

Texas Instruments Incorporated
Free Cash Flow (Non-GAAP Reconciliation)
(Millions of dollars)
Calculated as of June 30, 2014

Free cash flow and associated ratios

Free cash flow was calculated by subtracting Capital expenditures from Cash flows from operating activities (also referred to as Cash flow from operations). The table below provides a reconciliation of free cash flow to the most directly comparable GAAP measure.

	For Three Months Ended June 30, 2014	For Twelve Months Ended June 30,		Change
		2014	2013	
Cash flows from operations (GAAP)	\$ 775	\$ 3,587	\$ 3,323	8%
Capital expenditures	(80)	(388)	(427)	
Free cash flow (non-GAAP)	<u>\$ 695</u>	<u>\$ 3,199</u>	<u>\$ 2,896</u>	10%
Revenue	<u>\$ 3,292</u>	<u>\$ 12,547</u>	<u>\$ 12,301</u>	
Cash flow from operations as a percent of revenue (GAAP)	24%	29%	27%	
Free cash flow as a percent of revenue (non-GAAP)	21%	25%	24%	
	For Twelve Months Ended Dec. 31, 2013			
Cash flows from operations (GAAP)	\$ 3,384			
Capital expenditures	(412)			
Free cash flow (non-GAAP)	<u>\$ 2,972</u>			

Cash returned

From time to time, our public communications refer to our cash return to shareholders as a percentage of our targeted cash return to shareholders. Because free cash flow is an element used to calculate that ratio, the ratio is considered a non-GAAP measure. As required by SEC rules, the table below reconciles this non-GAAP measure to the most directly comparable GAAP measure. In this instance, that means substituting cash flow from operations in place of free cash flow.

	For Twelve Months Ended June 30, 2014		For Twelve Months Ended Dec. 31, 2013	
Dividends paid		\$ 1,282		\$ 1,175
Stock repurchases		2,931		2,868
Total cash returned to shareholders		<u>\$ 4,213</u>		<u>\$ 4,043</u>
Free cash flow (non-GAAP)		\$ 3,199		\$ 2,972
Proceeds from issuance of long-term debt	\$ 498		\$ 986	
Repayment of debt	(1,000)		(1,500)	
Net debt retirement		(502)		(514)
Proceeds from common stock transactions		925		1,314
Targeted cash return to shareholders (non-GAAP)		<u>\$ 3,622</u>		<u>\$ 3,772</u>
Total cash returned to shareholders as percentage of targeted cash return to shareholders (non-GAAP)		116%		107%
Cash flows from operations (GAAP)		\$ 3,587		\$ 3,384
Net debt retirement (as calculated above)		(502)		(514)
Proceeds from common stock transactions		925		1,314
		<u>\$ 4,010</u>		<u>\$ 4,184</u>
Comparable ratio on a GAAP basis		105%		97%