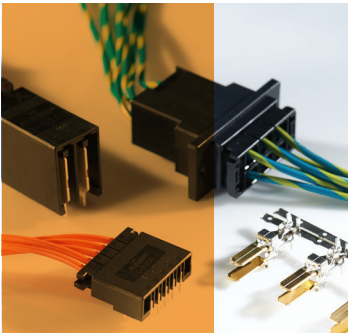
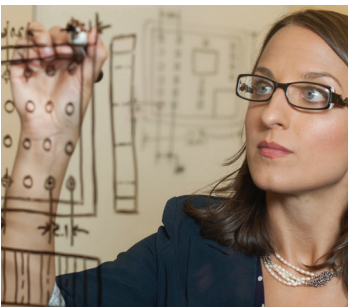




EVERY CONNECTION COUNTS

2014 ANNUAL REPORT



A GLOBAL LEADER
IN CONNECTIVITY AND
SENSOR SOLUTIONS

SERVING ATTRACTIVE MARKETS WITH STRONG GROWTH DRIVERS

Today's products are **SAFER, GREENER, SMARTER AND MORE CONNECTED**. These megatrends are driving the demand for increased electronics and more TE Connectivity products.

\$180 BILLION
Connectivity and
Sensor Market



About TE Connectivity (NYSE: TEL)

TE is a global technology leader. Our connectivity and sensor solutions are essential in today's increasingly connected world. If data, signal or power moves through it, TE connects and senses it. **EVERY CONNECTION COUNTS.**

Learn more at www.TE.com

THE WORLD LEADER IN CONNECTIVITY

FY 14 IN REVIEW

70%

Sales in
**HARSH ENVIRONMENT
CONNECTIVITY**

**Established TE as a
LEADER IN SENSORS**

Expanded TE's existing sensor business with the acquisitions of Measurement Specialties, Inc. (closed October 9, 2014) and American Sensor Technologies, Inc.

\$13.9B OF NET
SALES



5% VERSUS THE
PRIOR YEAR

\$3.79 OF ADJUSTED
EPS*



17% VERSUS THE
PRIOR YEAR

\$1.7B FREE CASH
FLOW*

\$1.0B RETURNED TO
SHAREHOLDERS

**See Non-GAAP Measures
All figures from FY 14 unless otherwise noted.*



TOM LYNCH
CHAIRMAN & CEO

MESSAGE TO OUR STAKEHOLDERS

Fiscal Year 2014 was a very good year for TE Connectivity. We delivered strong financial performance and continued to strengthen our position as a world leader enabling connectivity.

These are very exciting times for our company. The market for connectivity and sensor solutions represents a \$180 billion opportunity for TE, with a long-term growth rate of five to six percent. The markets we serve are large with strong underlying growth drivers. The megatrends of safer, greener, smarter and more connected products are driving the demand for increased electronic content and, as a result, the demand for increased connectivity.

In Fiscal Year (FY) 2014, we continued to lead the industry with annual revenues of \$13.9 billion. We also made several key acquisitions that significantly expanded our opportunity in the very attractive sensor and oil and gas markets, and strengthened our position in harsh environment applications.

Establishing TE as a Leader in Sensors

In FY 2014, we strengthened our position in the \$80 billion high-growth sensor market with the acquisitions of Measurement Specialties (closed October 9, 2014) and American Sensor Technologies. These acquisitions expanded our existing sensor business and established TE as one of the largest sensor companies in the world.

The combination of sensors and our leading connectivity solutions provides customers with the broadest range of connectivity and sensor solutions available on the market. This powerful combination increases our content per application significantly and positions TE to grow faster than the markets we serve. In our Automotive business, for example, we doubled our content opportunity from an average of \$200 per vehicle to \$400 per vehicle.

Leading in Harsh Environments

We are the leading provider of connectivity solutions for harsh environment applications. Strengthening our leadership position is a key element of our strategy. Harsh environment applications demand TE products that flawlessly perform in tough conditions including extreme vibration, temperature, humidity, pressure and more.

In FY 2014, we acquired the SEACON Group, extending our market position and solidifying TE as a leader in the offshore oil and gas connectivity market.

Revenues from harsh environment applications now account for approximately 70 percent of our revenue, up from 50 percent five years ago. FY 2014 was an excellent year for our businesses focused on harsh environment solutions including automotive, industrial transportation, aerospace and defense, oil and gas, industrial

equipment and appliances. Revenue in these businesses grew 10 percent, to a record \$9.2 billion, with adjusted operating margins above our company average.

Delivering Extraordinary Customer Experiences

Our mission is to deliver extraordinary customer experiences. We made significant progress in advancing our mission, and this year, continued to improve our performance in key areas: innovation, quality, delivery, service and support. FY 2014 was our fourth consecutive year of significant improvement in customer satisfaction as reported by our customers.

Our companywide TE Operating Advantage (TEOA) program is a key driver of our improvement in customer satisfaction. Since we launched TEOA in 2008, we improved our supply chain, product development processes, manufacturing operations, delivery and service. Our businesses and functions measure their progress against TEOA performance metrics and improving customer satisfaction is a key factor in determining our employees' incentive compensation. It is very gratifying to see the consistent improvement and yet we realize this is an ongoing journey.

Innovating for Customers

Our 7,500 engineers are located close to our customers around the world. We brought several industry leading innovations and products to market in FY 2014 including:

- **Greener cars with LITEALUM** – Every ounce in an automobile matters when fuel efficiency is the goal. Changing copper to aluminum wire in motor vehicles effectively reduces vehicle weight for greater fuel efficiency and lower CO₂ emissions. TE's breakthrough LITEALUM technology reduces the wiring harness weight, one of a vehicle's heaviest components, by up to 15 percent.
- **TE Sensors** – The future of automated farming relies on sensors. Our Industrial Transportation business developed sensors that monitor crops flowing through the harvester helping optimize grain yield and productivity.
- **Coolbit** – TE's Coolbit optical engine product is the next generation of faster, 25 Gigabits per second, fiber connectivity. Coolbit satisfies high-density and high-bandwidth requirements in networks and data centers while using two-thirds the power of conventional solutions.

- **ARISO Contactless Connectivity** – Vibration, temperature, voltage and dirt stand in the way of seamless physical connections. ARISO Contactless Connectors allow for the transmission of data, signal and power through mere proximity, even in tough conditions. This breakthrough technology eliminates the need for a direct physical connection and allows for entirely new innovations to be developed.

Financial Performance

The company delivered very strong financial performance in FY 2014. Our sales grew five percent to \$13.9 billion in an uncertain economy. Adjusted operating margins reached 15.4 percent, the highest in our history, and reflect our strong execution. Adjusted earnings per share and free cash flow were up over the prior year and records for the company. Adjusted earnings per share were \$3.79, up 17.3 percent over last fiscal year, and free cash flow was \$1.7 billion.

Our capital deployment strategy continues to reflect a balance between strategic acquisitions and consistent return of capital to shareholders. In FY 2014, our strong performance and financial position enabled us to make strategic acquisitions, return \$1 billion to shareholders and increase the annual dividend by 16 percent to \$1.16 per share.

Looking Forward

The company is very well positioned to capitalize on the opportunities presented by an increasingly connected world. Fuel-efficient cars and trucks, newer commercial airplane fleets, smarter appliances, intelligent buildings, faster and energy-efficient data centers, and smart factories all require more electronics, and more TE content.

I want to thank our employees for their dedication to creating a stronger company, and their ongoing commitment to our customers and communities. I believe our future is very promising and look forward to your continued support.

Tom Lynch



Chairman and Chief Executive Officer

January 14, 2015

See Non-GAAP Measures for adjusted earnings per share, free cash flow, and adjusted operating margin descriptions and reconciliations.



TE Leadership Team

(seated l to r)

Bob Hau, Jane Leipold, James O'Toole, Tom Lynch, Steve Merkt, Rob Shaddock

(standing l to r)

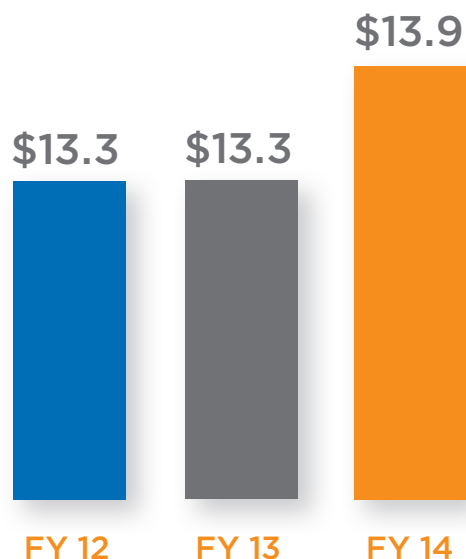
Joe Donahue, Amy Shah, Brad Gambill, Terrence Curtin, Joe Eckroth, John Jenkins, Joan Wainwright

Not present: Minoru Okamoto

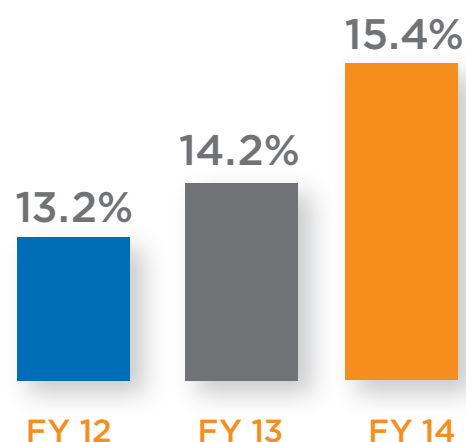
Executive titles can be found under Leadership Team and Officers.

STRONG FINANCIAL PERFORMANCE

NET SALES
IN US\$ BILLIONS



ADJUSTED OPERATING MARGIN*



*See Non-GAAP Measures

TE SALES BY SEGMENT IN US\$ BILLIONS

TE operates through four reporting segments.

TRANSPORTATION SOLUTIONS

\$6.1B

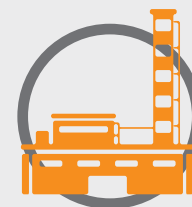
FY 14 SALES



INDUSTRIAL SOLUTIONS

\$3.3B

FY 14 SALES



NETWORK SOLUTIONS

\$2.9B

FY 14 SALES



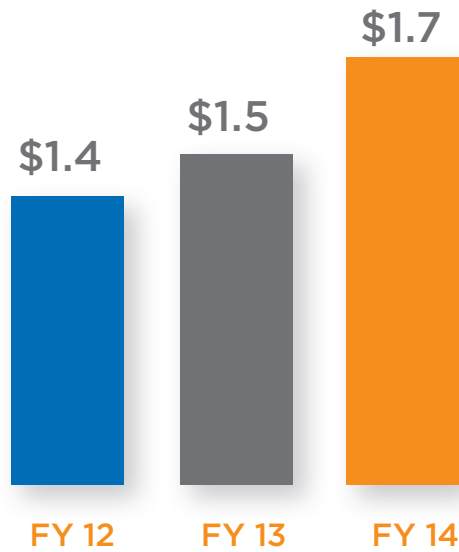
CONSUMER SOLUTIONS

\$1.6B

FY 14 SALES

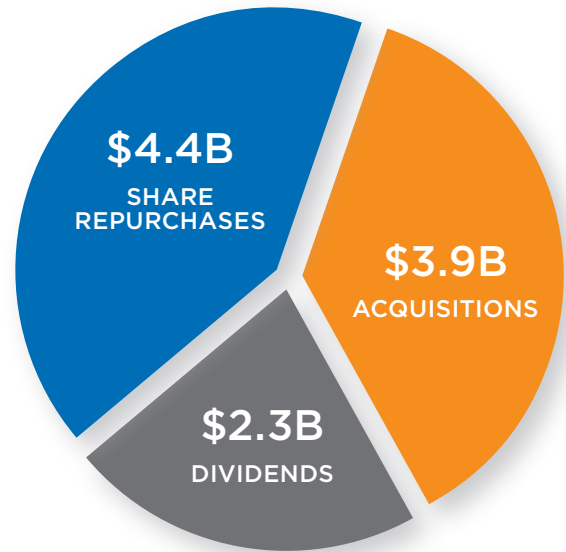


FREE CASH FLOW*
IN US\$ BILLIONS



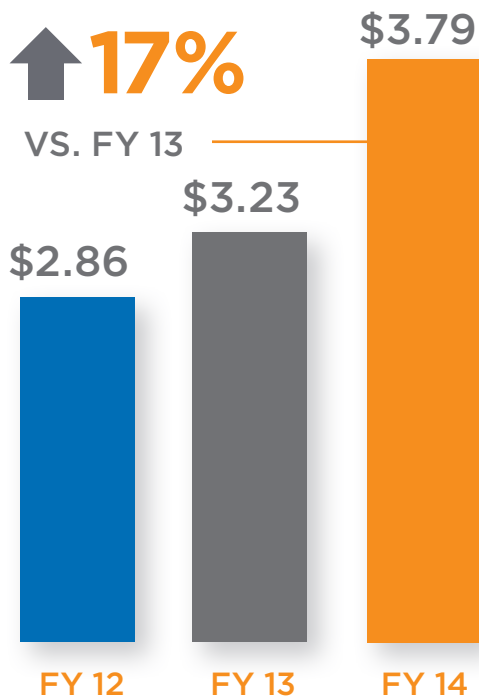
*See Non-GAAP Measures

DEPLOYMENT OF CASH**
FY 08 THROUGH FY 14
IN US\$ BILLIONS



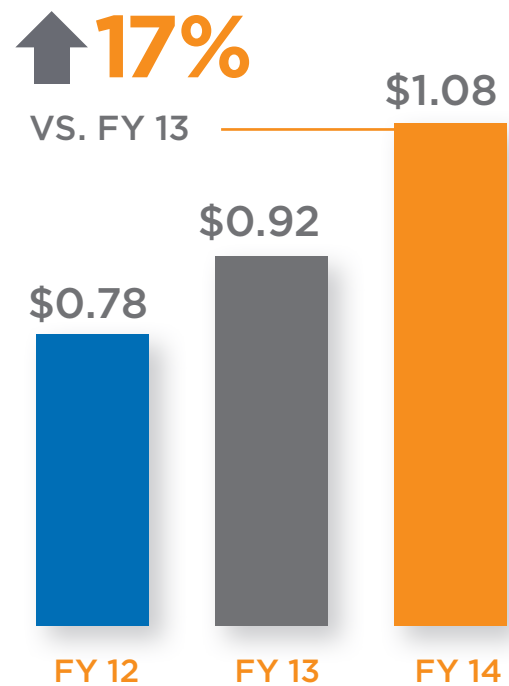
**Select uses of cash. Represents capital returned to shareholders and acquisition activity.

