SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

20549

FORM 10-Q

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

For Quarter Ended September 30, 2001 Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED
(Exact name of Registrant as specified in its charter)

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

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

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

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

1,732,198,880
Number of shares of Registrant's common stock outstanding as of September 30, 2001

PART I. - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	For Three Months Ended		For Nine Months Ended	
Operations	Sept. 30 2001	Sept. 30 2000	Sept. 30 2001	Sept. 30 2000
Net revenues.	$ 1,849	$ 3,149	$ 6,414	$ 8,843
Operating costs and expenses:				
Cost of revenues.	1,424	1,637	4,452	4,544
Research and development.	358	533	1,216	1,306
Selling, general and administrative	312	453	1,060	1,268
Total	2,094	2,623	6,728	7,118
Profit (loss) from operations	(245)	526	(314)	1,725
Other income (expense) net.	37	565	201	2,039
Interest on loans	15	17	45	58
Income (loss) before provision for income taxes and cumulative effect of an accounting change	(223)	1,074	(158)	3,706
Provision (benefit) for income taxes.	(106)	398	(73)	1,284

Income (loss) before cumulative effect of an accounting change. .	(117)	676	(85)	2,422
Cumulative effect of an accounting change	--	--	--	(29)
Net income (loss).	$ (117)	$ 676	$ (85)	$ 2,393
Diluted earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change.	$ (.07)	$ .38	$ (.05)	$ 1.36
Cumulative effect of an accounting change	--	--	--	(.02)
Net income (loss)	$ (.07)	$ .38	$ (.05)	$ 1.34
Basic earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change.	$ (.07)	$ .39	$ (.05)	$ 1.41
Cumulative effect of an accounting change	--	--	--	(.01)
Net income (loss)	$ (.07)	$ .39	$ (.05)	$ 1.40
Cash dividends declared per share of common stock.	$ .021	$ .021	$ .064	$ .064

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

Balance Sheet	Sept. 30 2001	Dec. 31 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 387	$ 745
Short-term investments	2,605	3,258
Accounts receivable, less allowance for losses of $74 million in 2001 and $54 million in 2000	1,449	2,204
Inventories:		
Raw materials	162	245
Work in process	530	681
Finished goods	208	307
Inventories	900	1,233
Deferred income taxes	383	595
Prepaid expenses and other current assets	380	80
Total current assets	6,104	8,115
Property, plant and equipment at cost	9,575	9,099
Less accumulated depreciation	(3,745)	(3,652)
Property, plant and equipment (net)	5,830	5,447
Investments	1,392	2,400
Goodwill and other acquisition-related intangibles	792	961
Deferred income taxes	462	106
Other assets	664	691
Total assets	$ 15,244	$ 17,720
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 42	$ 148
Accounts payable and accrued expenses	1,367	1,921
Income taxes payable	200	323
Accrued retirement and profit sharing contributions	12	421
Total current liabilities	1,621	2,813
Long-term debt	1,222	1,216
Accrued retirement costs	416	378
Deferred income taxes	162	469
Deferred credits and other liabilities	275	256
Stockholders' equity:		
Preferred stock, $25 par value. Authorized - 10,000,000 shares. Participating cumulative preferred. None issued	--	--
Common stock, $1 par value. Authorized - 2,400,000,000 shares. Shares issued: 2001 - 1,740,329,349; 2000 - 1,733,237,248	1,740	1,733
Paid-in capital	1,287	1,185
Retained earnings	9,128	9,323
Less treasury common stock at cost. Shares: 2001 - 8,130,469; 2000 - 1,184,880	(320)	(93)
Accumulated other comprehensive income (loss)	(190)	574
Deferred compensation	(97)	(134)
Total stockholders' equity	11,548	12,588
Total liabilities and stockholders' equity	$ 15,244	$ 17,720

