopting sub-plans and addenda for Participants outside the United States to achieve favorable tax results or facilitate compliance with applicable laws; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5 . Shares Available for Awards.

(a) Subject to adjustment as provided in this Section 5, the number of Shares available for issuance under the Plan shall be 75,000,000 shares. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(e), no Participant may receive Options and SARs under the Plan in any calendar year that relate to more than 4,000,000 Shares.

(b) If, after the effective date of the Plan, (i) any Shares covered by an Award, or to which such an Award relates, are forfeited or (ii) any Award expires or is cancelled or otherwise terminated, then the number of Shares available for issuance under the Plan shall increase, to the extent of any such forfeiture, expiration, cancellation or termination. For purposes of this Section 5(b), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards. For the avoidance of doubt, the number of Shares available for issuance under the Plan shall not be increased by: (i) the withholding of Shares as a result of the net settlement of an outstanding Option or SAR; (ii) the delivery of Shares to pay the exercise price or withholding taxes relating to an Award; or (iii) the repurchase of Shares on the open market using the proceeds of an Option's exercise.

(c) Any Shares underlying Substitute Awards shall not be counted against the Shares available for granting Awards.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, of treasury Shares or of both.

(e) In the event 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 appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available

under the Plan, then the Committee shall equitably adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 5(a), (ii) the number and type of Shares (or other securities, cash or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a "stock right" outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6 . Options.

(a) The Committee is hereby authorized to grant Options to Participants with the terms and conditions described in this Section 6 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(b) The purchase price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(c) The term of each Option shall be fixed by the Committee but shall not exceed 10 years; *provided, however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant's death to achieve favorable tax results or comply with local law.

(d) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other Awards, 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 thereto may be made or deemed to have been made.

(e) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder, but the Company makes no representation that any options will qualify, or continue to qualify as an Incentive Stock Option and makes no covenant to maintain Incentive Stock Option status.

SECTION 7 . Restricted Stock and Restricted Stock Units.

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the terms and conditions described in this Section 7 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; *provided, however*, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

SECTION 8 . Performance Units.

(a) The Committee is hereby authorized to grant Performance Units to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) Subject to the terms of the Plan, a Performance Unit granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Unit, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit shall be determined by the Committee.

SECTION 9 . Stock Appreciation Rights (SARs).

(a) The Committee is hereby authorized to grant SARs to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) The term of each SAR shall be fixed by the Committee but shall not exceed 10 years; *provided, however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant's death.

SECTION 10 . Other Stock-based Awards.

The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 10 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 11 . General Provisions Applicable to Awards.

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or settlement of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with Section 11(g) and rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or, with respect only to Awards other than Options and SARs, the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Unless the Committee shall otherwise determine, (i) no Award, and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided, however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant; (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; and (iii) no Award, and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal, state or foreign securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) Every Award (other than an Option or SAR) to a member of the Executive Group that the Committee intends to constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Code shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels, on an absolute basis or relative to other companies, as determined by the Committee, of one or more of the following performance measures: (i) Cash Flow, (ii) Cycle Time, (iii) Earnings Before Income Taxes, (iv) Earnings Per Share, (v) EBITDA, (vi) Free Cash Flow, (vii) Gross Profit, (viii) Gross Profit Margin, (ix) Manufacturing Process Yield, (x) Market Share, (xi) net income, (xii)

Net Revenue Per Employee, (xiii) Operating Profit, (xiv) Return on Assets, (xv) Return on Capital, (xvi) Return on Common Equity, (xvii) Return on Invested Capital, (xviii) Return on Net Assets, (xix) Revenue Growth or (xx) Total Stockholder Return. For any Award subject to any such pre-established formula, no more than \$5,000,000 can be paid in satisfaction of such Award to any Participant, *provided, however*, that if the performance formula relating to such Award is expressed in Shares, the maximum limit shall be 4,000,000 Shares in lieu of such dollar limit.

(g) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, SAR, or Restricted Stock is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee expressly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and the election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representation or covenant that any Award granted under the Plan will comply with Section 409A.

(h) The Committee shall not have the authority to provide in any Award granted hereunder for the automatic award of an Option upon the exercise or settlement of such Award.