ADJUSTED EARNINGS PER SHARE*



*See Non-GAAP Measures

DIVIDENDS PAID PER SHARE***



***On March 4, 2014 TE shareholders increased the annual dividend to \$1.16 per share.

TE CONNECTIVITY SHARE PERFORMANCE OVER 5 YEARS

↑ **MORE THAN 150%**



DRIVING THE CONNECTED FUTURE

TE's connectivity and sensor solutions are critical building blocks of our increasingly connected world.

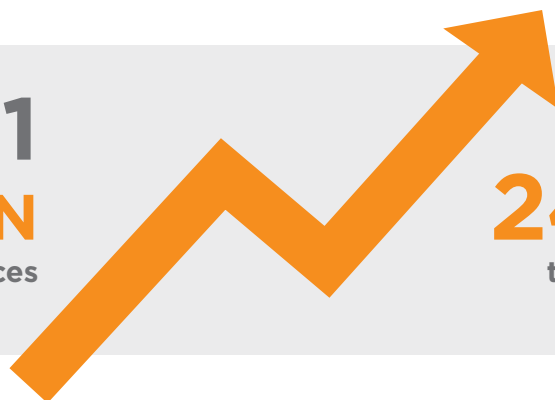
As more devices, machines and people become connected, TE technology will be essential in sensing, connecting and transmitting the vast amounts of data generated.

- Our connectors and sensors are helping build the next generation of vehicles and trucks. The increase in demand for more electronic content in cars has helped grow our Automotive business from \$3 billion in FY 2009 to over \$6 billion in FY 2014.
- In industrial settings, our solutions are enabling smarter factories that are more connected and automated, increasing productivity and efficiency.
- Our products are inside devices that consumers rely on every day, from washing machines and refrigerators, to smartphones, tablets and wearables.
- We help deliver mission-critical data quickly and reliably within data centers, across networks, over the air and under the ocean.

PROJECTED GROWTH

in **2011**
9 BILLION
total connected devices

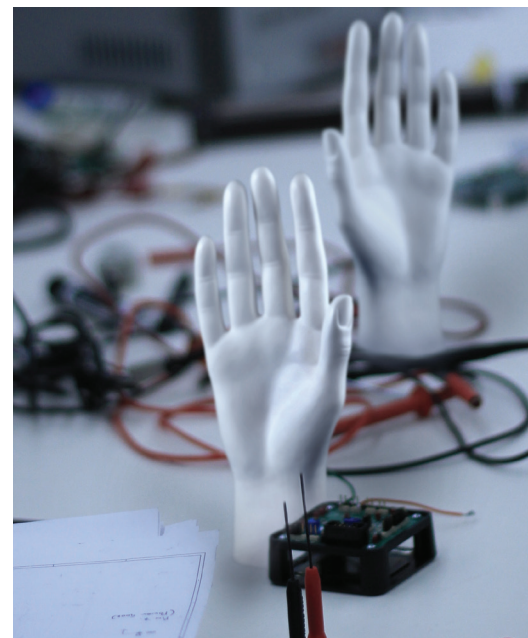
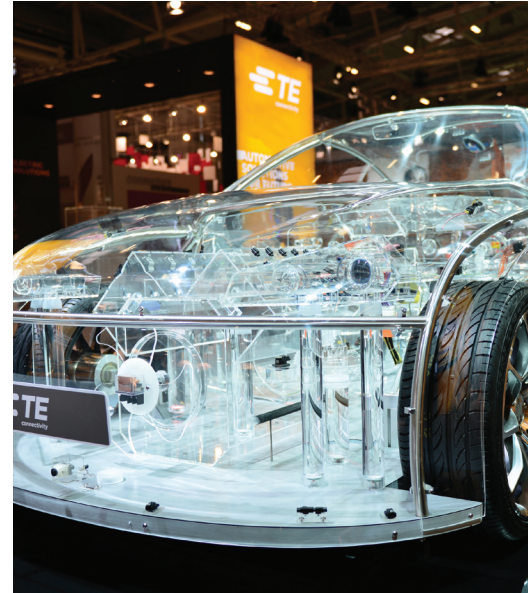
by **2020**
24 BILLION
total connected devices



Source: GSMA & Machine Research

TE OFFERS THE BROADEST RANGE
OF CONNECTIVITY AND SENSOR
TECHNOLOGIES:

- connectors
- sensors
- fiber optics
- circuit protection
- sealing and protection
- antennas
- relays
- precision wire and cables
- wireless





INNOVATION LEADERSHIP

18,000+
PATENTS
granted or pending

7,500
ENGINEERS
globally

\$675M
invested in R&D
and Engineering
FY 14

25%
of sales from new products
introduced over the last
three fiscal years

Our industry-leading engineering depth and strong customer relationships enable the next wave of smart products and technologies to be created—which are redrawing industry boundaries, opening up new categories and unleashing opportunities for competitive advantage.

TE's commitment to innovation extends beyond the products we design to the way in which they are made. Our global manufacturing operations apply the most advanced approaches in manufacturing, factory automation and lean processes to deliver exceptional results for our customers.

We are proud to be recognized by Thomson Reuters for the fourth consecutive year as a Top 100 Global Innovator.

2014 THOMPSON REUTERS
TOP 100
GLOBAL INNOVATORS



CLEAR LEADER IN HARSH ENVIRONMENT CONNECTIVITY

70% REVENUE
from harsh environment applications

We create solutions designed to withstand harsh environments where failure is not an option. Our products can be found in nearly every environment, from factories operating at full capacity to the crushing pressure of the deep sea.

Our customers rely on TE to make their products work every minute of every day.

- Our components can be counted on to withstand constant vibration, temperature fluctuations and years of wear and tear inside automobiles, providing day in and day out reliability.
- Our products endure extreme temperatures and meet the rigorous usage demands of heavy-duty industrial commercial equipment.
- We develop durable components that offer the highest level of anti-corrosion, vibration, dust and waterproof capabilities for passenger trains.

Electric Vehicle motors rely on our sensors to monitor drive shaft position and withstand speeds above 20k RPM and temperatures from -40°C to 130°C.



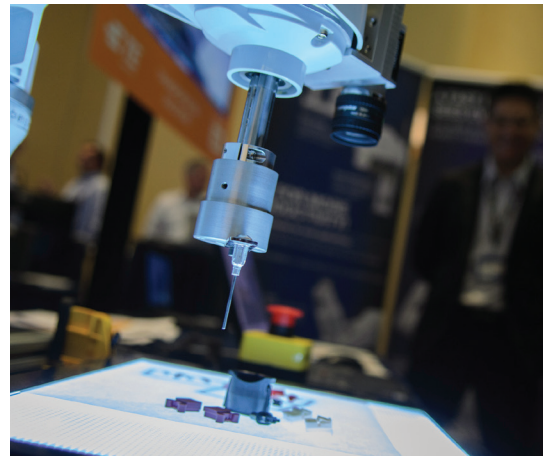
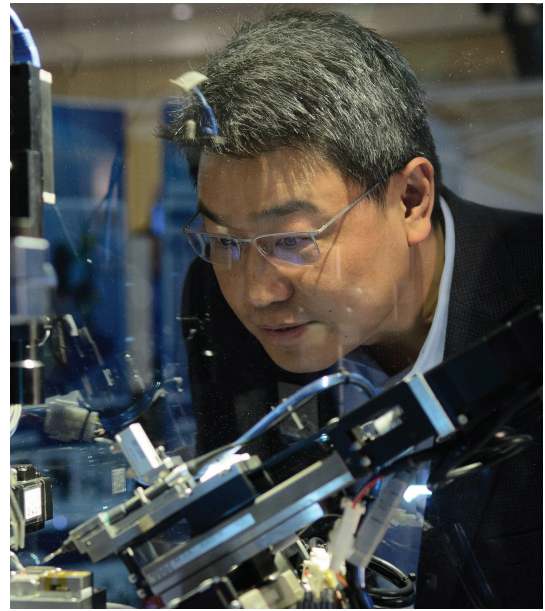
DEDICATED TO OUR CUSTOMERS

Deliver an extraordinary customer experience. That's our mission. It is a personal commitment shared by TE employees. An extraordinary customer experience is built on key areas customers have come to expect from us— innovation, quality, delivery, service and support. These areas are fundamental to how we work, are built into our TE Operating Advantage (TEOA) and are tied to our employee incentive plans.

**DELIVER SOLUTIONS.
EXCEED EXPECTATIONS.
EVERY TIME.**

**4 CONSECUTIVE
YEARS**

**of significant improvement in
CUSTOMER
SATISFACTION
as measured by our customers**



SUPPORTING OUR COMMUNITIES

1,500

CHARITABLE ORGANIZATIONS

supported in FY 14

by TE and the TE Connectivity Foundation



TE is committed to building stronger communities and being a responsible steward of the environment. We support our communities through global giving programs and local volunteer efforts supported by TE's local leaders and employees.



GREENHOUSE GAS EMISSIONS*
2014 vs 2010

↓ **25%**

LISTED ON

DOW JONES



SUSTAINABILITY INDEX

THIRD CONSECUTIVE YEAR



WATER USAGE*
2014 vs 2010

↓ **17%**

PARTNER IN

US DEPT. OF ENERGY

BETTER PLANTS PROGRAM

CARBON DISCLOSURE PROJECT (CDP)

PARTICIPANT
since 2008



EXCELLENCE IN

SUSTAINABILITY AWARD

PRESENTED BY CISCO

**Data reported on an absolute basis, and as reported to the CDP.*

UNMATCHED RESOURCES CLOSE TO OUR CUSTOMERS

TE designs, manufactures and delivers connectivity and sensor solutions to customers in over 150 countries. Our global reach enables us to work closely with our customers, identify and meet their local needs, and advance our mission to deliver extraordinary customer experiences.

AMERICAS

10 DESIGN CENTERS
38 MANUFACTURING SITES
2,570 ENGINEERS



CHINA

3 DESIGN CENTERS
15 MANUFACTURING SITES
2,100 ENGINEERS



ASIA* (EXCLUDING CHINA)

3 DESIGN CENTERS
8 MANUFACTURING SITES
810 ENGINEERS



EUROPE, MIDDLE EAST, AFRICA (EMEA)