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

	For Nine Months Ended	
	Sept. 30 2001	Sept. 30 2000
Cash Flows		
Cash flows from operating activities:		
Income (loss) before cumulative effect of an accounting change. . .	$ (85)	$ 2,422
Depreciation.	1,145	869
Amortization of goodwill and other acquisition-related intangibles.	173	92
Purchased in-process research and development	--	112
Deferred income taxes	3	56
Net currency exchange losses.	5	8
(Increase) decrease in working capital (excluding cash and cash equivalents, short-term investments, deferred income taxes, and loans payable and current portion long-term debt):		
Accounts receivable.	741	(580)
Inventories.	333	(176)
Prepaid expenses and other current assets.	302	8
Accounts payable and accrued expenses.	(603)	190
Income taxes payable	(42)	450
Accrued retirement and profit sharing contributions.	(399)	(17)
Gain on sale of Micron common stock.	--	(1,636)
Increase in noncurrent accrued retirement costs.	(30)	(80)
Other.	100	(135)
Net cash provided by operating activities	1,039	1,583
Cash flows from investing activities:		
Additions to property, plant and equipment.	(1,554)	(1,789)
Purchases of short-term investments	(2,373)	(4,304)
Sales and maturities of short-term investments.	3,012	2,730
Purchases of noncurrent investments	(194)	(114)
Sales of noncurrent investments	102	2,160
Acquisition of businesses, net of cash acquired	--	(3)
Net cash used in investing activities	(1,007)	(1,320)
Cash flows from financing activities:		
Additions to loans payable.	--	2
Payments on loans payable	(2)	(19)
Additions to long-term debt	3	249
Payments on long-term debt.	(129)	(250)
Dividends paid on common stock.	(111)	(104)
Sales and other common stock transactions	111	191
Common stock repurchase program	(310)	(133)
Net cash used in financing activities	(438)	(64)
Effect of exchange rate changes on cash	48	(42)
Net increase (decrease) in cash and cash equivalents.	(358)	157
Cash and cash equivalents, January 1.	745	781
Cash and cash equivalents, September 30	$ 387	$ 938

1. Diluted earnings (loss) per common share are based on average common and dilutive potential common shares outstanding (1,733.5 and 1,791.9 million shares for the third quarters of 2001 and 2000, and 1,734.6 and 1,788.3 million shares for the nine months ended September 30, 2001 and 2000). For the third quarter of 2001 and nine months ended September 30, 2001, dilutive potential common shares have been excluded due to the net loss for the periods.

2. As of September 30, 2001, in millions of dollars, $184 of the $290 aggregate severance cost obligations for the first, second and third quarter 2001 worldwide cost reduction and restructuring actions affecting a total of 5724 employees had been paid. Loss for the third quarter of 2001 includes, in millions of dollars, net special charges of $37, of which $19 is severance cost for a worldwide cost reduction program affecting 285 employees and $16 relates to the restructuring charges for the closing of three Semiconductor facilities (Santa Cruz, California; Merrimack, New Hampshire; and Tustin, California). Of the $16, $15 is for the acceleration of depreciation over the remaining service life of the facilities. Of the $37 net special charges, $27 is included in cost of revenues, $8 is in selling, general and administrative expense and $2 is in research and development expense.

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

4. Income for the first quarter of 2001 includes, in millions of dollars, net special charges of $50, of which $11 is severance cost for 241 first-quarter employee acceptances under the U.S. voluntary retirement program, $16 is severance cost for restructuring actions affecting 261 employees in international Semiconductor locations and $25 relates to the closing of a Semiconductor manufacturing facility in Santa Cruz, California. Of the $25, $16 is for severance cost for 600 employees and $5 is for acceleration of depreciation over the remaining service life of the facility. Of the $50 of net special charges, $44 is included in cost of revenues, $7 is in selling, general and administrative expense, $2 is in research and development expense, and $3 is in other income.

