# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): October 24, 2017

# TEXAS INSTRUMENTS INCORPORATED

(Exact name of registrant as specified in charter)

DELAWARE (State or other jurisdiction of incorporation) 001-03761 (Commission file number) 75-0289970 (I.R.S. employer identification no.)

12500 TI BOULEVARD DALLAS, TEXAS 75243 (Address of principal executive offices)

Registrant's telephone number, including area code: (214) 479-3773

|      | k the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following sions:  |  |  |  |  |  |  |
|------|--|--|--|--|--|--|--|
|      | Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  |  |  |  |  |  |  |
|      | Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)   |  |  |  |  |  |  |
|      | Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))   |  |  |  |  |  |  |
|      | Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))   |  |  |  |  |  |  |
|      | Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).         |  |  |  |  |  |  |
| Emer | rging growth company $\Box$  |  |  |  |  |  |  |
|      | emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or ed financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. $\Box$ |  |  |  |  |  |  |
|      |  |  |  |  |  |  |  |
|      |  |  |  |  |  |  |  |
|      |  |  |  |  |  |  |  |

#### ITEM 2.02. Results of Operations and Financial Condition

The Registrant's news release dated October 24, 2017, regarding its third-quarter results of operations and financial condition is attached hereto as Exhibit 99.

The attached news release includes references to the following financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (non-GAAP measures): free cash flow and ratios based on free cash flow. The company believes these non-GAAP measures provide insight into its liquidity, cash generating capability and the amount of cash potentially available to return to shareholders, as well as insight into its financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures. Reconciliation to the most directly comparable GAAP measures is included in the "Non-GAAP financial information" section of the news release.

#### ITEM 9.01. Exhibits

| Designation<br>of Exhibit<br>in this<br>Report | Description of Exhibit   |
|--|--|
| 99   | Registrant's News Release Dated October 24, 2017 (furnished pursuant to Item 2.02) |

## **SIGNATURES**

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 hereunto duly authorized.

## TEXAS INSTRUMENTS INCORPORATED

Date: October 24, 2017

By: /s/ Rafael R. Lizardi

Rafael R. Lizardi Senior Vice President and Chief Financial Officer

## TI reports 3Q17 financial results and shareholder returns

Conference call on TI website at 4 p.m. Central time today

#### www.ti.com/ir

DALLAS (Oct. 24, 2017) – Texas Instruments Incorporated (TI) (NASDAQ: TXN) today reported third-quarter revenue of \$4.12 billion, net income of \$1.29 billion and earnings per share of \$1.26. Earnings per share include a 2-cent discrete tax benefit not in the company's original guidance.

Regarding the company's performance and returns to shareholders, Rich Templeton, TI's chairman, president and CEO, made the following comments:

- "Revenue increased 12 percent from the same quarter a year ago. Demand for our products continued to be strong in the industrial and automotive markets.
- "In our core businesses, Analog revenue grew 16 percent and Embedded Processing revenue grew 17 percent from the same quarter a year ago. Operating margin increased in both businesses.
- "Gross margin of 64.5 percent reflected the quality of our product portfolio, as well as the efficiency of our manufacturing strategy, including the benefit of 300-millimeter Analog production.
- "Our cash flow from operations of \$4.8 billion for the trailing 12 months again underscored the strength of our business model. Free cash flow for the trailing 12 months was \$4.2 billion and represents 29.0 percent of revenue.
- "We have returned \$4.3 billion to owners in the past 12 months through dividends and stock repurchases. In September, we announced we would increase our dividend by 24 percent and also increased our share repurchase authorizations by \$6 billion, which together reflect our commitment to return all free cash flow to our owners.
- "TI's fourth-quarter outlook is for revenue in the range of \$3.57 billion to \$3.87 billion, and earnings per share between \$1.01 and \$1.15, which includes an estimated \$20 million discrete tax benefit."

Free cash flow is a non-GAAP financial measure. Free cash flow is cash flow from operations less capital expenditures.

Certain amounts in the prior period have been recast to conform to the current presentation.

#### **Earnings summary**

Amounts are in millions of dollars, except per-share amounts.

|                    |    | 3Q17  |    | 3Q17 3Q16 |     | 3Q16 | Change |
|--------------------|----|-------|----|-----------|-----|------|--------|
| Revenue            | \$ | 4,116 | \$ | 3,675     | 12% |      |        |
| Operating profit   | \$ | 1,788 | \$ | 1,408     | 27% |      |        |
| Net income         | \$ | 1,285 | \$ | 1,018     | 26% |      |        |
| Earnings per share | \$ | 1.26  | \$ | 0.98      | 29% |      |        |

# **Cash generation**

Amounts are in millions of dollars.

|                             |             | T           | raili | ng 12 Months |        |
|-----------------------------|-------------|-------------|-------|--------------|--------|
|                             | 3Q17        | 3Q17        |       | 3Q16         | Change |
| Cash flow from operations   | \$<br>1,722 | \$<br>4,821 | \$    | 4,673        | 3%     |
| Capital expenditures        | \$<br>186   | \$<br>574   | \$    | 585          | -2%    |
| Free cash flow              | \$<br>1,536 | \$<br>4,247 | \$    | 4,088        | 4%     |
| Free cash flow % of revenue |             | 29.0%       |       | 31.1%        |        |