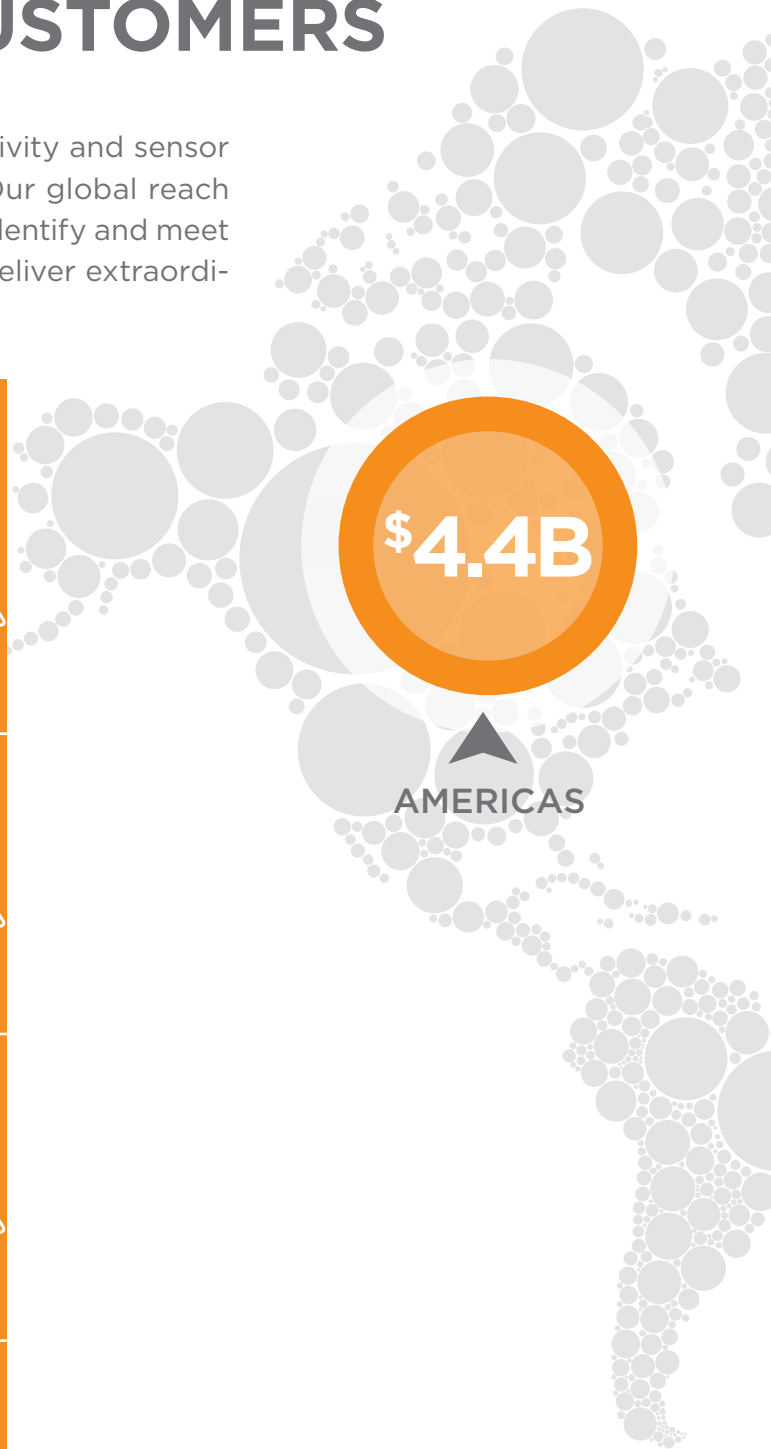
5 DESIGN CENTERS
29 MANUFACTURING SITES
2,020 ENGINEERS

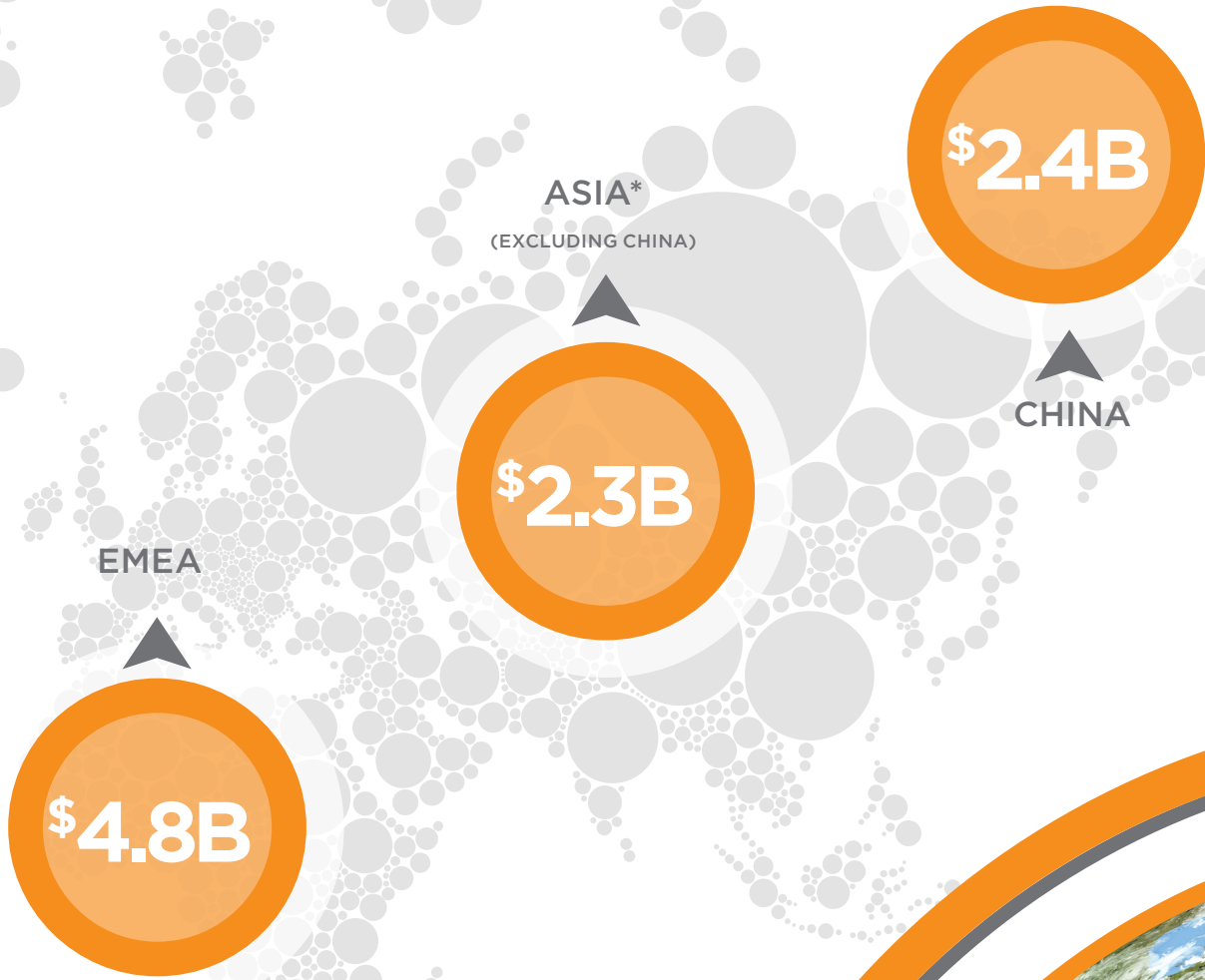


**Including India*

\$4.4B

AMERICAS





\$13.9B
FY 14 SALES WORLDWIDE



OUR CORE VALUES

At TE, we believe that it takes more than strong performance to build a great company. It also requires an unwavering commitment to our core values and the highest standards of ethics and integrity.

INTEGRITY

We must demand of ourselves and of each other the highest standards of individual and corporate integrity. We safeguard company assets. We comply with all laws and company policies. We are dedicated to diversity, fair treatment, mutual respect and trust.

ACCOUNTABILITY

We honor the commitments we make and take personal responsibility for all actions and results. We create an operating discipline of continuous improvement that is an integral part of our culture.

TEAMWORK

We foster an environment that encourages innovation, creativity, excellence and results through teamwork. We practice leadership that teaches, inspires and promotes full participation and career development. We encourage open and effective communication and interaction.

INNOVATION

We recognize that innovation is the foundation of our business. We challenge ourselves to develop new and improved ideas for all that we do. We encourage, expect and value creativity, openness to change and fresh approaches.

BOARD OF DIRECTORS

Thomas J. Lynch
Chairman &
Chief Executive Officer,
TE Connectivity Ltd.

Yong Nam
Advisor to the CEO,
Daelim Industrial Co. Ltd.

Paula A. Sneed
Chair & Chief Executive Officer,
Phelps Prescott Group, LLC

Dr. Pierre R. Brondeau
President, Chairman &
Chief Executive Officer,
FMC Corporation

Daniel J. Phelan
Retired Chief of Staff,
GlaxoSmithKline plc

David P. Steiner
President, Chief Executive Officer
& Director,
Waste Management, Inc.

Dr. Juergen W. Gromer
Retired President,
Tyco Electronics

Frederic M. Poses*
Chief Executive Officer & Partner,
Ascend Performance Materials

John C. Van Scoter
President, Chief Executive Officer
& Director,
eSolar, Inc.

Dr. William A. Jeffrey
Chief Executive Officer
& President,
SRI International

Lawrence S. Smith
Retired Executive
Vice President & Co-CFO,
Comcast Corporation

Laura H. Wright
Founder
GSB Advisors

**Lead Independent Director of the TE Connectivity Ltd. Board of Directors*

LEADERSHIP TEAM AND OFFICERS

Thomas J. Lynch
Chairman &
Chief Executive Officer

Robert W. Hau
Executive Vice President,
Chief Financial Officer

Robert J. Ott
Senior Vice President,
Corporate Controller

Mario Calastri
Senior Vice President,
Treasurer

John S. Jenkins, Jr.
Executive Vice President,
General Counsel

Eric J. Resch
Senior Vice President,
Chief Tax Officer

Terrence R. Curtin
President,
Industrial Solutions

Jane A. Leipold
Senior Vice President,
Global Human Resources

Robert N. Shaddock
Executive Vice President,
Chief Technology Officer

Joseph B. Donahue
Executive Vice President,
Chief Operating Officer &
President, Network Solutions

Steven T. Merkt
President,
Transportation Solutions

Amy B. Shah
Senior Vice President,
Chief Marketing Officer

Joseph F. Eckroth, Jr.
Senior Vice President,
Chief Information Officer

Minoru Okamoto
Senior Advisor to the CEO

Joan E. Wainwright
President,
Channel & Customer Experience

Bradley A. Gambill
Senior Vice President,
Strategy & Business Development

James O'Toole
President,
Consumer Solutions

NON-GAAP MEASURES

“Adjusted Operating Margin,” “Adjusted Operating Income,” “Adjusted Earnings Per Share,” and “Free Cash Flow” (FCF) are non-GAAP measures and should not be considered replacements for GAAP* results. (*U.S. Generally Accepted Accounting Principles)

We present operating margin before special items including charges or income related to legal settlements and reserves, restructuring and other charges, acquisition related charges, impairment charges and other income or charges, if any (“Adjusted Operating Margin”). We present Adjusted Operating Margin before special items to give investors a perspective on the underlying business results. It also is a significant component in our incentive compensation plans. This measure should be considered in conjunction with operating margin calculated using our GAAP results in order to understand the amounts, character and impact of adjustments to operating margin.

We present operating income before special items including charges or income related to legal settlements and reserves, restructuring and other charges, acquisition related charges, impairment charges and other income or charges, if any (“Adjusted Operating Income”). We utilize Adjusted Operating Income to assess segment-level core operating performance and to provide insight to management in evaluating segment operating plan execution and underlying market conditions. It also is a significant component in our incentive compensation plans. Adjusted Operating Income is a useful measure for investors because it provides insight into our underlying operating results, trends and the comparability of these results between periods. The difference between Adjusted Operating Income and operating income (the most comparable GAAP measure) consists of the impact of charges or income related to legal settlements and reserves, restructuring and other charges, acquisition related charges, impairment charges and other income or charges, if any, that may mask the underlying operating results and/or business trends. The limitation of this measure is that it excludes the financial impact of items that would otherwise either increase or decrease our reported operating income. This limitation is best addressed by using Adjusted Operating Income in combination with operating income (the most comparable GAAP measure) in order to better understand the amounts, character and impact of any increase or decrease on reported results.

We present diluted earnings per share from continuing operations attributable to TE Connectivity Ltd. before special items, including charges or income related to legal settlements and reserves, restructuring and other charges, acquisition related charges, impairment charges, tax sharing income related to certain proposed adjustments to prior period tax returns and other tax items, certain significant special tax items, other income or charges, if any, and if applicable, related tax effects (“Adjusted Earnings Per Share”). We present Adjusted Earnings Per Share because we believe that it is appropriate for investors to consider results excluding these items in addition to results in accordance with GAAP. We believe such a measure provides a picture of our results that is more comparable among periods since it excludes the impact of special items, which may recur, but tend to be irregular as to timing, thereby making comparisons between periods more difficult. It also is a significant component in our incentive compensation plans. The limitation of this measure is that it excludes the financial impact of items that would otherwise either

increase or decrease our reported results. This limitation is best addressed by using Adjusted Earnings Per Share in combination with diluted earnings per share from continuing operations attributable to TE Connectivity Ltd. (the most comparable GAAP measure) in order to better understand the amounts, character and impact of any increase or decrease on reported results.

“Free Cash Flow” (FCF) is a useful measure of our ability to generate cash. It also is a significant component in our incentive compensation plans. The difference between net cash provided by continuing operating activities (the most comparable GAAP measure) and FCF (the non-GAAP measure) consists mainly of significant cash outflows and inflows that we believe are useful to identify. We believe free cash flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated from our operations.

FCF is defined as net cash provided by continuing operating activities excluding voluntary pension contributions and the cash impact of special items, if any, minus net capital expenditures. Net capital expenditures consist of capital expenditures less proceeds from the sale of property, plant and equipment. These items are subtracted because they represent long-term commitments. Voluntary pension contributions are excluded from the GAAP measure because this activity is driven by economic financing decisions rather than operating activity. Certain special items, including net payments related to pre-separation tax matters, also are considered by management in evaluating free cash flow. We believe investors should also consider these items in evaluating our free cash flow.