5. Income for the third quarter of 2000 includes, in millions of dollars,

investment gains of $425, included in other income, from the sale of 5.6 million shares of Micron Technology, Inc. (Micron) common stock, and special charges of $163, of which $112 is for purchased in-process R&D costs from the Dot Wireless, Inc. and Alantro Communications, Inc. acquisitions, $41 is for pooling of interests transaction costs from the Burr-Brown Corporation acquisition, and $10, net, is for several Semiconductor and Sensors & Controls restructuring and other actions in the U.S., Japan and Europe affecting 432 employees. As of September 30, 2001, $13 of the $19 severance cost obligation had been paid. Of the $163, $112 is included in research and development expense, $46 is in selling, general and administrative expense, $31 is in cost of revenues, $15 is in net revenues and $11 is in other income.

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

7. Income for the first quarter of 2000 includes, in millions of dollars, special charges of $29 associated with actions including the closing of the Sensors & Controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS. Of the $29 charge, $12 was for severance for 480 employees in Kentucky. As of September 30, 2001, $9 of the severance cost obligation had been paid. Of the $29, $20 is included in cost of revenues, $6 is in selling, general and administrative expense, and $3 is in research and development expense.

8. Total comprehensive income (loss), i.e., net income plus investment and pension liability adjustments to stockholders' equity, for the third quarters of 2001 and 2000, in millions of dollars, was negative $991 and negative $1266. For the nine months ended September 30, 2001 and 2000, it was negative $849 and positive $1991.

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

10. Federal income taxes for the interim periods presented have been included in the accompanying financial statements on the basis of an estimated annual rate. The estimated annualized tax rate for 2001 is 46 percent. The primary reason the effective annualized tax rate for 2001 differs from the 35 percent statutory corporate tax rate is due to decreased profit combined with tax benefits such as the credit for research activities.

11. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangibles, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-

amortization provisions of the Statement is expected to result in an increase in net income of about $100 million ($0.06 per share). During 2002, the company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what effect, if any, these tests will have on the earnings and financial position of the company.

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

13. Business segment information is as follows:

Business Segment Net Revenues (millions of dollars)	For Three Months Ended Sept. 30 2001	For Three Months Ended Sept. 30 2000	For Nine Months Ended Sept. 30 2001	For Nine Months Ended Sept. 30 2000
Semiconductor				
Trade.	$ 1,450	$ 2,688	$ 5,275	$ 7,576
Intersegment	3	4	11	13
	1,453	2,692	5,286	7,589
Sensors & Controls				
Trade.	221	245	736	780
Intersegment	1	--	3	--
	222	245	739	780
Educational & Productivity Solutions				
Trade.	179	175	389	380
Corporate activities	(5)	11	(12)	8
Divested activities.	--	26	12	86
Total.	$ 1,849	$ 3,149	$ 6,414	$ 8,843

Business Segment Profit (Loss) (millions of dollars)	For Three Months Ended Sept. 30 2001	For Three Months Ended Sept. 30 2000	For Nine Months Ended Sept. 30 2001	For Nine Months Ended Sept. 30 2000
Semiconductor.	$ (219)	$ 681	$ 48	$ 1,927
Sensors & Controls	45	43	148	148
Educational & Productivity Solutions . . .	67	64	122	105
Corporate activities	(45)	(53)	(125)	(180)
Special charges/gains and acquisition-related amortization, net of applicable profit sharing	(93)	221	(510)	1,353
Interest on loans/other income (expense) net, excluding a first-quarter 2001 gain of $3, a third-quarter 2000 gain of $436, and a second-quarter 2000 gain of $1211 included above in special charges/gains and acquisition-related amortization	22	112	153	334
Divested activities.	--	6	6	19
Income (loss) before provision for income taxes and cumulative effect of an accounting change.	$ (223)	$ 1,074	$ (158)	$ 3,706

14. Year-to-date acquisition-related purchased in-process research and development (R&D) charges were zero in 2001 and $112 million in 2000. These charges are for R&D from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach.