# Cash return

Amounts are in millions of dollars.

|                     |             | Trailing 12 Months |    |       |        |  |
|---------------------|-------------|--------------------|----|-------|--------|--|
|                     | 3Q17        | 3Q17               |    | 3Q16  | Change |  |
| Dividends paid      | \$<br>495   | \$<br>1,992        | \$ | 1,533 | 30%    |  |
| Stock repurchases   | \$<br>650   | \$<br>2,325        | \$ | 2,284 | 2%     |  |
| Total cash returned | \$<br>1,145 | \$<br>4,317        | \$ | 3,817 | 13%    |  |

## TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

## **Consolidated Statements of Income**

(Millions of dollars, except share and per-share amounts)

For Three Months Ended

|  |           | September 30, |    |       |  |  |  |
|--|-----------|---------------|----|-------|--|--|--|
|  | 2017      |               |    | 2016  |  |  |  |
| Revenue                                    | \$        | 4,116         | \$ | 3,675 |  |  |  |
| Cost of revenue (COR)                      |           | 1,460         |    | 1,391 |  |  |  |
| Gross profit                               |           | 2,656         |    | 2,284 |  |  |  |
| Research and development (R&D)             |           | 375           |    | 353   |  |  |  |
| Selling, general and administrative (SG&A) |           | 412           |    | 442   |  |  |  |
| Acquisition charges                        |           | 80            |    | 80    |  |  |  |
| Restructuring charges/other                |           | 1             |    | 1     |  |  |  |
| Operating profit                           |           | 1,788         |    | 1,408 |  |  |  |
| Other income (expense), net (OI&E)         |           | 20            |    | (9)   |  |  |  |
| Interest and debt expense                  |           | 19            |    | 18    |  |  |  |
| Income before income taxes                 |           | 1,789         |    | 1,381 |  |  |  |
| Provision for income taxes                 |           | 504           |    | 363   |  |  |  |
| Net income                                 | \$        | 1,285         | \$ | 1,018 |  |  |  |
| Diluted earnings per common share          | <u>\$</u> | 1.26          | \$ | .98   |  |  |  |
| Average shares outstanding (millions):     |           |               |    |       |  |  |  |
| Basic                                      |           | 988           |    | 1,003 |  |  |  |
| Diluted                                    |           | 1,008         |    | 1,023 |  |  |  |
| Cash dividends declared per common share   | \$        | .50           | \$ | .38   |  |  |  |

Certain amounts in the prior period have been adjusted to reflect the following: (1) the fourth-quarter 2016 early adoption of ASU 2016-09 related to stockbased compensation, and (2) the first-quarter 2017 early adoption of ASU 2017-07 related to the reclassification of certain pension and other retiree benefit costs to OI&E.

## **Supplemental Information** (Quarterly, except as noted)

| Provision for income taxes is based on the following:   |    |        |      |  |  |
|---|----|--------|------|--|--|
| Operating taxes (calculated using the estimated annual effective tax rate)  | \$ | 542 \$ | 418  |  |  |
| Discrete tax items  |    | (38)   | (55) |  |  |
| Provision for income taxes (effective taxes)  | \$ | 504 \$ | 363  |  |  |
| Annual operating tax rate   |    | 31%    | 30%  |  |  |
| Effective tax rate  |    | 28 %   | 26%  |  |  |
| As a result of accounting rule ASC 260, which requires a portion of Net income to be allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents, diluted EPS is calculated using the following: |    |        |      |  |  |

| Net income                                       | \$<br>1,285 | \$<br>1,018 |
|--|-------------|-------------|
| Income allocated to RSUs                         | (11)        | (11)        |
| Income allocated to common stock for diluted EPS | \$<br>1,274 | \$<br>1,007 |
|  | <br>        |             |