FCF as presented herein may not be comparable to similarly-titled measures reported by other companies. The primary limitation of this measure is that it excludes items that have an impact on our GAAP cash flow. Also, it subtracts certain cash items that are ultimately within management’s and the Board of Directors’ discretion to direct and may imply that there is less or more cash available for our programs than the most comparable GAAP measure indicates. This limitation is best addressed by using FCF in combination with the GAAP cash flow results. It should not be inferred that the entire free cash flow amount is available for future discretionary expenditures, as our definition of free cash flow does not consider certain non-discretionary expenditures, such as debt payments. In addition, we may have other discretionary expenditures, such as discretionary dividends, share repurchases and business acquisitions, that are not considered in the calculation of free cash flow.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES

US\$ IN MILLIONS, EXCEPT PER SHARE DATA

	FISCAL YEAR 2014				
	U.S. GAAP	ADJUSTMENTS			Adjusted (Non-GAAP) ⁽³⁾
		Acquisition Related Charges ⁽¹⁾	Restructuring and Other Charges, Net	Tax Items ⁽²⁾	
Operating Income	\$ 2,045	\$ 35	\$ 59	\$ -	\$ 2,139
Operating Margin	14.7%				15.4%
Diluted Earnings per Share from Continuing Operations Attributable to TE Connectivity Ltd.	\$ 4.29	\$ 0.08	\$ 0.09	\$ (0.67)	\$ 3.79

(1) Includes \$31 million of acquisition and integration costs and \$4 million of non-cash amortization associated with fair value adjustments primarily related to acquired inventories and customer order backlog recorded in cost of sales.

(2) Includes income tax benefits of \$282 million recognized in connection with a reduction in the valuation allowance associated with certain tax loss carryforwards and income tax expense related to adjustments to

prior year income tax returns. In addition, includes other income related to reimbursements by Tyco International and Covidien in connection with pre-separation tax matters, including \$18 million related to our share of a settlement agreement entered into by Tyco International with a former subsidiary.

(3) See description of non-GAAP measures contained in this report.

	FISCAL YEAR 2013				
	U.S. GAAP	ADJUSTMENTS			Adjusted (Non-GAAP) ⁽²⁾
		Acquisition Related Charges	Restructuring and Other Charges, Net	Tax Items ⁽¹⁾	
Operating Income	\$ 1,556	\$ 14	\$ 311	\$ -	\$ 1,881
Operating Margin	11.7%				14.2%
Diluted Earnings per Share from Continuing Operations Attributable to TE Connectivity Ltd.	\$ 3.02	\$ 0.02	\$ 0.52	\$ (0.33)	\$ 3.23

(1) Includes \$331 million of income tax benefits associated with the settlement of an audit of prior-year income tax returns as well as the related impact of \$231 million to other expense pursuant to the tax sharing agreement with Tyco International and Covidien. Also includes income tax expense related to adjustments to prior year income tax returns, income tax benefits recognized in connection with a reduction in the

valuation allowance associated with certain tax loss carryforwards, and income tax benefits recognized in connection with the lapse of statutes of limitations for examinations of prior year income tax returns. In addition, includes other income related to reimbursements by Tyco International and Covidien in connection with pre-separation tax matters.

(2) See description of non-GAAP measures contained in this report.

	FISCAL YEAR 2012				
	U.S. GAAP	ADJUSTMENTS			Adjusted (Non-GAAP) ⁽³⁾
		Acquisition Related Charges ⁽¹⁾	Restructuring and Other Charges, Net	Tax Items ⁽²⁾	
Operating Income	\$ 1,518	\$ 116	\$ 114	\$ -	\$ 1,748
Operating Margin	11.4%				13.2%
Diluted Earnings per Share from Continuing Operations Attributable to TE Connectivity Ltd.	\$ 2.70	\$ 0.21	\$ 0.19	\$ (0.25)	\$ 2.86

(1) Includes \$75 million of non-cash amortization associated with fair value adjustments primarily related to acquired inventories and customer order backlog recorded in cost of sales, \$27 million of acquisition and integration costs, and \$14 million of restructuring charges.

(2) Includes other income related to reimbursements by Tyco International

and Covidien in connection with pre-separation tax matters. Also includes income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain tax loss carryforwards and income tax expense associated with certain non-U.S. tax rate changes.

(3) See description of non-GAAP measures contained in this report.

RECONCILIATION OF FREE CASH FLOW

US\$ IN MILLIONS

FISCAL YEAR	2014	2013	2012
Net cash provided by continuing operating activities	\$ 2,095	\$ 2,048	\$ 1,888
Capital expenditures	(673)	(615)	(533)
Proceeds from sale of property, plant and equipment	129	39	23
Payments related to pre-separation tax matters, net	179	28	19
Payments related to accrued interest on debt assumed in the acquisition of Deutsch	-	-	17
Payments to settle acquisition-related foreign currency derivative contracts	-	-	20
Free cash flow ⁽¹⁾	\$ 1,730	\$ 1,500	\$ 1,434

(1) See description of non-GAAP measures contained in this report.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains certain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance, financial condition or achievements to differ materially from anticipated results, performance, financial condition or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. We have no intention and are under no obligation to update or alter (and expressly disclaim any such intention or obligation to do so) our forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by law. The forward-looking statements in this report include statements addressing our future financial condition and operating results. Examples of factors that could cause actual results to differ materially from those described in the forward-looking statements include, among others,

business, economic, competitive and regulatory risks, such as conditions affecting demand for products, particularly in the automotive industry and the telecommunications networks and consumer devices industries; competition and pricing pressure; fluctuations in foreign currency exchange rates and commodity prices; natural disasters and political, economic and military instability in countries in which we operate; developments in the credit markets; future goodwill impairment; compliance with current and future environmental and other laws and regulations; the possible effects on us of changes in tax laws, tax treaties and other legislation; the risk that the operations of Measurement Specialties will not be successfully integrated into ours; and the risk that revenue opportunities, cost savings and other anticipated synergies from the Measurement Specialties acquisition may not be fully realized or may take longer to realize than expected. More detailed information about these and other factors is set forth in TE Connectivity Ltd.’s Annual Report on Form 10-K for the fiscal year ended Sept. 26, 2014 as well as in our Current Reports on Form 8-K and other reports filed by us with the U.S. Securities and Exchange Commission.

TE CONNECTIVITY LTD.
ANNUAL REPORT
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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Annual Report, including in the sections entitled “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures about Market Risk,” that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “should,” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this report except as required by law.

The risk factors identified in this Annual Report and those discussed in our Annual Report on Form 10-K for the fiscal year ended September 26, 2014 filed with the United States Securities and Exchange Commission (the “SEC”) could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

BUSINESS

General

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is a global technology leader. We design and manufacture connectivity and sensors solutions essential in today’s increasingly connected world. We help our customers solve the need for intelligent, efficient, and high-performing products and solutions.

During fiscal 2014, we realigned certain businesses within our segment reporting structure to better align our product portfolio. We continue to operate through four reporting segments: Transportation Solutions, Industrial Solutions, Network Solutions, and Consumer Solutions. Our reporting segments manufacture and distribute our products and solutions to a number of end markets. The table below provides a summary of our reporting segments, the fiscal 2014 net sales contribution of each segment, and the key products and industry end markets that we serve:

Segment	Transportation Solutions	Industrial Solutions	Network Solutions	Consumer Solutions
% of Fiscal 2014 Net Sales	44%	24%	21%	11%
Key Products	<ul style="list-style-type: none"> • Terminals and connector systems • Relays • Circuit protection devices • Sensors • Application tooling • Wire and heat shrink tubing 	<ul style="list-style-type: none"> • Terminals and connector systems • Heat shrink tubing • Relays • Wire and cable 	<ul style="list-style-type: none"> • Terminals and connector systems • Fiber optics • Wire and cable • Racks and panels • Wireless • Undersea telecommunication systems 	<ul style="list-style-type: none"> • Terminals and connector systems • Circuit protection devices • Antennas • Relays • Heat shrink tubing
Key Markets	<ul style="list-style-type: none"> • Automotive 	<ul style="list-style-type: none"> • Industrial equipment • Aerospace, defense, oil, and gas • Energy 	<ul style="list-style-type: none"> • Telecom networks • Data communications • Enterprise networks • Subsea communications 	<ul style="list-style-type: none"> • Consumer devices • Appliances

Our Competitive Strengths

We believe that we have the following competitive strengths:

- *Portfolio of market-leading connectivity and sensors businesses.* We are a leader in many of the markets we serve, and the opportunity for growth in those markets is significant. With our recently completed acquisition of Measurement Specialties, Inc. (“Measurement Specialties”) and related expansion into the sensor market, we believe our four segments serve a combined market of approximately \$180 billion that is expected to grow at an estimated annual growth rate of approximately 5% over the next five years. See Note 24 to the Consolidated Financial Statements for additional information regarding the Measurement Specialties acquisition.
- *Global leader in passive components.* With net sales of \$13.9 billion in fiscal 2014, we are significantly larger than many of our competitors. In the fragmented connector industry, which we estimated to be approximately \$50 billion in fiscal 2014, our net sales were approximately \$9.0 billion. We have established a global leadership position in the connector industry.

Our scale provides us the opportunity to accelerate our sales growth by making larger investments in existing and new technologies and businesses in our core markets, and to expand our presence in emerging markets. Our leadership position also provides us the opportunity to lower our purchasing costs by developing lower cost sources of supply and to maintain a flexible manufacturing footprint worldwide that is close to our customers’ locations.

- *Strong customer relationships.* As an industry leader, we have established close working relationships with many of our customers. These relationships allow us to better anticipate and respond to customer needs when designing new products and new technical solutions. By working with our customers in developing new products and technologies, we believe we are able to identify and act on trends and leverage knowledge about next-generation technology across our products.
- *Process and product technology leadership.* We employ approximately 7,500 engineers dedicated to product research, development, and engineering. Our investment of \$675 million in product and process engineering and development and our capital spending of \$673 million in fiscal 2014 enable us to consistently provide innovative, high-quality products with efficient manufacturing methods. In fiscal 2014, we derived approximately 25% of our net sales from new products, including product extensions, introduced within the previous three fiscal years.
- *Diverse product mix and customer base.* We manufacture and sell a broad portfolio of products to customers in various industries. Our customers include many of the leaders in their respective industries, and our relationships with them typically date back many years. We believe that this diversified customer base provides us an opportunity to leverage our skills and experience across markets and reduce our exposure to individual end markets, thereby reducing the variability of our financial performance. Additionally, we believe that the diversity of our customer base reduces the level of cyclicalities in our results and distinguishes us from our competitors.
- *Global presence.* We have an established manufacturing presence in over 20 countries and global sales distribution. Our global coverage positions us near our customers' locations and allows us to assist them in consolidating their supply base and lowering their production costs. We believe our balanced sales distribution lowers our exposure to any particular geography and improves our financial profile.
- *Strong management team and employee base.* We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our Chief Executive Officer and segment leaders average approximately 25 years of industry experience. They are supported by an experienced and talented management team who is dedicated to maintaining and expanding our position as a global leader in the industry.

We have approximately 83,000 employees located throughout the world. We continue to emphasize employee development and training, and we embrace diversity and inclusion. Our strong employee base, along with their commitment to uncompromising values, provides the foundation of our company's success.

Segments

Below is a description of our reporting segments and the primary products sold by each segment. See Notes 1 and 22 to the Consolidated Financial Statements for additional segment and geographic financial information relating to our business. Prior period segment results have been revised to conform to the current segment reporting structure.

Transportation Solutions

The Transportation Solutions segment is a leader in electronic components, including terminals and connectors, relays, circuit protection devices, and sensors, as well as application tooling, wire and heat shrink tubing, and other custom-engineered solutions for the automotive market including the industrial

and commercial vehicle and hybrid and electric vehicle markets. The following are the primary product families sold by the segment:

- *Terminals and connector systems and components.* We offer an extensive range of electrical and electronic interconnection products. These connectors include a wide variety of pin and socket, terminal, USB, coaxial, input/output, fiber optic, power, and circular connectors, as well as ambient lighting assemblies, special purpose cable assemblies, sophisticated interconnection products used in complex commercial equipment, and custom connectivity solutions for harsh environment applications. This product family represents over 80% of the segment's net sales.
- *Relays.* Our relay products can be used in a wide range of applications in the automotive and commercial vehicle industries, including electric sunroofs, anti-lock braking systems, and fuel injection coils.
- *Circuit protection devices.* We offer a diverse range of circuit protection devices, which limit the flow of current during fault conditions and automatically reset after the fault is cleared and power to the circuit is restored.
- *Sensors.* We offer a customized engineered portfolio of non-contact position and speed sensor technologies mainly for the automotive and commercial vehicle industries that include high measurement standards, robust housing technologies, and temperature stable designs for a variety of powertrain, safety, and chassis applications.
- *Application tooling.* We offer a broad portfolio of hand tools, semi-automatic bench machines, and fully-automatic machine systems for processing terminal products.
- *Wire and heat shrink tubing.* We offer reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses. We also provide high temperature wire for harsh environments on passenger and commercial vehicles.

Industrial Solutions

The Industrial Solutions segment is a leading supplier of products that connect and distribute power and data, including connectors, heat shrink tubing, relays, and wire and cable, as well as custom-engineered solutions. Our products are used primarily in the industrial equipment; aerospace, defense, oil, and gas; and energy markets. The following are the primary product families sold by the segment:

- *Terminals and connector systems and components.* We offer connector products including a wide variety of pin and socket, terminal, USB, coaxial, input/output, fiber optic, and power connectors, as well as sophisticated interconnection products used in equipment offered to the aerospace, defense, oil, and gas; and medical industries. Additionally, we serve the aerospace, defense, oil, and gas industries by offering custom connectivity solutions for harsh environment applications.
- *Heat shrink tubing.* We offer hundreds of reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses. We also provide customized harnessing design, prototype, and build services.
- *Relays.* Our relay products can be used in a variety of applications in the industrial and high performance applications for the aerospace, defense, oil, and gas industries.
- *Wire and cable.* We provide wire and cable for indoor and outdoor use in office, factory floor, and extreme environment applications, including copper and fiber optic distribution cables, shielded and unshielded twisted-pair cables, armored cable, and patch cords. Additionally, we provide highly-engineered cable and wire products and a broad range of cables suitable for use in rugged applications within the aerospace, defense, oil, and gas industries.