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

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

Millions of Dollars

Entity acquired	Acquisition date	Consid-eration	Goodwill	Other intan-gibles	Deferred compen-sation	Purchased in-process R&D charge	Appraisal method	R&D focus	Discount rate	Cost/time to complete R&D projects At acquisi-tion	Cost/time to complete R&D projects At Sept. 2001	Year cash flows projected to begin
Alantro Commun-ications, Inc.	Third quarter 2000	$277	$148	$ 81	$ 32	$ 52	Exclusion approach	Wireless networking technology for home and office	24%	$4.1/ 256 engineer months	$1.7/66 engineer months	2002

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

			Year of Charge					
			2000			2001		
Description*	Total	Balance, prior actions - primarily severance and business divestiture related	S&C site closing	SC and S&C restructuring actions	E&PS severance action	Voluntary/ involuntary program in U.S.	SC site closings in U.S.	SC international restructuring actions
BALANCE, DECEMBER 31, 2000	$ 70	$ 46	$ 11	$ 10	$ 3			
CHARGES:								
Severance	43					$ 11	$ 16	$ 16
Asset write-downs	6						6	
Various charges	3						3	
DISPOSITIONS:								
Change in estimates	(1)			(1)				
Non-cash write-down of assets	(6)						(6)	
Severance payments	(8)	(2)	(1)	(1)	(2)			(2)
BALANCE, March 31, 2001	107	44	10	8	1	11	19	14
CHARGES:								
Severance	172					90	14	68
Asset write-downs	16						16	
Various charges	8					2	5	1
FAS 88	56					48		8
DISPOSITIONS:								
Various payments	(2)						(2)	
Non-cash write-down of assets	(16)						(16)	
Pension payments	(56)					(48)		(8)
Severance payments	(72)	(5)	(4)	(2)	(1)	(46)	(1)	(13)
BALANCE, June 30, 2001	213	39	6	6	-	57	35	70
CHARGES:								
Severance	15							15
Asset write-downs	15						15	
Various charges	3					2	1	
FAS 88	4							4
DISPOSITIONS:								
Various payments	(3)						(3)	
Non-cash write-down of assets	(15)						(15)	
Pension payments	(4)							(4)
Severance payments	(67)	(1)	(3)	(1)		(16)	(4)	(42)
BALANCE, September 30, 2001	$ 161	$ 38	$ 3	$ 5	$ -	$ 43	$ 29	$ 43

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

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

The Registrant (the "company" or "TI") announced third-quarter financial results that show the company's third-quarter revenue was $1849 million, down 9 percent from the second quarter and slightly better than the company's outlook issued in July for a decline of 10 to 15 percent. Orders, which had fallen 10 percent sequentially in the second quarter, declined 4 percent sequentially in the third quarter to $1638 million. Semiconductor orders were about even with the second-quarter level.

TI's overall book-to-bill for semiconductors continued to rise sequentially, and TI's DSP book-to-bill exceeded one for the second consecutive quarter. DSP revenue was up 10 percent sequentially and orders were up 11 percent sequentially. Orders for high-performance Analog turned the corner and increased 10 percent sequentially.

Inventory was reduced by $182 million from the end of the second quarter. Despite the decline in revenue, days of inventory were reduced to 58 from 72 at the end of the second quarter. Cash flow from operations was $334 million, and free cash flow was $22 million. The company also repurchased $152 million of company stock.

SUMMARY OF FINANCIAL RESULTS

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

- Total revenue for TI was $1849 million, down 41 percent from $3149 million in the year-ago quarter and down 9 percent sequentially due to weakness in Semiconductor.

- Cost of revenues in the third quarter was $1424 million, compared with $1637 million in the year-ago quarter. Cost of revenues decreased primarily due to decreased Semiconductor revenue.

- Research and development (R&D) totaled $358 million, down from $533 million in the third quarter of 2000 primarily due to acquisition-related charges for in-process R&D in the third quarter of 2000.

- Selling, general and administrative expense in the quarter was $312 million, down from $453 million in the year-ago quarter due to savings resulting from restructuring activities and tight spending controls.

- Other income (expense) net decreased from $565 million in the third quarter of 2000 to $37 million in the third quarter of 2001, primarily due to a gain on the sale of Micron stock in the third quarter of 2000.