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

| Current assers         Caph and cash equivalents         \$ 1,26         \$ 1,26         \$ 1,76           Cash and cash equivalents         2,148         1,768           Accounts receivable, net of allowances of (\$14) and (\$14)         1576         1,447           Rew materials         120         104           Work in process         1,063         98           Invision of goods         685         755           Inventories         1,063         788           Inventories         1,063         789           Inventories         1,063         789           Total current assets         1,063         789           Prepair deputinent actost         4,668         4,922           Accumulated depreciation         2,567         2,545           Long-term investments         1,625         1,522           Long-te   |   | September 30, |         |    |          |  |
|--|---|---------------|---------|----|----------|--|
| Current assers         Caph and cash equivalents         \$ 1,26         \$ 1,26         \$ 1,76           Cash and cash equivalents         2,148         1,768           Accounts receivable, net of allowances of (\$14) and (\$14)         1576         1,447           Rew materials         120         104           Work in process         1,063         98           Invision of goods         685         755           Inventories         1,063         788           Inventories         1,063         789           Inventories         1,063         789           Total current assets         1,063         789           Prepair deputinent actost         4,668         4,922           Accumulated depreciation         2,567         2,545           Long-term investments         1,625         1,522           Long-te   |   |               |         |    |          |  |
| Cash and cash equivalents         \$ 1,268         \$ 1,368           Short-term investments         2,148         1,768           Accounts receivable, net of allowances of (\$14) and (\$14)         1,576         1,447           Raw materials         1,103         948           Work in process         1,103         948           Flinished goods         68.5         7.55           Inventories         1,908         1,808         7.89           Propatid expenses and other current assets         7,991         7,181           Ottoal current assets         7,991         7,181           Ottoal current assets         7,991         7,181           Property, plant and equipment at cost         4,562         2,525           Accumulated depreciation         2,567         2,345           Cong-term investments         2,567         2,345           Cong-term investments         2,102         4,362         4,362           Cong-term investment sees         4,102         4,362         4,362           Cong-term investment sees         1,102         3,344           Cong-term investment sees         1,102         3,344           Cong-term investment sees         1,102         3,52           Capitalized offitur   | Assets  |               |         |    |          |  |
| Short-term inversements         2,148         1,708           Accounts receivable, net of allowances of (\$14) and (\$14)         1,576         1,444           Accounts receivable, net of allowances of (\$14) and (\$14)         1,576         1,444           Work in process         1,103         9.49           Inventories         1,503         7.89           Inventories         1,503         7.89           Inventories         1,503         7.89           Trepaid expenses and other current assets         1,503         7.89           Trepaid current assets         7,591         7,181           Property plant and equipment at cost         4,668         4,582           Accumulated depreciation         2,575         2,535           Long-term inventor         2,557         2,545           Congreting inventor         4,362         4,352           Accumulated depreciation         4,352         4,352           Accumulated retirement plans         1,11         50           Oberture of income taxes         4,14         3,55           Copitalized softwarie lieuwes, net         111         50           Over funder expense and other liabilities         4,92         6,32           Current portion of long-term debt  | Current assets:   |               |         |    |          |  |
| Accounts receivable, net of allowances of (\$14) and (\$14)         1,447           Raw materials         120         1,103         949           Prinshed goods         1,103         949         1,806         763         753           Inventories         1,300         1,808         789         1,808         789         1,808         789         1,808         789         1,808         789         1,818         1,902         7,991         7,818         1,902         1,818         1,902         2,  | Cash and cash equivalents                                       | \$            | 1,296   | \$ | 1,369    |  |
| Raw materials         1,103         9.49           Work in proces         1,103         9.49           Finished goods         685         7.55           Invenoires         1,063         7.89           Trepaid expeases and other current assets         1,063         7.89           Total current assets         4,668         4,980           Property, plant and equipment at cost         4,668         4,980           Accumulated depreciation         2,101         2,437           Property, plant and equipment, net         2,58         2,532           Goodwill, net         4,52         4,502           Acquisition-related intangibles, net         1,025         1,342           Coptimized of work assets         1,11         355           Coptimized assets         111         355           Cober assets         8         8           Total assets         8         8           Total assets         8         9           Total assets         8         9 <td></td> <td></td> <td>2,148</td> <td></td> <td>1,768</td>   |   |               | 2,148   |    | 1,768    |  |
| Work in process         1,183         949           Finished goods         65         755           Inventories         1,300         1,808           Prepail expenses and other current assets         1,900         7,801           Ottoal current assets         7,991         7,218           Property, plant and equipment at cost         4,668         4,982           Accumulated depreciation         2,257         2,535           Congulant and equipment, net         2,362         2,332           Condowlill, net         4,362         4,342           Acquaintion-related intangibles, net         4,162         4,342           Conjudition and increases, net         111         50           Overfunded retirement plans         111         50           Other assets         3         62           Total stackholders' equit         3         62           Current protrion of long-term debt         \$ 499         \$ 634           Accuard composation         3         62           Accuard composation         3         62           Income taxes payable         \$ 499         \$ 634           Accuard composation         3         62           Incomer to principating composation and the liabili  | Accounts receivable, net of allowances of (\$14) and (\$14)     |               | 1,576   |    | 1,447    |  |
| Finished goods   |   |               | 120     |    | 104      |  |
| Prepaid expenses and other current assets   1,908    |   |               |         |    | 949      |  |
| Prepaid expenses and other current assets         1,063         7,89           Total current assets         4,668         4,982           Accumulated depreciation         2,101         2,243           Property, plant and equipment, net         2,565         2,545           Long-term investments         258         233           Goodwill, net         4,362         4,362         4,362           Acquisition-related intangibles, net         1,025         1,344         355           Deferred al come taxes         414         355         362 <t< td=""><td>Finished goods</td><td></td><td>685</td><td></td><td>755</td></t<>   | Finished goods  |               | 685     |    | 755      |  |