Network Solutions

The Network Solutions segment is one of the world's largest suppliers of infrastructure components and systems for the telecommunications market and electronic components for the data communications market. Our products include connectors, fiber optics, wire and cable, racks and panels, and wireless products. We also are a leader in developing, manufacturing, installing, and maintaining some of the world's most advanced subsea fiber optic communications systems. The following are the primary product families sold by the segment:

- *Terminals and connector systems and components.* We offer an extensive range of low, medium, and high-voltage connectors and splices, cable assemblies, sealing systems, terminals, fittings, lugs and clamps, transmission line fittings, splice closures, grounding hardware, and wall and floor outlets for voice and data connection to local area networks.
- *Fiber optics.* We provide fiber optic connectors, splices, splice closures, fiber management systems, high density cable assemblies, couplers and splitters, and complete cabling systems. These products find use in both local-area and wide-area networks and "last-mile" fiber-to-the-home installations.
- *Wire and cable.* We provide wire and cable for indoor and outdoor use in office, factory floor, school, and residential voice, data, and video networks, including copper and fiber optic distribution cables, shielded and unshielded twisted-pair cables, armored cable, and patch cords.
- *Racks and panels.* We provide racks and panels that are used to integrate, organize, and manage fiber and copper cables and splices, thereby simplifying installation, maintenance, and upgrades for both exchange/head end and customer premise environments.
- *Wireless.* We offer solutions for radio frequency distribution and distributed antenna systems. These products provide wireless coverage and capacity, and operate as an extension of the wireless network, expanding the reach of both in-building and outdoor signals.
- *Undersea telecommunication systems.* We design, build, maintain, and test undersea fiber optic networks for the telecommunication and oil and gas markets.

Consumer Solutions

The Consumer Solutions segment is a top supplier of electronic components, including connectors, circuit protection devices, antennas, relays, and heat shrink tubing, for the consumer devices and appliances markets. The following are the primary product families sold by the segment:

- *Terminals and connector systems and components.* We provide connector products including a broad range of electronic grounding, shielding, and contact; SIM memory card; terminal; USB; input/output; and a variety of board level signal and power connectors as well as memory and CPU sockets. Also, we design and manufacture power cables and cable assemblies for high data rate transmission and sophisticated interconnection products used in smartphone, computing, tablet computer, appliances, and consumer electronics OEM products.
- *Circuit protection devices.* We offer a diverse range of circuit protection devices, which limit the flow of current during fault conditions and automatically reset after the fault is cleared and power to the circuit is restored. We also offer surface-mount chip fuses, gas discharge tubes for overvoltage protection, electrostatic discharge protection devices, and hybrid protection devices.
- *Antennas.* We offer application specific and standard antenna products in a variety of structures to enable our customers to complete the transmission of wireless voice and data over a full range of protocols.

- *Relays.* We provide relay products for a wide range of applications in the consumer devices and appliances markets.
- *Heat shrink tubing.* We offer hundreds of reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses.

Markets

We sell our products to manufacturers and distributors in a number of major markets. The approximate percentage of our total net sales by market in fiscal 2014 was as follows:

<u>Markets</u>	<u>Percentage</u>
Automotive	44%
Industrial Equipment	10
Telecom Networks	9
Aerospace, Defense, Oil, and Gas	8
Consumer Devices	7
Energy	6
Data Communications	5
Enterprise Networks	5
Appliances	4
Subsea Communications	2
Total	<u>100%</u>

Our major markets are as follows:

- *Automotive.* The automotive and industrial transportation industry uses our products in automotive technologies for body and chassis systems, convenience applications, driver information, infotainment solutions, miniaturization solutions, motor and powertrain applications, sensor technologies, and safety and security systems. Hybrid and electronic mobility solutions include in-vehicle technologies, battery technologies, and charging solutions. Our industrial and commercial transportation products are used in on- and off-highway vehicles and recreational vehicles.
- *Industrial equipment.* Our products are used in factory automation and process control systems such as industrial controls, robotics, human machine interface, industrial communication, and power distribution. Our intelligent building products are used to connect lighting, HVAC, elevators/escalators, and security. Our rail products are used in high-speed trains, metros, light rail vehicles, locomotives, and signaling switching equipment. The medical industry uses our products in diagnostic, therapeutic, surgical, and interventional applications. Also, our products are used by the solar and lighting industry.
- *Telecom networks.* Our products are used by communication service providers to facilitate the high-speed delivery of services from central offices to customer premises. We offer fiber and copper infrastructure, power distribution, fiber-to-the-premises, and fiber-to-the-node connectivity solutions for the central office and data center, to the outside plant, cell site, and multi-dwelling unit buildings. We develop and manufacture telecommunication products which are used to build out broadband communications infrastructure as well as upgrade networks. Our networking products are used in routers, switches, optical transport, and access equipment for converged voice and data transmission. We offer solutions for distributed antenna systems, wireless infrastructure equipment, and high speed wireless indoor/outdoor base stations.

- *Aerospace, defense, oil, and gas.* We provide components and solutions for the commercial aerospace industry, from the initial stages of aircraft design to aftermarket support. Our defense products include ruggedized electronic interconnects serving military aviation, marine, and ground vehicles including electronic warfare and space systems. Our oil and gas products include cables and electronics used for harsh subsea environments in the offshore oil and gas and civil marine industries and in shipboard, subsea, and sonar applications.
- *Consumer devices.* Our products and connectivity solutions are used in numerous consumer devices, including smart phones, tablet computers, desktop computers, televisions, gaming systems, digital and video cameras, printers and copiers, and business and retail equipment.
- *Energy.* Our products are used in the electrical power industry and include a wide range of solutions for the electrical power generation, transmission, distribution, smart grid, and industrial markets.
- *Data communications.* Our products and solutions are used in a variety of equipment architectures within the networking equipment, data center equipment, and wireless infrastructure industries.
- *Enterprise networks.* We provide cable, connectivity, and cable management solutions for networks that enable high-bandwidth voice and data communications throughout facilities including data centers, commercial buildings, and office campuses. Our products support networks in a variety of industries, including healthcare, government, gaming and hospitality, financial services, education, and transportation.
- *Appliances.* Our products are used in many household appliances, including washers and dryers, refrigerators, air conditioners, dishwashers, cooking appliances, water heaters, and microwaves.
- *Subsea communications.* Our products are used in undersea fiber optic telecommunication systems. With vertically integrated undersea communications systems and services, we support the telecommunications and oil and gas industries, and other customers seeking marine services.

Customers

We collaborate closely with our customers to meet their product needs. Our approach to our customers is driven by our dedication to further develop our product families and ensure that we are globally positioned to best provide our customers with sales and engineering support. We believe that as electronic component technologies continue to proliferate, our broad product portfolio and engineering capability give us a potential competitive advantage when addressing the needs of our global customers.

We maintain a strong local presence in each of the geographic regions in which we operate. Our net sales by geographic region⁽¹⁾ as a percentage of our total net sales were as follows:

	Fiscal		
	2014	2013	2012
Europe/Middle East/Africa (“EMEA”)	35%	34%	34%
Asia-Pacific	33	33	34
Americas ⁽²⁾	32	33	32
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Net sales to external customers are attributed to individual countries based on the legal entity that records the sale.

(2) The Americas includes our subsea communications business.

There is no single customer that accounted for a significant amount of our net sales in fiscal 2014, 2013, or 2012.

Sales, Marketing, and Distribution

We sell our products into more than 150 countries primarily through direct selling efforts to manufacturers. We also sell some of our products indirectly via third-party distributors. In fiscal 2014, our direct sales represented 75% of net sales.

We maintain distribution centers around the world. Products are generally delivered to these distribution centers by our manufacturing facilities and then subsequently delivered to the customer. In some instances, product is delivered directly from our manufacturing facility to the customer. We contract with a wide range of transport providers to deliver our products via road, rail, sea, and air.

Seasonality and Backlog

Customer orders typically fluctuate from quarter to quarter based upon business conditions and cancellation of unfilled orders prior to shipment of goods. We experience a slight seasonal pattern to our business. Overall, the third fiscal quarter is typically the strongest quarter of our fiscal year, whereas the first and fourth fiscal quarters are negatively affected by winter holidays and European holidays, respectively. The second fiscal quarter may also be affected by adverse winter weather conditions in some of our markets.

Certain of our end markets experience some seasonality. Our sales into the automotive market are dependent upon global automotive production, and seasonal declines in European production may negatively impact net sales in the fourth fiscal quarter. Also, our sales into the telecom networks and energy markets typically increase in the third and fourth fiscal quarters as customer activity related to outdoor networks increases.

Backlog by reportable segment was as follows:

	Fiscal Year End	
	2014	2013
	(in millions)	
Transportation Solutions	\$ 989	\$ 996
Industrial Solutions	850	825
Network Solutions ⁽¹⁾	1,088	475
Consumer Solutions	244	273
Total	<u>\$3,171</u>	<u>\$2,569</u>

(1) Includes our subsea communications business's backlog of \$774 million and \$138 million at fiscal year end 2014 and 2013, respectively.

We expect that the majority of our backlog at September 26, 2014 will be filled during fiscal 2015.

Competition

The industries in which we operate are highly competitive, and we compete with thousands of companies that range from large multinational corporations to local manufacturers. Competition is generally on the basis of breadth of product offering, product innovation, price, quality, delivery, and service. Our markets have generally been growing but with downward pressure on prices. The following is a listing of our major competitors by segment:

- *Transportation Solutions.* This segment competes primarily against Yazaki, Delphi, Sumitomo, Sensata, Continental AG, Molex, and Amphenol.

- *Industrial Solutions.* This segment competes primarily against Amphenol, Esterline, Molex, Phoenix Contact, Hubbell, and 3M.
- *Network Solutions.* This segment’s major competitors include CommScope, Corning, Huawei Technologies, Amphenol, and Molex. Also, the subsea communications business competes against Alcatel-Lucent.
- *Consumer Solutions.* This segment’s major competitors include Molex, JST Connectors, Japan Aviation Electronics, Amphenol, and Foxconn Technology Group.

Raw Materials

We use a wide variety of raw materials in the manufacture of our products. The principal raw materials that we use include plastic resins for molding, precious metals such as gold and silver for plating, and other metals such as copper, aluminum, brass, and steel for manufacturing cable, contacts, and other parts that are used for cable and component bodies and inserts. Many of these raw materials are produced in a limited number of countries around the world or are only available from a limited number of suppliers. The prices of these materials are driven by global supply and demand.

Research and Development

We are engaged in both internal and external research and development in an effort to introduce new products to enhance the effectiveness, ease of use, safety, and reliability of our existing products, and to expand the applications for which the uses of our products are appropriate. We continually evaluate developing technologies in areas where we may have technological or marketing expertise for possible investment or acquisition.

Our research and development expense was as follows:

	Fiscal		
	2014	2013	2012
	(in millions)		
Transportation Solutions	\$193	\$193	\$181
Industrial Solutions	127	122	137
Network Solutions	191	197	200
Consumer Solutions	61	64	77
Total	<u>\$572</u>	<u>\$576</u>	<u>\$595</u>

Intellectual Property

Patents and other proprietary rights are important to our business. We also rely upon trade secrets, manufacturing know-how, continuing technological innovations, and licensing opportunities to maintain and improve our competitive position. We review third-party proprietary rights, including patents and patent applications, as available, in an effort to develop an effective intellectual property strategy, avoid infringement of third-party proprietary rights, identify licensing opportunities, and monitor the intellectual property claims of others.

We own a large portfolio of patents that relate principally to electrical, optical, and electronic products. We also own a portfolio of trademarks and are a licensee of various patents and trademarks. Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. Trademark rights may potentially extend for longer periods of time and are dependent upon national laws and use of the trademarks.

While we consider our patents and trademarks to be valued assets, we do not believe that our competitive position or our operations are dependent upon or would be materially impacted by any single patent or group of related patents.

Employees

As of September 26, 2014, we employed approximately 83,000 people worldwide, of whom 28,000 were in the EMEA region, 28,000 were in the Asia-Pacific region, and 27,000 were in the Americas region. Of our total employees, approximately 53,000 were employed in manufacturing.

Government Regulation and Supervision

The import and export of products are subject to regulation by the United States (“U.S.”) and other countries. A small portion of our products, including defense-related products, may require governmental import and export licenses, whose issuance may be influenced by geopolitical and other events. We have a trade compliance organization and other systems in place to apply for licenses and otherwise comply with such regulations. Any failure to maintain compliance with domestic and foreign trade regulation could limit our ability to import and export raw materials and finished goods into or from the relevant jurisdiction.