- The income tax rate for the quarter was 47 percent.

- TI orders in the third quarter were $1638 million, compared with $3250 million in the year-ago quarter and $1704 million in the second quarter.

Results for the third quarter of 2001 include net special charges of $37 million, of which $19 million is severance cost for a worldwide cost-reduction program and $16 million relates to the restructuring charges for the closing of three Semiconductor facilities (Santa Cruz, California; Merrimack, New Hampshire; and Tustin, California). Of the $16 million, $15 million is for the acceleration of depreciation over the remaining service life of the facilities. Also included is amortization of goodwill and other acquisition-related intangibles of $56 million.

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

For the first quarter of 2001, results include net special charges of $50 million, of which $11 million is severance cost for first-quarter employee acceptances under the U.S. voluntary retirement program, $16 million is severance cost for restructuring actions in international Semiconductor locations, and $25 million relates to the closing of a Semiconductor manufacturing facility in Santa Cruz, California. Also included is amortization of goodwill and other acquisition-related intangibles of $59 million.

For the third quarter of 2000, results include investment gains of $425 million, included in other income, from the sale of 5.6 million shares of Micron Technology, Inc. (Micron) common stock, and net special charges of $163 million, of which $112 million is for purchased in-process R&D costs from the Dot Wireless, Inc. and Alantro Communications, Inc. acquisitions, $41 million is for pooling of interests transaction costs from the Burr-Brown Corporation acquisition, and $10 million, net, is for several Semiconductor and Sensors & Controls restructuring and other actions in the U.S., Japan and Europe. Also included is amortization of goodwill and other acquisition-related intangibles of $41 million.

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

For the first quarter of 2000, results included net special charges of $29 million for actions including the closing of a Sensors & Controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS. Also included is amortization of goodwill and other acquisition-related intangibles of $25 million.

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

OUTLOOK

It appears that third quarter of 2001 will mark the bottom for semiconductor orders, and the floor for revenue should be set in the fourth quarter. Fourth-quarter TI revenue is expected to decline about 10 percent sequentially, mostly due to normal seasonal declines in Educational & Productivity Solutions (E&PS) as well as continued weakness in Semiconductor.

Specifically, TI expects the following for the fourth quarter compared to the third quarter:

- In Semiconductor, revenue will decline about 5 percent as continued growth in DSP is more than offset by declines in other products.

- Sensors & Controls revenue will be about even.

- E&PS revenue will decline by about $110 million, or 60 percent, as the back-to-school season for educational products ends.

- Operating margin will decline about 9 percentage points before the effect of special charges and amortization of goodwill and other acquisition-related intangibles, reflecting the lower revenue level and further reductions in inventory.

- Non-operating income will decline about $10 million reflecting lower interest rates.

- Loss per share will be about 6 cents more in the fourth quarter, compared with the third quarter, before the effect of special charges and amortization of goodwill and other acquisition-related intangibles.

For 2001, TI expects the following:

- R&D of $1.5 billion, excluding acquisition-related amortization and purchased in-process R&D, compared with the company's prior estimate of $1.6 billion and last year's $1.6 billion.

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

- Depreciation of $1.6 billion, compared with the prior estimate of $1.5 billion and up about 30 percent from last year.

SEMICONDUCTOR

Semiconductor revenue in the third quarter was $1453 million, down from $2692 million in the year-ago period. Revenue was down from $1657 million in the second quarter due to continued weakness across most Semiconductor products, excluding DSP.

As a result of lower revenue, Semiconductor had a $219 million operating loss, compared with an operating profit of $681 million in the year-ago period and an operating loss of $37 million in the second quarter.

Analog revenue was down 45 percent from the year-ago period and 16 percent sequentially due to broad based weakness in demand. In the first nine months of the year, about 40 percent of total Semiconductor revenue came from Analog.

DSP revenue decreased 37 percent from the year-ago quarter due to broad based weakness in demand but increased 10 percent sequentially due to strength in wireless. In the first nine months of the year, about 25 percent of total Semiconductor revenue came from DSP.