(i) This Section 11(i) applies with respect to Awards granted on or after January 1, 2010. If a Participant experiences an Involuntary Termination within 24 months after a Change in Control, then unless specifically provided to the contrary in any Award Agreement or the Committee otherwise determines under authority granted elsewhere in the Plan,

(1) Awards held by the Participant shall become fully vested and exercisable, and any restrictions applicable to the Awards shall lapse, upon the effective date of such termination;

(2) to the extent permitted without additional tax or penalty by Section 409A of the Code, the shares underlying Restricted Stock Units, Performance Units or other Stock-Based Awards held by the Participant will be issued on, or as soon as practicable (but no later than 60 days) after, the Participant's Involuntary Termination, provided, however, that if the Participant is a Specified Employee upon such termination, the shares will be issued on, or as soon as practicable (but no more than 10 days) after, the first day of the seventh month following such Involuntary Termination; and

(3) to the extent that the issuance of shares as specified in (2) above is not permitted without additional tax or penalty by Section 409A, the Award will continue to full term and the shares will be issued at the issuance date specified in the Award Agreement as if the Participant were still an employee of TI on such date.

SECTION 12 . Amendment and Termination.

(a) Unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with the listing requirements of the New York Stock Exchange or (ii) the consent of the affected Participants, if such action would adversely affect the rights of such Participants under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, *provided, however*, that (i) no such action shall impair the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan; (ii) except as provided in Section 5(e), no such action shall reduce the exercise price of any Option or SAR established at the time of grant thereof; and (iii) except in connection with a corporate transaction involving the Company (including an event described in Section 5(e), an Option or SAR may not be terminated in exchange for (x) a cash amount greater than the excess, if any, of the Fair Market Value of the underlying Shares on the date of cancellation over the exercise price times the number of Shares outstanding under the Award (the "Award Value"), (y) another Option or SAR with an exercise price that is less than the exercise price of the cancelled Option or SAR, or (z) any other type of Award. For avoidance of doubt, in connection with a corporate transaction involving the Company (including an event described in Section 5(e)), any Award may be terminated in exchange for a cash payment, and such payment is not required to exceed the Award Value. Notwithstanding the foregoing, the Committee may terminate Awards granted in any jurisdiction outside the United States prior to their expiration date for consideration determined by the Committee when, in the Committee's judgment, the administrative burden of continuing Awards in such locality outweighs the benefit to the Company. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Committee also may modify any outstanding Awards to comply with Section 409A without consent from Participants. The Company makes no representation or covenant that any action taken pursuant to this Section 12(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. However, the Company makes no representation or covenants that Awards will comply with Section 409A.

(d) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 13 . Miscellaneous.

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards, either collectively or individually, under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to another committee of the Board, one or more officers or managers of the Company, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by, employees who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; *provided, however*, that any such delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes (including income tax, social insurance contributions, payment on account and other taxes) due in respect of an Award, its exercise, or any payment or transfer of Shares, cash or property under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations of the Company for the payment of such taxes.

(d) 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.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, 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 Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award 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 payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

SECTION 14 . Effective Date of the Plan.

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

SECTION 15 . Term of the Plan.

No Award shall be granted under the Plan after the tenth anniversary of the effective date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee and the Board under Section 12 to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and to amend the Plan, shall extend beyond such date.

SECTION 16 . Governing Law.

The Plan shall be construed in accordance with and governed by the laws of the State of Texas without giving effect to the principles of conflict of laws thereof.

TEXAS INSTRUMENTS EXECUTIVE OFFICER PERFORMANCE PLAN

As Amended September 17, 2009

The purpose of the Plan is to promote the success of the Company by providing performance-based compensation for executive officers.

For purposes of the Plan, unless otherwise indicated, the term "TI" shall mean Texas Instruments Incorporated, "Company" shall mean TI and its subsidiaries, and "Board" shall mean the Board of Directors of TI.

The Plan is intended to provide qualified performance-based compensation in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended, and regulations thereunder ("Code") and will be so interpreted.

Covered Employees

The executive officers of TI (within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934 as amended from time to time) as of March 30 of each calendar year ("performance year") shall receive awards under the Plan for such performance year. An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall receive an award as provided below.

Administration of Plan

The Plan shall be administered by a Committee of the Board which shall be known as the Compensation Committee (the "Committee"). The Committee shall be appointed by a majority of the whole Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee, who may replace any absent or disqualified member at any meeting of the Committee. A director may serve as a member or alternate member of the Committee only during periods in which the director is an "outside director" as described in Section 162(m) of the Code. The Committee shall have full power and authority to construe, interpret and administer the Plan. It may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum and all decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the employees.