Environmental

Our operations are subject to numerous environmental, health, and safety laws and regulations, including those regulating the discharge of materials into the environment, greenhouse gas emissions, hazardous materials in products, chemical usage, and others. We are committed to complying with these laws and to the protection of our employees and the environment. We maintain a global environmental, health, and safety program that includes appropriate policies and standards; staff dedicated to environmental, health, and safety issues; periodic compliance auditing; training; and other measures. We have a program for compliance with the European Union (“EU”) Restriction of Hazardous Substances and Waste Electrical and Electronics Equipment Directives, the China Restriction of Hazardous Substances law, the EU REACH (chemical registration and evaluation) Regulation, and similar laws.

Compliance with these laws has increased our costs of doing business in a variety of ways and may continue to do so in the future. For example, laws regarding product content and chemical registration require extensive and costly data collection, management, and reporting, and laws regulating greenhouse gas emissions are likely to increase our costs for energy and certain materials and products. We also have projects underway at a number of current and former manufacturing facilities to investigate and remediate environmental contamination resulting from past operations. Based upon our experience, current information, and applicable laws, we believe that it is probable that we will incur remedial costs in the range of approximately \$18 million to \$40 million. As of September 26, 2014, we believe that the best estimate within this range is approximately \$21 million. We do not anticipate any material capital expenditures during fiscal 2015 for environmental control facilities or other costs of compliance with laws or regulations relating to greenhouse gas emissions.

Corporate History

We are organized under the laws of Switzerland. The rights of holders of our shares are governed by Swiss law, our Swiss articles of association, and our Swiss organizational regulations.

Our business was formed principally through a series of acquisitions, from fiscal 1999 through fiscal 2002, of established electronics companies and divisions, including AMP Incorporated, Raychem Corporation, the Electromechanical Components Division of Siemens, and the OEM Division of Thomas & Betts. These companies each had more than 50 years of history in engineering and innovation excellence. We operated as a segment of Tyco International Ltd. (“Tyco International”) prior to our separation.

Tyco Electronics Ltd. was incorporated in fiscal 2000 as a wholly-owned subsidiary of Tyco International. Effective June 29, 2007, Tyco International distributed all of our shares, as well as its shares of its former healthcare businesses (“Covidien”), to its common shareholders (referred to in this report as the “separation”). We became an independent, publicly traded company owning the former electronics businesses of Tyco International.

In March 2011, our shareholders approved an amendment to our articles of association to change our name from “Tyco Electronics Ltd.” to “TE Connectivity Ltd.” The name change was effective March 10, 2011. Our ticker symbol “TEL” on the New York Stock Exchange remained unchanged.

We acquired Deutsch Group SAS (“Deutsch”) and ADC Telecommunications, Inc. (“ADC”) in fiscal 2012 and 2011, respectively. See Note 5 to the Consolidated Financial Statements for additional information regarding acquisitions.

Available Information

All periodic and current reports, registration filings, and other filings that we are required to file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) are available free of charge through our internet website at *www.te.com*. Such documents are available as soon as reasonably practicable after electronic filing or furnishing of the material with the SEC.

The public may also read and copy any document that we file, including this Annual Report, at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, from which investors can electronically access our SEC filings.

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**MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
ISSUER PURCHASES OF EQUITY SECURITIES**

Market Information

Our common shares are listed and traded on the New York Stock Exchange (“NYSE”) under the symbol “TEL.” The following table sets forth the high and low closing sales prices of our common shares as reported by the NYSE for the quarterly periods during the fiscal years ended September 26, 2014 and September 27, 2013.

	Market Price Range			
	Fiscal			
	2014		2013	
	High	Low	High	Low
First Quarter	\$54.58	\$49.91	\$37.95	\$32.03
Second Quarter	60.16	54.45	42.54	36.88
Third Quarter	62.24	56.66	46.87	39.11
Fourth Quarter	64.97	58.47	53.54	46.20

The number of registered holders of our common shares at November 7, 2014 was 27,211.

Dividends and Cash Distributions to Shareholders

The following table sets forth the dividends and cash distributions to shareholders paid on our common shares during the quarterly periods presented below⁽¹⁾.

	Fiscal	
	2014	2013
First Quarter	\$ 0.25 (CHF 0.24)	\$ 0.21 (CHF 0.20) ⁽²⁾
Second Quarter	\$ 0.25 (CHF 0.24)	\$ 0.21 (CHF 0.20) ⁽²⁾
Third Quarter	\$ 0.29 (CHF 0.26)	\$ 0.25 (CHF 0.24)
Fourth Quarter	\$ 0.29 (CHF 0.26)	\$ 0.25 (CHF 0.24)

(1) Payments were declared in Swiss francs (“CHF”) and paid in U.S. dollars based on a U.S. dollar/Swiss franc exchange rate shortly before shareholder approval.

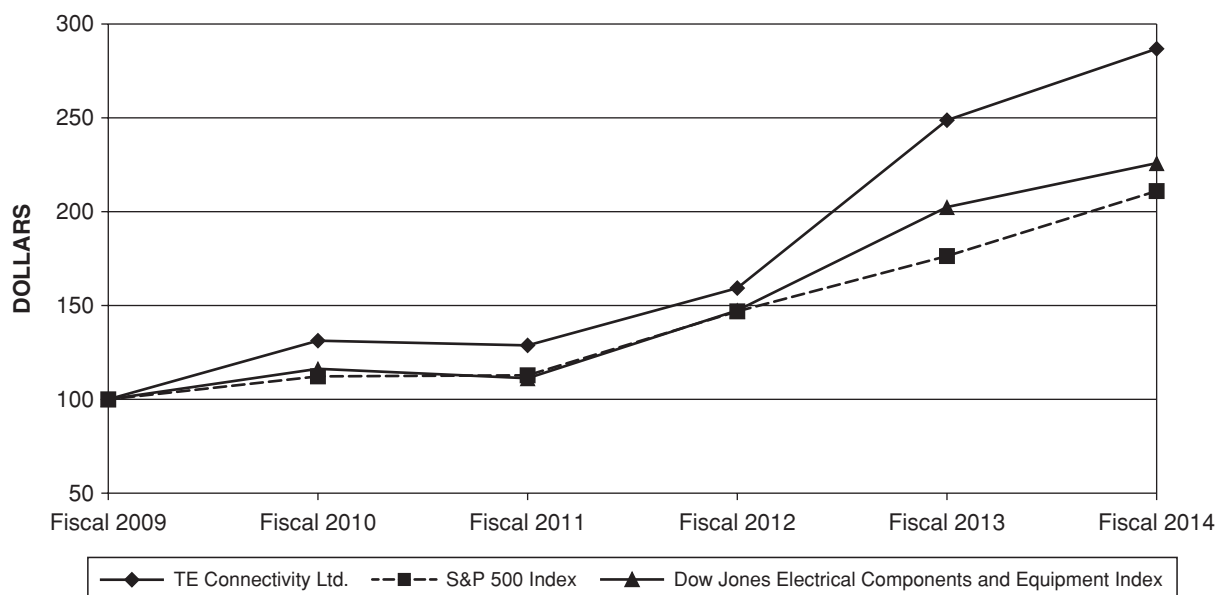
(2) Paid in the form of a reduction of registered share capital.

Future dividends on our common shares or reductions of registered share capital for distribution to shareholders, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends or distributions be approved, our board of directors will consider our results of operations, cash requirements and surplus, financial condition, statutory requirements of applicable law, contractual restrictions, and other factors that they may deem relevant. We may from time to time enter into financing agreements that contain financial covenants and restrictions, some of which may limit our ability to pay dividends or to distribute capital reductions.

Performance Graph

Set forth below is a graph comparing the cumulative total shareholder return on our common shares against the cumulative return on the S&P 500 Index and the Dow Jones Electrical Components and Equipment Index. The graph assumes the investment of \$100 in our common shares and in each index on September 25, 2009 and assumes the reinvestment of all dividends and distributions. The graph shows the cumulative total return as of the fiscal years ended September 24, 2010, September 30, 2011, September 28, 2012, September 27, 2013, and September 26, 2014. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common shares.

COMPARISON OF CUMULATIVE TOTAL RETURN AMONG TE CONNECTIVITY LTD., S&P 500 INDEX, AND DOW JONES ELECTRICAL COMPONENTS AND EQUIPMENT INDEX



	Fiscal					
	2009*	2010	2011	2012	2013	2014
TE Connectivity Ltd.	\$100.00	\$131.25	\$128.75	\$159.28	\$248.74	\$286.80
S&P 500 Index	100.00	112.23	112.81	146.88	176.35	210.98
Dow Jones Electrical Components and Equipment Index	100.00	116.27	111.24	147.37	202.45	225.86

* \$100 invested on September 25, 2009 in TE Connectivity's common shares and in indexes. Indexes calculated on month-end basis.

Issuer Purchases of Equity Securities

The following table presents information about our purchases of our common shares during the quarter ended September 26, 2014:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
June 28–July 25, 2014	643,104	\$63.25	640,700	\$997,118,807
July 26–August 29, 2014	1,034,186	62.13	1,030,600	933,084,934
August 30–September 26, 2014	965,447	61.54	959,700	874,026,621
Total	2,642,737	\$62.19	2,631,000	

(1) These columns include the following transactions which occurred during the quarter ended September 26, 2014:

- (i) the acquisition of 11,737 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans; and
- (ii) open market purchases totaling 2,631,000 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007.

(2) On October 29, 2013, our board of directors authorized a \$1 billion increase in the share repurchase program. Our share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data. The data presented below should be read in conjunction with our Consolidated Financial Statements and accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report. Our consolidated financial information may not be indicative of our future performance.

	As of or for Fiscal				
	2014 ⁽¹⁾	2013 ⁽²⁾	2012 ⁽³⁾	2011 ⁽⁴⁾	2010 ⁽⁵⁾
	(in millions, except per share data)				
Statement of Operations Data					
Net sales	\$13,912	\$13,280	\$13,282	\$13,778	\$11,681
Acquisition and integration costs	31	14	27	19	8
Restructuring and other charges, net	59	311	128	136	137
Amounts attributable to TE Connectivity Ltd.:					
Income from continuing operations	1,789	1,276	1,163	1,223	1,012
Income (loss) from discontinued operations, net of income taxes	(8)	—	(51)	22	91
Net income	\$ 1,781	\$ 1,276	\$ 1,112	\$ 1,245	\$ 1,103
Per Share Data					
Basic earnings per share attributable to TE Connectivity Ltd.:					
Income from continuing operations	\$ 4.36	\$ 3.05	\$ 2.73	\$ 2.79	\$ 2.23
Net income	4.34	3.05	2.61	2.84	2.43
Diluted earnings per share attributable to TE Connectivity Ltd.:					
Income from continuing operations	\$ 4.29	\$ 3.02	\$ 2.70	\$ 2.76	\$ 2.21
Net income	4.27	3.02	2.59	2.81	2.41
Dividends and cash distributions paid per common share	\$ 1.08	\$ 0.92	\$ 0.78	\$ 0.68	\$ 0.64
Balance Sheet Data					
Total assets	20,152	18,461	19,306	17,723	16,992
Long-term liabilities	7,185	6,151	7,325	6,829	6,468
Total equity	9,013	8,386	7,977	7,484	7,056

- (1) Fiscal 2014 results include \$282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards. (See Note 16 to the Consolidated Financial Statements.)
- (2) Fiscal 2013 results include \$331 million of income tax benefits associated with the effective settlement of an audit of prior year tax returns as well as the related impact of \$231 million to other expense pursuant to the tax sharing agreement with Tyco International and Covidien. (See Notes 13, 16, and 17 to the Consolidated Financial Statements.)
- (3) Fiscal 2012 results include \$75 million of charges associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog associated with Deutsch and \$107 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations. (See Notes 5 and 16 to the Consolidated Financial Statements.)
- (4) Fiscal 2011 results include \$39 million of charges associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog associated with ADC.
- (5) Fiscal 2010 results include \$178 million of other income pursuant to the Tax Sharing Agreement with Tyco International and Covidien, \$307 million of income tax charges associated primarily with certain proposed adjustments to prior year income tax returns and related accrued interest, \$101 million of income tax benefits related to the completion of certain non-U.S. audits of prior year income tax returns, and \$72 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with tax loss carry forwards in certain non-U.S. locations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the accompanying notes included elsewhere in this Annual Report. The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Annual Report, particularly in "Forward-Looking Information" and in "Part I. Item 1A. Risk Factors" as set forth in our Annual Report on Form 10-K for the fiscal year ended September 26, 2014 as filed with the SEC.

Our Consolidated Financial Statements have been prepared in U.S. dollars, in accordance with accounting principles generally accepted in the U.S. ("GAAP").

The following discussion includes organic net sales growth and free cash flow which are non-GAAP financial measures. We believe these non-GAAP financial measures, together with GAAP financial measures, provide useful information to investors because they reflect the financial measures that management uses in evaluating the underlying results of our operations. See "Non-GAAP Financial Measures" for more information about these non-GAAP financial measures, including our reasons for including the measures and material limitations with respect to the usefulness of the measures.

Overview

We are a global technology leader. We design and manufacture connectivity and sensors solutions essential in today's increasingly connected world. We help our customers solve the need for intelligent, efficient, and high-performing products and solutions.

During fiscal 2014, we realigned certain businesses within our segment reporting structure to better align our product portfolio. We continue to operate through four reporting segments: Transportation Solutions, Industrial Solutions, Network Solutions, and Consumer Solutions. See Notes 1 and 22 to the Consolidated Financial Statements for additional information regarding our segments. Prior period segment results have been restated to conform to the current segment reporting structure.