| Total current assets         7,991         7,181           Property, plant and equipment at cost         4,668         4,902           Accumulated depreciation         2,2567         2,545           Droperty, plant and equipment, net         2,567         2,545           Long-term investments         258         2,33           Goodwill, net         1,025         1,344           Acquisition-related intangibles, net         111         35           Capitalized software licenses, net         111         50           Overfunded retirement plans         112         64           Other assets         8         6           Total assets         5         16,29         5           Total assets         5         16,29         5         16,20           Coverinded retirement plans         8         6         2         2         16,20           Total assets         5         16,29         5         16,20         16,  |   |               | 1,908   |    | 1,808    |  |
| Property, plant and equipment at cost         4,668         4,982           Accumulated depreciation         2,107         2,437           Property, plant and equipment, net         2,556         2,538         2,33           Long-tern investments         4,362         4,362         4,362           Coop-line of the comment of th  | Prepaid expenses and other current assets                       |               | 1,063   |    | 789      |  |
| Accumulated depreciation   C, 437   C, 437   C, 2437   C, 2545   | Total current assets  |               | 7,991   |    | 7,181    |  |
| Property, plant and equipment, net         2,567         2,545           Long-term investments         258         233         233           Codowill, net         4,362         4,362         4,362         Application of the stage of the property of the prope   | Property, plant and equipment at cost                           |               | 4,668   |    | 4,982    |  |
| Long-term investments         258         233           Goodwill, net         4,362         4,362         4,362         4,362         4,362         6,362         7,344         2,525         1,344         355         1,344         355         2,241         355         2,241         355         2,241         355         2,241         355         362  | Accumulated depreciation  |               | (2,101) |    | (2,437)  |  |
| Goodwill, net         4,362         4,362           Acquisition-related intangibles, net         1,025         1,344           Deferred income taxes         414         355           Capitalized software licenses, net         111         50           Other assets         89         82           Total assets         5 16,929         \$ 16,216           Liabilities           Current portion of long-term debt         \$ 499         \$ 634           Accounts payable         430         428           Accouned compensation         31         64           Income taxes payable         41         393           Accured expenses and other liabilities         417         393           Total current liabilities         3,084         2,977           Underfunded retirement plans         108         2,977           Underfunded retirement plans         108         35           Deferend debt         3,084         2,977           Underfunded retirement plans         5         5         5           Defered creditione taxes         5         5         5           Total liabilities         5         5         5           Total liabilities         5 <td>Property, plant and equipment, net</td> <td>·</td> <td>2,567</td> <td></td> <td>2,545</td>  | Property, plant and equipment, net                              | ·             | 2,567   |    | 2,545    |  |
| Acquisition-related intangibles, net         1,025         1,344           Deferred income taxes         414         3.55           Capitalized software licenses, net         111         50           Overfunded retirement plans         112         64           Other assets         89         3.2           Stoal assets         5 16,929         5 16,205           Liabilities         89         5         16,205           Current portion of long-term debt         \$ 499         \$ 634         428           Accured compensation         430         428         428           Accured compensation         417         393         426           Income taxes payable         417         393         426           Accured expenses and other liabilities         417         393           Total comment liabilities         417         393           Total comment axes         384         2,977           Long-termed beth         3,08         2,977           Long-termed creditis and other liabilities         5,94         5,94           Total liabilities         5,94         5,93           Every credities and other liabilities         5,94         5,93           Total slatilities  | Long-term investments   | ·             | 258     |    | 233      |  |
| Deferend income taxes         414         355           Capitalized software licenses, net         111         50           Overfunded retirement plans         112         64           Other assets         89         82           Otal assets         89         82           Itabilities         8         16,229         16,216           Current floor floor, deeptive           Current porn of long-term debt         \$ 499         \$ 634           Accounts payable         430         428           Account axes payable         635         647           Income taxes payable         74         68           Accured expenses and other liabilities         117         333           Total current liabilities         3,04         2,975           Long-term debt         3,08         2,975           Underfunded retirement plans         108         2,01           Deferred income taxes         3         35           Deferred credit and other liabilities         5,941         5,930           Stockholders' equity         5         5         5         5           Preferred stock, \$25 par value. Authorized – 1,000,000 shares         5         7         7   | Goodwill, net   |               | 4,362   |    | 4,362    |  |
| Capitalized software licenses, net         111         50           Overfunded retirement plans         112         64           Other assets         8         8           Ottal assets         16,929         16,216           Lizabilities and stockholders' equity         8         16,929         16,216           Current portion of long-term debt         \$         499         \$         634           Accounts payable         430         428           Accrued compensation         635         647           Income taxes payable         74         68           Accrued expenses and other liabilities         17         393           Total current liabilities         3,04         2,977           Long-term debt         3,084         2,977           Long-term debt         3,084         2,977           Long-term debt (under tritiement plans)         10         30         30           Deferred credits and other liabilities         5,941         5,931         5,931           Total liabilities         5,941         5,932         5,932           Stockholders' equity:         2         4         4           Participating cumulative preferred — None issued         5         4         7  | Acquisition-related intangibles, net                            |               | 1,025   |    | 1,344    |  |