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

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

- Wireless revenue was down 42 percent from the year-ago period but increased 16 percent sequentially. In the first nine months of the year, about 20 percent of total Semiconductor revenue came from wireless.

- Revenue from TI's catalog products, comprised of high-performance Analog and DSP, declined 52 percent from the year-ago quarter and 16 percent sequentially. In the first nine months of the year, about 15 percent of total Semiconductor revenue came from catalog products.

- Broadband communications revenue, which includes digital subscriber line (DSL) and cable modems, was up 8 percent from the year-ago quarter but declined 53 percent sequentially. In the first nine months of the year, about 5 percent of total Semiconductor revenue came from broadband communications.

- Semiconductor orders were $1308 million, compared with $2884 in the year-ago period and $1321 million in the second quarter.

SENSORS & CONTROLS

Revenue was $222 million, compared with $245 million in the year-ago period due to overall market weakness, and down from $257 million in the second quarter due to seasonal patterns in the heating and air conditioning industry and market weakness.

Operating profit was $45 million, or 20.2 percent of revenue. Operating profit in the year-ago period was $43 million, or 17.5 percent of revenue. Operating profit in the second quarter was $52 million, or 20.2 percent of revenue.

EDUCATIONAL & PRODUCTIVITY SOLUTIONS (E&PS)

E&PS revenue was $179 million, compared with $175 million in the year-ago quarter. Sequentially, revenue increased by $50 million due to back-to-school sales of educational products.

Operating profit was $67 million, or 37.3 percent of revenue, compared with $64 million, or 36.3 percent of revenue in the year-ago quarter. Operating profit increased 76 percent from the second quarter's $38 million due to seasonality.

FIRST NINE MONTHS OF 2001

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

- TI revenue was $6414 million, down from $8843 million in the first nine months of 2000, due to Semiconductor. The decrease in Semiconductor revenue for the first nine months of 2001 was primarily due to weakness across most Semiconductor products. The decrease in Sensors & Controls was primarily due to overall market weakness. E&PS was up slightly due to strength of educational products.

- Cost of revenues was $4452 million compared with $4544 million in the year-ago period. Cost of revenues decreased primarily due to decreased Semiconductor revenue.

- R&D totaled $1216 million, compared with $1306 million in the first nine months of 2000. The decrease was primarily due to acquisition-related charges for purchased in-process R&D in the first nine months of 2000.

- Selling, general and administrative expense was $1060 million, down from $1268 million in the year-ago period primarily due to cost reduction actions and reduced profit sharing.

- Other income (expense) net decreased from $2039 million in the first nine months of 2000 to $201 million for the first nine months of 2001, primarily due to the sale of Micron stock in 2000.

- The income tax rate was 46 percent.

- Orders were $5239 million, down from $9601 million for the same period a year ago, primarily due to weakness in Semiconductor. Semiconductor orders for the first nine months were down, primarily due to a combination of weak electronic end-equipment markets and excess customer inventories. Sensors & Controls orders were down due to overall market weakness. E&PS orders were up slightly due to strength of educational products.

FINANCIAL CONDITION

In the first nine months of 2001, cash and cash equivalents plus short-term investments decreased by $1011 million to $2992 million, primarily due to capital expenditures. During the third quarter of 2001, cash and cash equivalents plus short-term investments decreased by $22 million due to the repurchase of the company's common stock.

Cash flow from operating activities was $1039 million in the first three quarters of 2001.

Capital expenditures totaled $1554 million in the first nine months of 2001, compared with $1789 million in the first nine months of 2000. Capital expenditures totaled $312 million in the third quarter of 2001 versus $585 million in the year-ago quarter.

Depreciation for the first three quarters of 2001 was $1145 million, compared with $869 million in the same period a year ago. Depreciation for the third quarter of 2001 was $414 million, versus $319 million in the year-ago quarter.