Our business and operating results have been and will continue to be affected by worldwide economic conditions. Our sales are dependent on certain industry end markets that are impacted by consumer as well as industrial and infrastructure spending, and our operating results can be affected by changes in demand in those markets.

Overall, our fiscal 2014 net sales increased 4.8% as compared to fiscal 2013. Increased net sales in the Transportation Solutions segment and, to a lesser degree, the Industrial Solutions segment were partially offset by declines in the Network Solutions segment and, to a lesser degree, the Consumer Solutions segment. On an organic basis, net sales increased 4.6% during fiscal 2014 as compared to fiscal 2013. In the Transportation Solutions segment, our net sales in the automotive end market increased 10.4% on an organic basis during fiscal 2014, with sales increases in all regions. In the Industrial Solutions segment, our organic net sales increased 5.2% in fiscal 2014, due primarily to growth in the industrial equipment and aerospace, defense, oil, and gas end markets, driven by the Asia-Pacific region. In the Network Solutions segment, on an organic basis, our net sales decreased 3.2% in fiscal 2014, due primarily to declines in the subsea communications and data communications end markets. In the Consumer Solutions segment, our organic net sales decreased 1.0% in fiscal 2014 as compared to fiscal 2013 as declines in the consumer devices end market were partially offset by increases in the appliances end market.

Overall, our fiscal 2013 net sales were consistent with fiscal 2012 levels. Increased net sales in the Transportation Solutions segment were offset by declines in the Network Solutions and Consumer

Solutions segments. On an organic basis, our net sales decreased 1.3% during fiscal 2013 as compared to fiscal 2012. In the Transportation Solutions segment, our organic net sales in the automotive end market increased 4.9% during fiscal 2013, with sales increases in the Americas and, to a lesser degree, the Asia-Pacific and EMEA regions. In the Network Solutions segment, our organic net sales decreased 5.8% in fiscal 2013, due primarily to weakness in the subsea communications and data communications end markets. In the Industrial Solutions segment, on an organic basis, our net sales decreased 4.6% in fiscal 2013, primarily as a result of declines in the industrial equipment end market. In the Consumer Solutions segment, our organic net sales decreased 5.1% in fiscal 2013, due primarily to declines in the consumer devices end market.

The acquisition of Deutsch in April 2012 benefited our sales in the automotive and aerospace, defense, oil, and gas end markets in the Transportation Solutions and Industrial Solutions segments, respectively, and contributed net sales of \$327 million in fiscal 2012. Also, Deutsch contributed incremental net sales of \$320 million in the first six months of fiscal 2013 over the same period of fiscal 2012.

Outlook

In the first quarter of fiscal 2015, we expect net sales to be between \$3.46 billion and \$3.56 billion, primarily reflecting sales increases of approximately 10% in the Transportation Solutions segment and, to a lesser degree, in the Industrial Solutions segment, partially offset by a decrease in the Consumer Solutions segment relative to the first quarter of fiscal 2014. In the Transportation Solutions segment, we expect our sales growth to outpace an anticipated 1% to 2% growth in global automotive production in the first quarter of fiscal 2015 as compared to the same period of fiscal 2014. In addition, the Transportation Solutions segment will benefit from the recently completed acquisition of Measurement Specialties. In the Industrial Solutions segment, we expect our sales to increase in the first quarter of fiscal 2015 as compared to the first quarter of fiscal 2014, due primarily to increased sales in the aerospace, defense, oil, and gas end market. Our sales in the aerospace, defense, oil, and gas end market will benefit from the acquisition of the SEACON Group (“SEACON”). In the Network Solutions segment, we expect a modest sales increase in the first quarter of fiscal 2015, due primarily to increased sales in the subsea communications end market. We expect our net sales in the subsea communications end market to be approximately \$115 million in the first quarter of fiscal 2015. In the Consumer Solutions segment, we expect our sales decrease in the consumer devices end market to be partially offset by a sales increase in the appliances end market in the first quarter of fiscal 2015 as compared to the first quarter of fiscal 2014. We expect diluted earnings per share to be in the range of \$0.95 to \$0.99 per share in the first quarter of fiscal 2015. This outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$100 million and \$0.03 per share, respectively, in the first quarter of fiscal 2015 as compared to the first quarter of fiscal 2014.

For fiscal 2015, we expect net sales to be between \$14.7 billion and \$15.3 billion. This primarily reflects sales increases in the Transportation Solutions and Network Solutions segments and, to a lesser degree, the Industrial Solutions segment from fiscal 2014 levels. In the Transportation Solutions segment, we expect our sales growth to outpace an anticipated 2.5% to 3% growth in global automotive production from fiscal 2014 levels. We expect Measurement Specialties to contribute approximately \$600 million in sales to the Transportation Solutions segment in fiscal 2015. In the Network Solutions segment, we expect our sales to increase approximately 10% in fiscal 2015 as compared to fiscal 2014, with growth driven by a sales increase of approximately \$300 million in the subsea communications end market. In the Industrial Solutions segment, we expect our sales to increase in fiscal 2015 over fiscal 2014, due primarily to increased sales in the aerospace, defense, oil, and gas end market. In the Consumer Solutions segment, we expect our sales decrease in the consumer devices end market to be offset by a sales increase in the appliances end market in fiscal 2015 as compared to fiscal 2014. We expect diluted earnings per share to be in the range of \$3.99 to \$4.29 per share in fiscal 2015. This

outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$400 million and \$0.15 per share, respectively, in fiscal 2015 as compared to fiscal 2014.

The above outlook is based on foreign exchange rates and commodity prices that are consistent with current levels.

We are monitoring the current macroeconomic environment and its potential effects on our customers and the end markets we serve. Additionally, we continue to closely manage our costs in line with economic conditions. We also are managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund future capital needs. See further discussion in “Liquidity and Capital Resources.”

Acquisitions

On October 9, 2014, we acquired 100% of the outstanding shares of Measurement Specialties, a leading global designer and manufacturer of sensors and sensor-based systems, for \$86 in cash per share. The total value paid, which included the repayment of debt, was approximately \$1.7 billion, net of cash acquired. Measurement Specialties offers a broad portfolio of technologies including pressure, vibration, force, temperature, humidity, ultrasonics, position, and fluid sensors, for a wide range of applications and industries. This business will be reported as part of our Transportation Solutions segment. See additional information regarding the acquisition of Measurement Specialties in Note 24 to the Consolidated Financial Statements.

During fiscal 2014, we acquired six companies, including SEACON, a leading provider of underwater connector technology and systems, for \$528 million in cash, net of cash acquired.

On April 3, 2012, we acquired 100% of the outstanding shares of Deutsch for a total value paid of €1.55 billion (approximately \$2.05 billion using an exchange rate of \$1.33 per €1.00), net of cash acquired. The total value paid included \$659 million related to the repayment of Deutsch’s financial debt and accrued interest. The acquired Deutsch businesses have been reported in the Transportation Solutions and Industrial Solutions segments from the date of acquisition. During fiscal 2012, Deutsch contributed net sales of \$327 million and an operating loss of \$54 million to our Consolidated Statement of Operations. The operating loss included charges of \$75 million associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog, acquisition costs of \$21 million, restructuring charges of \$14 million, and integration costs of \$6 million. See Note 5 to the Consolidated Financial Statements for additional information regarding the Deutsch acquisition.

Restructuring

We are committed to continuous productivity improvements and consistently evaluate opportunities to simplify our global manufacturing footprint, migrate facilities to lower-cost regions, reduce fixed costs, and eliminate excess capacity. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for future growth. In connection with these initiatives and in response to market conditions, we incurred net restructuring charges of \$63 million during fiscal 2014 and expect to incur net restructuring charges of approximately \$65 million during fiscal 2015, including \$15 million associated with the integration of Measurement Specialties. Cash spending related to restructuring was \$160 million during fiscal 2014, and we expect total spending, which will be funded with cash from operations, to be approximately \$105 million in fiscal 2015. Annualized cost savings related to actions commenced in fiscal 2014 are estimated to be approximately \$30 million and are expected to be realized by the end of fiscal 2016. Annualized cost savings related to actions commenced in fiscal 2013 are estimated to be approximately \$115 million and are expected to be realized by the end of fiscal 2015. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses.

Discontinued Operations

During fiscal 2012, we sold our Touch Solutions and TE Professional Services businesses. See Note 4 to the Consolidated Financial Statements for additional information regarding discontinued operations.

Results of Operations

Key business factors that influenced our results of operations for the periods discussed in this report include:

- **Raw material prices.** We purchased approximately 173 million pounds of copper, 127,000 troy ounces of gold, and 2.6 million troy ounces of silver in fiscal 2014. Prices continue to fluctuate. The following table sets forth the average prices incurred related to copper, gold, and silver.

	Measure	Fiscal		
		2014	2013	2012
Copper	Lb.	\$ 3.29	\$ 3.51	\$ 3.90
Gold	Troy oz.	\$1,405	\$1,613	\$1,599
Silver	Troy oz.	\$23.43	\$29.18	\$34.30

In fiscal 2015, we expect to purchase copper, gold, and silver in quantities similar to fiscal 2014 levels.

- **Foreign exchange.** Approximately 55% of our net sales are invoiced in currencies other than the U.S. dollar. Our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. dollars at the end of each fiscal period. The percentage of net sales in fiscal 2014 by major currencies invoiced was as follows:

Currencies	Percentage
U.S. dollar	45%
Euro	30
Chinese renminbi	8
Japanese yen	6
All others	11
Total	<u>100%</u>

Consolidated Operations

Net Sales. Net sales increased \$632 million, or 4.8%, to \$13,912 million in fiscal 2014 from \$13,280 million in fiscal 2013. On an organic basis, net sales increased \$617 million, or 4.6%, during fiscal 2014 as compared to fiscal 2013 as increased net sales in the Transportation Solutions segment and, to a lesser degree, the Industrial Solutions segment were partially offset by decreases in the Network Solutions and Consumer Solutions segments. Price erosion adversely affected organic sales by \$257 million in fiscal 2014. Foreign currency exchange rates positively impacted net sales by \$21 million, or 0.2%, in fiscal 2014.

Net sales were \$13,280 million and \$13,282 million in fiscal 2013 and 2012, respectively. On an organic basis, net sales decreased \$171 million, or 1.3%, in fiscal 2013 from fiscal 2012 as increased net sales in the Transportation Solutions segment were more than offset by decreases in the Network Solutions, Industrial Solutions, and Consumer Solutions segments. Price erosion adversely affected

organic sales by \$207 million in fiscal 2013. Foreign currency exchange rates negatively impacted net sales by \$115 million, or 0.9%, in fiscal 2013. Deutsch, which was acquired on April 3, 2012, contributed incremental net sales of \$320 million during the first six months of fiscal 2013 over the same period of fiscal 2012.

See further discussion of organic net sales below under “Results of Operations by Segment.”

The following table sets forth the percentage of our total net sales by geographic region:

	Fiscal		
	2014	2013	2012
EMEA	35%	34%	34%
Asia-Pacific	33	33	34
Americas	32	33	32
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following table provides an analysis of the change in our net sales compared to the prior fiscal year by geographic region:

	Fiscal											
	2014						2013					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisitions (Divestitures)	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisition (Divestiture)	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisition (Divestiture)	Total
	(\$ in millions)											
EMEA	\$219	4.8%	\$149	\$ (6)	\$362	7.9%	\$(114)	(2.5)%	\$ 28	\$146	\$ 60	1.3%
Asia-Pacific	337	7.8	(76)	(34)	227	5.2	(31)	(0.7)	(113)	(7)	(151)	(3.4)
Americas	61	1.4	(52)	34	43	1.0	(26)	(0.6)	(30)	145	89	2.1
Total	<u>\$617</u>	<u>4.6%</u>	<u>\$ 21</u>	<u>\$ (6)</u>	<u>\$632</u>	<u>4.8%</u>	<u>\$(171)</u>	<u>(1.3)%</u>	<u>\$(115)</u>	<u>\$284</u>	<u>\$ (2)</u>	<u>—%</u>

(1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

The following table sets forth the percentage of our total net sales by segment:

	Fiscal		
	2014	2013	2012
Transportation Solutions	44%	41%	39%
Industrial Solutions	24	23	23
Network Solutions	21	23	25
Consumer Solutions	11	13	13
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following table provides an analysis of the change in our net sales compared to the prior fiscal year by segment:

	Fiscal											
	2014					2013						
	Change in Net Sales versus Prior Fiscal Year					Change in Net Sales versus Prior Fiscal Year						
	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisitions (Divestitures)	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisition (Divestiture)	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisition (Divestiture)	Total
(\$ in millions)												
Transportation Solutions	\$570	10.4%	\$ 33	\$ 2	\$ 605	11.0%	\$ 251	4.9%	\$ (54)	\$ 160	\$ 357	7.0%
Industrial Solutions	161	5.2	11	31	203	6.6	(142)	(4.6)	(20)	160	(2)	(0.1)
Network Solutions	(98)	(3.2)	(11)	(39)	(148)	(4.8)	(192)	(5.8)	(16)	(36)	(244)	(7.4)
Consumer Solutions	(16)	(1.0)	(12)	—	(28)	(1.7)	(88)	(5.1)	(25)	—	(113)	(6.5)
Total	<u>\$617</u>	<u>4.6%</u>	<u>\$ 21</u>	<u>\$ (6)</u>	<u>\$ 632</u>	<u>4.8%</u>	<u>\$(171)</u>	<u>(1.3)%</u>	<u>\$(115)</u>	<u>\$284</u>	<u>\$ (2)</u>	<u>—%</u>

(1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Gross Margin. Gross margin increased \$363 million to \$4,692 million in fiscal 2014 from gross margin of \$4,329 million in fiscal 2013. The increase in gross margin resulted primarily from improved manufacturing productivity and, to a lesser degree, higher volume, partially offset by price erosion. Gross margin as a percentage of net sales increased to 33.7% during fiscal 2014 as compared to 32.6% in fiscal 2013.