| Overfunded retirement plans         112         64           Other assets         89         82           Total assets         16,929         \$ 16,205           Libilities and stockholders' equity           Current portion of long-remdebt         \$ 499         \$ 634           Current portion of long-remdebt         430         428           Accounts payable         430         428           Account compensation         635         647           Income taxes payable         417         393           Accrued expenses and other liabilities         417         393           Accrued expenses and other liabilities         304         2,975           Long-term debt         3,084         2,977           Underfunded retirement plans         308         2,970           Underfunded retirement plans         308         35           Deferred cities and other liabilities         5,941         5,931         5,931           Stockholders' equity:         5         5,941         5,932         5,942           Stockholders' equity:         5         4         7         7           Perferred stock, \$25 par value. Authorized – 1,000,000 shares         5         1,741         1,744  | Deferred income taxes   |               | 414     |    | 355      |  |
| Other assets         89         82           Total assets         \$ 16,929         \$ 16,216           Liabilities and stockholders' equity           Urener liabilities:           Current portion of long-term debt         \$ 499         \$ 634           Accounts payable         430         428           Accrued compensation         635         647           Income taxes payable         417         393           Accrued expenses and other liabilities         417         393           Total current liabilities         417         393           Total current plans         2,055         2,170           Underfunded retirement plans         186         2,971           Underfunded retirement plans         38         35           Deferred credits and other liabilities         38         35           Underfunded retirement plans         5,941         5,931           Stockholders' equity         38         35           Total liabilities         5,941         5,930           Stockholders' equity         5,941         5,930           Total current liabilities         1,741         1,741           Total liabilities         1,741         1,741   | Capitalized software licenses, net                              |               | 111     |    | 50       |  |
| Sample   S | Overfunded retirement plans                                     |               | 112     |    | 64       |  |
| Current labilities and stockholders' equity   Current portion of long-term debt   \$ 499 \$ 634     Accounts payable   430   428     Accounts payable   430   428     Accrued compensation   635   647     Income taxes payable   74   68     Accrued expenses and other liabilities   417   3393     Total current liabilities   2,055   2,170     Long-term debt   3,084   2,977     Underfunded retirement plans   201     Deferred income taxes   38   355     Deferred income taxes   38   355     Deferred credits and other liabilities   5,941   5,930     Stockholders' equity:   | Other assets  |               | 89      |    | 82       |  |
| Current liabilities:         \$ 499         \$ 634           Accounts payable         430         428           Accounts compensation         635         647           Income taxes payable         74         68           Accrued expenses and other liabilities         2,055         2,170           Total current liabilities         2,055         2,170           Long-term debt         308         201           Long-term debt         108         201           Underfunded retirement plans         108         201           Deferred citis and other liabilities         536         547           Total liabilities         5,941         5,930           Stockholders' equity         5,941         5,930           Stockholders' equity         5,941         5,930           Total inities         5,941         5,930           Stockholders' equity         5,941         5,930           Stockholders' equity         5,941         5,930           Total inities         1,741         1,741           Stockholders' equity         1,741         1,741           Participating cumulative preferred – None issued         1,741         1,741           Paid-in capitial         1,741   | Total assets  | \$            | 16,929  | \$ | 16,216   |  |
| Current portion of long-term debt         \$ 499         \$ 634           Accounts payable         430         428           Accrued compensation         635         647           Income taxes payable         74         683           Accrued expenses and other liabilities         417         393           Total current liabilities         2,055         2,170           Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         5,941         5,930           Stockholders' equity:         5,941         5,930           Stockholders' equity:         7         5,930           Preferred stock, \$25 par value. Authorized – 10,000,000 shares         5,941         5,930           Stockholders' equity:         7         -  | Liabilities and stockholders' equity                            |               |         |    |          |  |
| Accounts payable       430       428         Accrued compensation       635       647         Income taxes payable       74       68         Accrued expenses and other liabilities       417       393         Total current liabilities       2,055       2,170         Long-term debt       3,084       2,977         Underfunded retirement plans       108       201         Deferred income taxes       38       35         Deferred credits and other liabilities       656       547         Total liabilities       5,941       5,930         Stockholders' equity:       Preferred stock, \$25 par value. Authorized – 1,000,000 shares       ————————————————————————————————————   | Current liabilities:  |               |         |    |          |  |
| Accrued compensation         635         647           Income taxes payable         74         68           Accrued expenses and other liabilities         417         393           Total current liabilities         2,055         2,170           Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           Stockholders' equity:         -         -           Preferred stock, \$25 par value. Authorized – 10,000,000 shares         -         -           Preferred stock, \$25 par value. Authorized – 2,400,000,000 shares         -         -           Shares issued – 1,740,815,939         1,741         1,741         1,741           Paid-in capital         1,741         1,741         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         34,935         32,565           Treasury common stock at cost         34,935         32,565           Treasury common stock at cost         5,920         6,920         6,920   |   | \$            | 499     | \$ | 634      |  |
| Income taxes payable         74         68           Accrued expenses and other liabilities         417         393           Total current liabilities         2,055         2,170           Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paid-in capital         1,741         1,741           Retained earnings         34,935         32,565           Treasury common stock at cost         5         5           Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102           Accumulated other comprehensive income (loss), net of taxes (AOCI)         505         642 <td></td> <td></td> <td>430</td> <td></td> <td>428</td>  |   |               | 430     |    | 428      |  |
| Accrued expenses and other liabilities         417         393           Total current liabilities         2,055         2,170           Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred circlis and other liabilities         656         547           Ottal liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paticin capital         1,78         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         -         -           Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102           Accumulated other comprehensive income (loss), net of taxes (AOCI)         (505)         (542           Total stockholders' equity         10,988   | Accrued compensation  |               |         |    | 647      |  |