Debt-to-total-capital ratio was 0.10 at the end of the third quarter, the same as at the end of 2000.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangibles, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an increase in net income of $100 million ($0.06 per share). During 2002, the company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what effect, if any, these tests will have on the earnings and financial position of the company.

SPECIAL CHARGES AND GAINS

Third Quarter of 2001

As of September 30, 2001, $184 million of the $290 million aggregate severance cost obligations for the first, second and third quarter 2001 worldwide cost reduction and restructuring actions affecting a total of 5724 employees had been paid. In total, these first, second and third quarter 2001 actions are expected to result in annualized savings of approximately $400 million. In the third quarter of 2001, pretax charges of $37 million net were taken, of which $19 million was severance cost for a worldwide cost-reduction program affecting 285 employees and $16 million relates to the restructuring charges for the closing of three Semiconductor facilities (Santa Cruz, California; Merrimack, New Hampshire; and Tustin, California). Of the $16 million, $15 million was for the acceleration of depreciation over the remaining service life of the facilities. Of the $37 million, $27 million is included in cost of revenues, $8 million is in selling, general and administrative expense and $2 million is in research and development expense.

Second Quarter of 2001

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

First Quarter of 2001

In the first quarter of 2001, pretax charges of $50 million net were taken, of which $11 million was for severance cost for 241 first-quarter employee acceptances under the U.S. voluntary retirement program, $16 million was for severance cost for restructuring actions affecting 261 employees in international Semiconductor locations, and $25 million relates to the closing of a Semiconductor manufacturing facility in Santa Cruz, California. Of the $25 million charge, $16 million was for severance cost for 600 employees and $5 million was for acceleration of depreciation over the remaining service life of the facility. Of the $50 million, $44 million was included in cost of revenues, $7 million is in selling, general and administrative expense, $2 million is in research and development expense, and $3 million is in other income.

Third Quarter of 2000

In the third quarter of 2000, TI recorded investment gains of $425 million from the sale of 5.6 million shares of Micron Technology, Inc. (Micron) common stock, offset by special charges of $163 million net, of which $112 million was for purchased in-process R&D costs from the Dot Wireless, Inc. and Alantro Communications, Inc. acquisitions, $41 million was for acquisition costs from the pooling of interests with Burr-Brown Corporation, and $10 million, net, was for several Semiconductor and Sensors & Controls restructuring and other actions in the U.S., Japan and Europe affecting 432 employees. Of the $163 million, $112 million was included in research and development expense, $46 million is in selling, general and administrative expense, $31 million is in cost of revenues, $15 million is in net revenues and $11 million is in other income. The primary benefit from the above actions is reduced personnel costs, which are estimated to reach $31 million annually. The benefit began in the fourth quarter of 2000. As of September 30, 2001, $13 million of the $19 million severance cost obligation had been paid.

Second Quarter of 2000

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

First Quarter of 2000

In the first quarter of 2000, pretax charges of $29 million net were taken, associated with actions including the closing of the Sensors & Controls manufacturing facility in Versailles, Kentucky, and TI's acquisition of Toccata Technology ApS. Of the $29 million charge, $12 million was for severance for the elimination of 480 jobs in Kentucky. Of the $29 million, $20 million was included in cost of revenues, $6 million is in selling, general and administrative expense and $3 million is in research and development expense. The primary benefit from the Kentucky action is reduced personnel costs, which are estimated to reach $10 million annually. The benefit began in the fourth quarter of 2000. As of September 30, 2001, $9 million of the severance cost obligation had been paid.

Purchased In-Process R&D Charges

Year-to-date acquisition-related purchased in-process research and development (R&D) charges were zero in 2001 and $112 million in 2000. These charges are for R&D from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach.

