

Texas Instruments Incorporated
Free Cash Flow (Non-GAAP Reconciliation)
(Millions of dollars)
Calculated as of September 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 September 30, 2014	For Twelve Months Ended September 30,		Change
		2014	2013	
Cash flow from operations (GAAP)	\$ 1,383	\$ 3,819	\$ 3,270	17%
Capital expenditures	(103)	(367)	(402)	
Free cash flow (non-GAAP)	<u>\$ 1,280</u>	<u>\$ 3,452</u>	<u>\$ 2,868</u>	20%
Revenue	<u>\$ 3,501</u>	<u>\$ 12,804</u>	<u>\$ 12,155</u>	
Cash flow from operations as a percent of revenue (GAAP)	40%	30%	27%	
Free cash flow as a percent of revenue (non-GAAP)	37%	27%	24%	

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 September 30,	
	2014	
Dividends paid	\$ 1,293	
Stock repurchases	2,867	
Total cash returned to shareholders	<u>\$ 4,160</u>	
Free cash flow (GAAP)	\$ 3,452	
Proceeds from issuance of long-term debt	\$ 498	
Repayment of debt	<u>(1,000)</u>	
Net debt retirement	(502)	
Proceeds from common stock transactions	644	
Targeted cash return to shareholders (non-GAAP)	<u>3,594</u>	
Total cash returned to shareholders as percentage of targeted cash return to shareholders (non-GAAP)	116%	
Cash flow from operations (GAAP)	\$ 3,819	
Net debt retirement (as calculated above)	(502)	
Proceeds from common stock transactions	644	
	<u>3,961</u>	
Comparable ratio on a GAAP basis	105%	