| Total current liabilities         2,055         2,170           Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           Stockholders' equity:         8         5,941         5,930           Preferred stock, \$25 par value. Authorized – 10,000,000 shares         ————————————————————————————————————  |   |               |         |    | 68       |  |
| Long-term debt         3,084         2,977           Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           Stockholders' equity:         5         5,941         5,930           Preferred stock, \$25 par value. Authorized – 10,000,000 shares         5         —         —           Participating cumulative preferred – None issued         —         —         —           Common stock, \$1 par value. Authorized – 2,400,000,000 shares         1,741         1,741         1,741         1,741         1,741         1,741         1,741         1,741         1,624         3,624   | Accrued expenses and other liabilities                          |               |         |    | 393      |  |
| Underfunded retirement plans         108         201           Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paid-in capital         1,718         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102           Accumulated other comprehensive income (loss), net of taxes (AOCI)         (505)         (542           Total stockholders' equity         10,988         10,286   | Total current liabilities                                       |               | 2,055   |    | 2,170    |  |
| Deferred income taxes         38         35           Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paid-in capital         1,718         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102           Accumulated other comprehensive income (loss), net of taxes (AOCI)         (505)         (542           Total stockholders' equity         10,988         10,286  | Long-term debt  |               | 3,084   |    | 2,977    |  |
| Deferred credits and other liabilities         656         547           Total liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paid-in capital         1,748         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         —         —           Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102)           Accumulated other comprehensive income (loss), net of taxes (AOCI)         (505)         (542)           Total stockholders' equity         10,988         10,286  | Underfunded retirement plans                                    |               | 108     |    | 201      |  |
| Total liabilities         5,941         5,930           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 – 1,740,815,939         1,741         1,741           Paid-in capital         1,718         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         —         —           Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (26,901)         (25,102           Accumulated other comprehensive income (loss), net of taxes (AOCI)         (505)         (542           Total stockholders' equity         10,988         10,286   | Deferred income taxes   |               | 38      |    | 35       |  |
| 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 – 1,740,815,939       1,741       1,741         Paid-in capital       1,718       1,624         Retained earnings       34,935       32,565         Treasury common stock at cost         Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480       (26,901)       (25,102)         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542)         Total stockholders' equity       10,988       10,286   | Deferred credits and other liabilities                          |               | 656     |    | 547      |  |
| 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 – 1,740,815,939       1,741       1,741         Paid-in capital       1,718       1,624         Retained earnings       34,935       32,565         Treasury common stock at cost       —       —         Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480       (26,901)       (25,102         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542         Total stockholders' equity       10,988       10,286   | Total liabilities   |               | 5,941   |    | 5,930    |  |
| Participating cumulative preferred – None issued       —       —         Common stock, \$1 par value. Authorized – 2,400,000,000 shares       —       —         Shares issued – 1,740,815,939       1,741       1,741         Paid-in capital       1,718       1,624         Retained earnings       34,935       32,565         Treasury common stock at cost       —       (26,901)       (25,102         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542         Total stockholders' equity       10,988       10,286  | Stockholders' equity:   |               |         |    |          |  |
| Common stock, \$1 par value. Authorized - 2,400,000,000 shares       1,741       1,741         Shares issued - 1,740,815,939       1,741       1,741         Paid-in capital       1,718       1,624         Retained earnings       34,935       32,565         Treasury common stock at cost       5hares: September 30, 2017 - 754,459,144; September 30, 2016 - 739,693,480       (26,901)       (25,102)         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542)         Total stockholders' equity       10,988       10,286  | Preferred stock, \$25 par value. Authorized – 10,000,000 shares |               |         |    |          |  |
| Shares issued – 1,740,815,939       1,741       1,741         Paid-in capital       1,718       1,624         Retained earnings       34,935       32,565         Treasury common stock at cost       (26,901)       (25,102         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542         Total stockholders' equity       10,988       10,286  | Participating cumulative preferred – None issued                |               | _       |    | _        |  |
| Paid-in capital         1,718         1,624           Retained earnings         34,935         32,565           Treasury common stock at cost         (26,901)         (25,102           Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480         (650)         (542           Accumulated other comprehensive income (loss), net of taxes (AOCI)         10,988         10,286           Total stockholders' equity         10,988         10,286   | Common stock, \$1 par value. Authorized – 2,400,000,000 shares  |               |         |    |          |  |
| Retained earnings       34,935       32,565         Treasury common stock at cost  | Shares issued – 1,740,815,939                                   |               | 1,741   |    | 1,741    |  |
| Treasury common stock at cost         Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480       (26,901)       (25,102)         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542)         Total stockholders' equity       10,988       10,286   |   |               | 1,718   |    | 1,624    |  |
| Shares: September 30, 2017 – 754,459,144; September 30, 2016 – 739,693,480       (26,901)       (25,102         Accumulated other comprehensive income (loss), net of taxes (AOCI)       (505)       (542         Total stockholders' equity       10,988       10,286   |   |               | 34,935  |    | 32,565   |  |
| Accumulated other comprehensive income (loss), net of taxes (AOCI) (505) (542) Total stockholders' equity 10,988 10,286  |   |               |         |    |          |  |
| Total stockholders' equity 10,286  |   |               |         |    | (25,102) |  |
|  | •                         |               |         |    | (542)    |  |
| Total liabilities and stockholders' equity \$ 16,929 \$ 16,216   |   |               |         |    | 10,286   |  |
|  | Total liabilities and stockholders' equity                      | \$            | 16,929  | \$ | 16,216   |  |