The Committee shall have the full and exclusive right to make reductions in awards under the Plan. In determining whether to reduce any award and the amount of any reduction, the Committee shall take into consideration such factors as the Committee shall determine.

Expenses of Administration

The expenses of the administration of this Plan, including the interest provided in the Plan, shall be borne by the Company.

Amendments

The Board may, at any time and from time to time, alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper and in the best interests of the Company, provided, however, that no such action shall (i) affect or impair the rights under any award theretofore granted under the Plan, except that in the case of a covered employee employed outside the United States the Committee may vary the provisions of the Plan as it may deem appropriate to conform with local laws, practices and procedures or (ii) increase the maximum amount of any award above the amount described below.

Awards

Subject to the Committee's discretion to reduce such awards, each covered employee shall be entitled to an award for each performance year equal to 0.5% of the Company's consolidated income from continuing operations before (i) provision for income taxes, (ii) awards under the Plan, (iii) any pretax gain or loss exceeding \$25 million recognized for the year related to divestiture of a business and (iv) any write-off of in process research and development expenses exceeding \$25 million associated with an acquisition, as determined and reported to the Committee by TI's independent auditors ("Consolidated Income").

An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall be entitled to a prorated award for that performance year which shall be 0.5% of the Company's Consolidated Income, as defined above, for such performance year multiplied by a fraction, the numerator of which is the number of complete calendar quarters of such year following the date on which the individual becomes an executive officer and the denominator of which is 4. Such prorated award shall be subject to the Committee's discretion to reduce awards.

Scope of the Plan

Nothing in this Plan shall be construed as precluding or prohibiting the Company from establishing or maintaining other bonus or compensation arrangements, which may be generally applicable or applicable only to selected employees or officers.

Report of Awards; Committee Discretion to Reduce

As soon as practicable after the end of each performance year, TI's independent auditors shall determine and report to the Committee and the Committee shall certify the amount of each award for that year under the provisions of this Plan.

The Committee, in its sole discretion, based on any factors the Committee deems appropriate, may reduce the award to any covered employee in any year (including reduction to zero if the Committee so determines). The Committee shall make a determination of whether and to what extent to reduce awards under the Plan for each year at such time or times following the close of the performance year as the Committee shall deem appropriate. The reduction in the amount of an award to any covered employee for a performance year shall have no effect on the amount of the award to any other covered employee for such year.

All awards are subject to recoupment by the Company, at its request, in accordance with the recoupment policy adopted by the Committee and in effect at the time of the Committee's determination of the award.

Payment of Awards

Except to the extent deferred pursuant to the terms and provisions of the TI Deferred Compensation Plan or as provided in the next paragraph, awards and any installments thereof shall be paid in a cash lump sum as soon as practicable after the amount of the awards has been determined, but in no event later than March 15 of the year following the performance year.

The Committee may direct the awards to the covered employees or any of them for any year to be paid in a single amount or in installments of equal or varying amounts or may defer payment of any awards and may prescribe such terms and conditions concerning payment of awards as it deems appropriate, including completion of specific periods of employment with the Company, provided that such terms and conditions are not more favorable to a covered employee than those expressly set forth in the Plan. In the event the Committee designates a time or form of payment of any award different from the time and form specified in the preceding paragraph, the Committee's designation shall be in writing and made not later than a time that will meet the requirements of Treas. Reg. Section 1.409A-2(a)(2). The Committee may determine that interest will be payable with respect to any payment of any award. The Committee may at any time amend any such direction or amend or delete any such terms and conditions if the Committee deems it appropriate, provided that any such change will be made in a manner that will meet the requirements for subsequent elections of Treas. Reg. Section 1.409A-2(b) and no such change shall accelerate any payment except as permitted by Section 409A of the Code. The Committee's actions under this paragraph shall be subject to and in accordance with the rules governing qualified performance based compensation in Section 162(m) of the Code.

Payments of awards to covered employees who are employees of subsidiaries of the Company shall be paid directly by such subsidiaries.

CERTIFICATION

I, Richard K. Templeton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2009

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, Kevin P. March, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2009

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Richard K. Templeton, the Chairman, President and Chief Executive Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2009

/s/ Richard K. Templeton
Richard K. Templeton
Chairman, President and
Chief Executive Officer

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Kevin P. March, Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2009

/s/ Kevin P. March
Kevin P. March
Senior Vice President and
Chief Financial Officer