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

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

Millions of Dollars

Entity acquired	Acquisition date	Consid-eration	Goodwill	Other intan-gibles	Deferred compen-sation	Purchased in-process R&D charge	Appraisal method	R&D focus	Discount rate	Cost/time to complete R&D projects: At acquisi-tion	Cost/time to complete R&D projects: At Sept. 2001	Year cash flows projected to begin
Alantro Commun-ications, Inc.	Third quarter 2000	$277	$148	$ 81	$ 32	$ 52	Exclusion approach	Wireless networking technology for home and office	24%	$4.1/256 engineer months	$1.7/66 engineer months	2002

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

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

PART II - OTHER INFORMATION

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

(a) Exhibits

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

(b) Reports on Form 8-K

During the quarter ended September 30, 2001, the Registrant filed reports on Form 8-K dated August 14, 2001 and September 5, 2001, each confirming its outlook for the third quarter of 2001 as set forth in the Outlook Section included in Item 2 of its Form 10-Q for the quarter ending June 30, 2001.

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

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

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

- Market demand for semiconductors, particularly for digital signal processors and analog chips in key markets, such as telecommunications and computers;

- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;

- TI's ability to compete in products and prices in an intensely competitive industry;

- TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;

- Timely completion and successful integration of announced acquisitions;

- Global economic, social and political conditions in the countries in which TI and its customers and suppliers operate, including fluctuations in foreign currency exchange rates;

- Losses or curtailments of purchases from key customers;

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

- Availability of raw materials and critical manufacturing equipment.

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

SIGNATURE

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

TEXAS INSTRUMENTS INCORPORATED

BY: /s/ WILLIAM A. AYLESWORTH

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

Date: October 24, 2001

EXHIBIT 11

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

	For Three Months Ended		For Nine Months Ended	
	Sept. 30 2001	Sept. 30 2000	Sept. 30 2001	Sept. 30 2000
Income (loss) before cumulative effect of an accounting change	$ (117)	$ 676	$ (85)	$ 2,422
Add: Interest, net of tax effect, on convertible debentures assumed converted	--	2	--	4
Adjusted income (loss) before cumulative effect of an accounting change	(117)	678	(85)	2,426
Cumulative effect of an accounting change	--	--	--	(29)
Adjusted net income (loss) in millions	$ (117)	$ 678	$ (85)	$ 2,397
Diluted earnings(loss) per common and dilutive potential common share:				
Weighted average common shares outstanding (in thousands)	1,733,511	1,720,890	1,734,555	1,712,804
Weighted average dilutive potential common shares:				
Stock option and compensation plans	--	65,358	--	71,049
Convertible debentures	--	5,625	--	4,496
Weighted average common and dilutive potential common shares	1,733,511	1,791,873	1,734,555	1,788,349
Diluted earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change	$ (0.07)	$ 0.38	$ (0.05)	$ 1.36
Cumulative effect of an accounting change	--	--	--	(0.02)
Net income (loss)	$ (0.07)	$ 0.38	$ (0.05)	$ 1.34
Basic earnings (loss) per common share:				
Weighted average common shares outstanding (in thousands)	1,733,511	1,720,890	1,734,555	1,712,804
Basic earnings (loss) per common share:				
Income (loss) before cumulative effect of an accounting change	$ (0.07)	$ 0.39	$ (0.05)	$ 1.41
Cumulative effect of an accounting change	--	--	--	(0.01)
Net income (loss)	$ (0.07)	$ 0.39	$ (0.05)	$ 1.40

Exhibit 12

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

	1996	1997	1998	1999	2000	For Nine Months Ended Sept. 30 2000	For Nine Months Ended Sept. 30 2001
Earnings:							
Income (loss) from continuing operations before income taxes plus fixed charges and amortization of capitalized interest less interest capitalized.	$ 190	$ 973	$ 815	$2,205	$4,702	$3,799	$ (74)
Fixed charges:							
Total interest on loans (expensed and capitalized	108	115	86	84	98	75	58
Interest attributable to rental and lease expense	44	44	41	30	32	23	26
Fixed charges	$ 152	$ 159	$ 127	$ 114	$ 130	$ 98	$ 84
Ratio of earnings to fixed charges.	1.2	6.1	6.4	19.3	36.2	38.8	*

* Not meaningful. The coverage deficiency was $158 million for the nine months ended September 30, 2001.