Certain amounts in the prior period have been recast to conform to the current presentation.

1,296

1,369

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

|  |              | For Three Months Ended<br>September 30, |       |  |
|--|--------------|---|-------|--|
|  | ·            | 2017                                    | 2016  |  |
| Cash flows from operating activities             |              | _                                       |       |  |
| Net income                                       | \$           | 1,285 \$                                | 1,018 |  |
| Adjustments to Net income:                       |              |   |       |  |
| Depreciation                                     |              | 133                                     | 150   |  |
| Amortization of acquisition-related intangibles  |              | 80                                      | 80    |  |
| Amortization of capitalized software             |              | 12                                      | 7     |  |
| Stock compensation                               |              | 54                                      | 56    |  |
| Deferred income taxes                            |              | (2)                                     | (125) |  |
| Increase (decrease) from changes in:             |              |   |       |  |
| Accounts receivable                              |              | (106)                                   | (98)  |  |
| Inventories                                      |              | 39                                      | 68    |  |
| Prepaid expenses and other current assets        |              | 31                                      | 95    |  |
| Accounts payable and accrued expenses            |              | 47                                      | 14    |  |
| Accrued compensation                             |              | 140                                     | 149   |  |
| Income taxes payable                             |              | 10                                      | 47    |  |
| Changes in funded status of retirement plans     |              | 31                                      | 24    |  |
| Other  |              | (32)                                    | (20)  |  |
| Cash flows from operating activities             |              | 1,722                                   | 1,465 |  |
| Cash flows from investing activities             |              |   |       |  |
| Capital expenditures                             |              | (186)                                   | (139) |  |
| Purchases of short-term investments              |              | (1,218)                                 | (978) |  |
| Proceeds from short-term investments             |              | 920                                     | 515   |  |
| Other  |              | (4)                                     | (1)   |  |
| Cash flows from investing activities             |              | (488)                                   | (603) |  |
| Cash flows from financing activities             |              |   |       |  |
| Dividends paid                                   |              | (495)                                   | (382) |  |
| Stock repurchases                                |              | (650)                                   | (500) |  |
| Proceeds from common stock transactions          |              | 76                                      | 154   |  |
| Other  |              | (9)                                     | _     |  |
| Cash flows from financing activities             |              | (1,078)                                 | (728) |  |
| Net change in Cash and cash equivalents          |              | 156                                     | 134   |  |
| Cash and cash equivalents at beginning of period |              | 1,140                                   | 1,235 |  |
|  | <del> </del> | <del></del>                             |       |  |

Certain amounts in the prior period have been recast to conform to the current presentation.

Cash and cash equivalents at end of period

#### **Segment results**

Amounts are in millions of dollars.

|                      | 3Q17        |    | 3Q16  | Change |
|----------------------|-------------|----|-------|--------|
| Analog:              | <br>        |    |       |        |
| Revenue              | \$<br>2,698 | \$ | 2,323 | 16%    |
| Operating profit     | \$<br>1,268 | \$ | 957   | 32%    |
| Embedded Processing: |             |    |       |        |
| Revenue              | \$<br>931   | \$ | 795   | 17%    |
| Operating profit     | \$<br>325   | \$ | 224   | 45%    |
| Other:               |             |    |       |        |
| Revenue              | \$<br>487   | \$ | 557   | -13%   |
| Operating profit*    | \$<br>195   | \$ | 227   | -14%   |

<sup>\*</sup> Includes Acquisition charges and Restructuring charges/other.

Compared with the year-ago quarter:

**Analog:** (includes Power, Signal Chain and High Volume)

- Revenue increased due to Power and Signal Chain. High Volume was about even.
- Operating profit increased primarily due to higher revenue and associated gross profit.

#### **Embedded Processing:** (includes Connected Microcontrollers and Processors)

- Revenue increased in Processors and Connected Microcontrollers.
- Operating profit increased primarily due to higher revenue and associated gross profit.

**Other:** (includes DLP® products, calculators and custom ASIC products)

• Revenue decreased by \$70 million, and operating profit declined by \$32 million.

#### **Non-GAAP financial information**

This release includes references to free cash flow and ratios based on that measure. These are financial measures that were not prepared in accordance with GAAP. Free cash flow was calculated by subtracting Capital expenditures from the most directly comparable GAAP measure, Cash flows from operating activities (also referred to as cash flow from operations).

The company believes that free cash flow and the associated ratios provide insight into its liquidity, its cash-generating capability and the amount of cash potentially available to return to shareholders, as well as insight into its financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures.

Reconciliation to the most directly comparable GAAP measures is provided in the table below.

Amounts are in millions of dollars.

|  | For 12 Months Ended |    |        |        |  |
|--|---------------------|----|--------|--------|--|
|  | September 30,       |    |        |        |  |
|  | <br>2017            |    | 2016   | Change |  |
| Cash flow from operations (GAAP)                         | \$<br>4,821         | \$ | 4,673  | 3%     |  |
| Capital expenditures                                     | (574)               |    | (585)  |        |  |
| Free cash flow (non-GAAP)                                | \$<br>4,247         | \$ | 4,088  | 4%     |  |
| Revenue  | \$<br>14,625        | \$ | 13,145 |        |  |
| Cash flow from operations as a percent of revenue (GAAP) | 33.0%               |    | 35.5%  |        |  |
| Free cash flow as a percent of revenue (non-GAAP)        | 29.0%               |    | 31.1%  |        |  |

This release also includes references to an annual operating tax rate, a non-GAAP term the company uses to describe the estimated annual effective tax rate, a GAAP measure that by definition does not include discrete tax items. The company believes the term annual operating tax rate is useful because it more clearly communicates that discrete tax items are excluded from such rate. The term also helps differentiate from the effective tax rate, which includes discrete tax items. No adjustments are made to the estimated annual effective tax rate when using the term annual operating tax rate.

###

#### Notice regarding forward-looking statements

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

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

- Market demand for semiconductors, particularly in TI's end markets;
- TI's ability to compete in products and prices in an intensely competitive industry;
- Customer demand that differs from forecasts and the financial impact of inadequate or excess TI inventory that results from demand that differs from projections;
- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- Economic, social and political conditions in the countries in which TI, our customers or our suppliers operate, including security risks; global trade policies; political and social instability; health conditions; possible disruptions in transportation, communications and information technology networks; and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather, geological events or health epidemics in the locations in which TI, our customers or our suppliers operate;
- Breaches or disruptions of TI's information technology systems or those of our customers or suppliers;
- Timely implementation of new manufacturing technologies and installation of manufacturing equipment, or the ability to obtain needed third-party foundry and assembly/test subcontract services;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Compliance with or changes in the complex laws, rules and regulations to which TI is or may become subject, or actions of enforcement authorities, that restrict TI's ability to manufacture or ship our products or operate our business, or subject TI to fines, penalties, or other legal liability:
- Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to TI products, manufacturing, services, design or communications, or recalls by TI customers for a product containing a TI part;
- 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, adverse resolution of tax audits, increases in tariff rates, and the ability to realize deferred tax assets;
- A loss suffered by a customer or distributor of TI with respect to TI-consigned inventory;
- Financial difficulties of distributors or their promotion of competing product lines to TI's detriment, or the loss of a significant number of distributors;
- Losses or curtailments of purchases from key customers or the timing and amount of distributor and other customer inventory adjustments:
- TI's ability to maintain or improve profit margins, including our ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, in an intensely competitive and cyclical industry;
- TI's ability to maintain and enforce a strong intellectual property portfolio and maintain freedom of operation; or TI's exposure to infringement claims:
- Instability in the global credit and financial markets that affects TI's ability to fund our daily operations, invest in the business, make strategic acquisitions, or make principal and interest payments on our debt;

- Increases in health care and pension benefit costs;
- TI's ability to recruit and retain skilled engineering, management and technical personnel;
- TI's ability to successfully integrate and realize opportunities for growth from acquisitions, or our ability to realize our expectations regarding the amount and timing of restructuring charges and associated cost savings; and
- Impairments of TI's non-financial assets.

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

#### **About Texas Instruments**

Texas Instruments Incorporated (TI) is a global semiconductor design and manufacturing company that develops analog ICs and embedded processors. By employing the world's brightest minds, TI creates innovations that shape the future of technology. TI is helping approximately 100,000 customers transform the future, today. Learn more at <a href="https://www.ti.com">www.ti.com</a>.

TI trademarks:

DLP

Other trademarks are the property of their respective owners.