In fiscal 2013, gross margin was \$4,329 million, reflecting a \$283 million increase from gross margin of \$4,046 million in fiscal 2012. In fiscal 2012, gross margin included charges of \$75 million associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog associated with Deutsch. Excluding this item, gross margin increased in fiscal 2013 as compared to fiscal 2012 due primarily to improved manufacturing productivity and, to a lesser degree, lower material costs, partially offset by price erosion. Gross margin as a percentage of net sales increased to 32.6% in fiscal 2013 from 30.5% in fiscal 2012.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased \$109 million to \$1,882 million during fiscal 2014 as compared to \$1,773 million in fiscal 2013. The increase resulted primarily from increased selling expenses to support higher sales levels, partially offset by savings attributable to restructuring actions and a gain on the sale of real estate. Selling, general, and administrative expenses as a percentage of net sales increased to 13.5% in fiscal 2014 from 13.4% in fiscal 2013.

Selling, general, and administrative expenses increased \$88 million to \$1,773 million in fiscal 2013 from \$1,685 million in fiscal 2012. The increase resulted primarily from additional selling, general, and administrative expenses of Deutsch, increased incentive compensation costs, and impairment charges on certain assets held for sale, partially offset by savings attributable to restructuring actions. Selling, general, and administrative expenses as a percentage of net sales increased to 13.4% in fiscal 2013 from 12.7% in fiscal 2012.

Acquisition and Integration Costs. In fiscal 2014, we incurred acquisition and integration costs of \$31 million, primarily in connection with the acquisition of SEACON. In connection with the acquisition of Deutsch, we incurred acquisition and integration costs of \$14 million and \$27 million during fiscal 2013 and 2012, respectively.

Restructuring and Other Charges, Net. Net restructuring and other charges were \$59 million, \$311 million, and \$128 million in fiscal 2014, 2013, and 2012, respectively. During fiscal 2014, we initiated a restructuring program associated primarily with headcount reductions and manufacturing site and product line closures in the Network Solutions and Consumer Solutions segments. During fiscal

2013, we initiated a restructuring program associated with headcount reductions and manufacturing site closures impacting all segments. During fiscal 2012, we initiated a restructuring program to reduce headcount across all segments. Also, we initiated a restructuring program in the Transportation Solutions and Industrial Solutions segments associated with the acquisition of Deutsch. See Note 3 to the Consolidated Financial Statements for additional information regarding net restructuring and other charges.

Operating Income. Operating income was \$2,045 million, \$1,556 million, and \$1,518 million in fiscal 2014, 2013, and 2012, respectively. Results for fiscal 2014 included \$59 million of net restructuring and other charges, \$31 million of acquisition and integration charges, and \$4 million of charges associated with the amortization of acquisition-related fair value adjustments. Results for fiscal 2013 included \$311 million of net restructuring and other charges and \$14 million of acquisition and integration costs. Results for fiscal 2012 included \$116 million of charges related to the acquisition of Deutsch, including \$75 million of charges associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog, \$27 million of acquisition and integration costs, and \$14 million of net restructuring and other charges. Results for fiscal 2012 also included \$114 million of additional net restructuring and other charges.

Non-Operating Items

Interest Expense. Interest expense was \$131 million, \$142 million, and \$176 million in fiscal 2014, 2013, and 2012, respectively. The decrease of \$11 million in fiscal 2014 from fiscal 2013 was due to a lower average cost of debt. The decrease of \$34 million in fiscal 2013 from fiscal 2012 resulted from lower average debt levels.

Other Income (Expense), Net. In fiscal 2014, 2013, and 2012, we recorded net other income of \$63 million, net other expense of \$183 million, and net other income of \$50 million, respectively, primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 to the Consolidated Financial Statements for further information regarding the Tax Sharing Agreement. The net other income in fiscal 2014 included \$18 million of income related to our share of a settlement agreement entered into by Tyco International with a former subsidiary, CIT Group Inc., which arose from a pre-separation claim for which we were entitled to 31% once resolved. The net other expense in fiscal 2013 included \$231 million related to the effective settlement of all undisputed tax matters for the period 1997 through 2000. See Note 13 to the Consolidated Financial Statements for additional information.

Income Taxes. Our operations are conducted through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which our operations are conducted and income and loss from operations is subject to taxation. We recorded income tax expense of \$207 million, benefit of \$29 million, and expense of \$249 million in fiscal 2014, 2013, and 2012, respectively.

The tax provision for fiscal 2014 reflects income tax benefits of \$282 million recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards, partially offset by an income tax charge related to adjustments to prior year income tax returns.

In fiscal 2014, we acquired SEACON, and its U.S. operations were combined with our ADC U.S. federal consolidated tax group. In addition, the ADC U.S. tax group was combined with other U.S. legal entities and assets. We reassessed the realization of the revised ADC U.S. tax group's tax loss and credit carryforwards. Based upon management's review of forecasted future taxable income of the reorganized combined tax group, we believe it is more likely than not that a tax benefit will be realized on additional U.S. federal and state net operating losses. Accordingly, we reduced the valuation

allowance and recorded a tax benefit of \$282 million. As of fiscal year end 2014, we continue to maintain a valuation allowance of \$75 million related to U.S. federal and state tax attributes of the ADC U.S. tax group due to uncertainty of their realization in the future.

The tax benefit for fiscal 2013 reflects an income tax benefit of \$331 million related to the effective settlement of all undisputed tax matters for the period 1997 through 2000. In addition, the tax benefit for fiscal 2013 reflects \$23 million of net tax benefits consisting primarily of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards and income tax benefits recognized in connection with the lapse of statutes of limitations for examinations of prior year income tax returns, partially offset by income tax expense related to adjustments to prior year income tax returns.

The tax provision for fiscal 2012 reflects an income tax benefit of \$107 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations. In addition, the tax provision for fiscal 2012 reflects \$17 million of income tax expense associated with certain non-U.S. tax rate changes enacted in the quarter ended December 30, 2011.

The valuation allowance for deferred tax assets of \$1,721 million and \$1,816 million at fiscal year end 2014 and 2013, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. We believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on our Consolidated Balance Sheet. The valuation allowance was calculated in accordance with the provisions of ASC 740, which require that a valuation allowance be established or maintained when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. Furthermore, management has reviewed with tax counsel the issues raised by certain taxing authorities and the adequacy of these recorded amounts. If our current estimate of tax and interest liabilities is less than the ultimate settlement, an additional charge to income tax expense may result. If our current estimate of tax and interest liabilities is more than the ultimate settlement, income tax benefits may be recognized.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of September 26, 2014, certain subsidiaries had approximately \$18 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by

such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of September 26, 2014, we had approximately \$5.5 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to Tyco Electronics Group S.A. (“TEGSA”), our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately \$1.7 billion of tax expense would be recognized on our Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

Loss from Discontinued Operations, Net of Income Taxes. During fiscal 2012, we sold our Touch Solutions business for net cash proceeds of \$380 million and recognized an insignificant pre-tax gain on the transaction. The agreement includes contingent earn-out provisions through 2015 based on business performance. In connection with the divestiture, we incurred an income tax charge of \$65 million, which is included in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations for fiscal 2012. This charge was driven primarily by the inability to fully realize a tax benefit associated with the write-off of goodwill at the time of the sale.

During fiscal 2012, we sold our TE Professional Services business for net cash proceeds of \$28 million and recognized an insignificant pre-tax gain on the transaction. Additionally, during fiscal 2012, we recorded a pre-tax impairment charge of \$28 million, which is included in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations, to write the carrying value of this business down to its estimated fair value less costs to sell.

In December 2011, the New York Court of Claims entered judgment in our favor in the amount of \$25 million, payment of which was received in fiscal 2012, in connection with our former Wireless Systems business’s State of New York contract. This judgment resolved all outstanding issues between the parties in this matter. This partial recovery of a previously recognized loss, net of legal fees, is reflected in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations for fiscal 2012.

The Touch Solutions, TE Professional Services, and Wireless Systems businesses met the discontinued operations criteria and have been included as such in all periods presented on our Consolidated Financial Statements. Prior to reclassification to discontinued operations, the Touch Solutions and TE Professional Services businesses were included in the former Communications and Industrial Solutions segment and the Network Solutions segment, respectively. The Wireless Systems business was a component of the former Wireless Systems segment.

See Note 4 to the Consolidated Financial Statements for additional information regarding discontinued operations.

Results of Operations by Segment

Transportation Solutions

	Fiscal		
	2014	2013	2012
	(\$ in millions)		
Net sales	\$6,090	\$5,485	\$5,128
Operating income	\$1,283	\$ 972	\$ 754
Operating margin	21.1%	17.7%	14.7%

Fiscal 2014 Compared to Fiscal 2013

In fiscal 2014, net sales in the Transportation Solutions segment increased \$605 million, or 11.0%, to \$6,090 million from \$5,485 million in fiscal 2013. The strengthening of certain foreign currencies positively impacted net sales by \$33 million, or 0.6%, in fiscal 2014 as compared to fiscal 2013. Organic net sales increased by \$570 million, or 10.4%, in fiscal 2014 from fiscal 2013.

In the automotive end market, which is the Transportation Solutions segment's primary industry end market, our organic net sales increased 10.4% in fiscal 2014 as compared to fiscal 2013. The increase was due primarily to growth of 13.5% in the Asia-Pacific region, 8.9% in the Americas region, and 8.6% in the EMEA region. In the Asia-Pacific region, growth was driven by increased demand in China and, to a lesser degree, Japan, partially offset by declines in certain southeastern Asia-Pacific areas. Growth in the Americas region was driven by strong consumer demand in North America, partially offset by weaker economic conditions in South America. In the EMEA region, growth resulted primarily from increased demand for exports to other regions and, to a lesser degree, increased local demand. In the commercial vehicle market, our organic net sales increase was due to stronger market conditions, strength in the North America truck market, and the acceleration of purchases related to emission standard changes in China and the EMEA region.

Operating income in the Transportation Solutions segment increased \$311 million to \$1,283 million in fiscal 2014 from \$972 million in fiscal 2013. Segment results for fiscal 2014 included \$4 million of net restructuring and other charges and \$4 million of acquisition and integration costs. Segment results for fiscal 2013 included \$38 million of net restructuring and other charges and \$7 million of acquisition and integration costs. Excluding these items, operating income increased in fiscal 2014 as compared to fiscal 2013, primarily as a result of higher volume and improved manufacturing productivity, partially offset by price erosion.

Fiscal 2013 Compared to Fiscal 2012

Net sales in the Transportation Solutions segment increased \$357 million, or 7.0%, to \$5,485 million in fiscal 2013 from \$5,128 million in fiscal 2012. The weakening of certain foreign currencies negatively affected net sales by \$54 million, or 1.1%, in fiscal 2013 as compared to fiscal 2012. Deutsch contributed incremental net sales of \$160 million during the first six months of fiscal 2013 over the same period of fiscal 2012. Organic net sales increased by \$251 million, or 4.9%, in fiscal 2013 as compared to fiscal 2012.

In the automotive end market, our organic net sales increased 4.9% in fiscal 2013 as compared to fiscal 2012. The increase was due primarily to growth of 9.9% in the Americas region, 5.1% in the Asia-Pacific region, and 2.2% in the EMEA region. Growth in the Americas region was driven by strong consumer demand resulting in increased vehicle production. In the Asia-Pacific region, growth was driven by increasing demand in China, partially offset by declines in Japan. In the EMEA region, growth resulted primarily from increased exports to other regions.

In fiscal 2013, operating income in the Transportation Solutions segment increased \$218 million to \$972 million from \$754 million in fiscal 2012. Segment results for fiscal 2013 included \$38 million of net restructuring and other charges and \$7 million of acquisition and integration costs related to the acquisition of Deutsch. Segment results for fiscal 2012 included \$67 million of charges related to the acquisition of Deutsch, including \$42 million of charges associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog, \$16 million of acquisition and integration costs, and \$9 million of net restructuring and other charges. Segment results also included \$9 million of additional net restructuring and other charges in fiscal 2012. Excluding these items, operating income increased in fiscal 2013 as compared to fiscal 2012. The increase resulted primarily from higher volume, improved manufacturing productivity, and lower material costs, partially offset by price erosion.

Industrial Solutions

	Fiscal		
	2014	2013	2012
	(\$ in millions)		
Net sales	\$3,302	\$3,099	\$3,101
Operating income	\$ 446	\$ 362	\$ 394
Operating margin	13.5%	11.7%	12.7%

The following table sets forth the Industrial Solutions segment's percentage of total net sales by primary industry end market⁽¹⁾:

	Fiscal		
	2014	2013	2012
Industrial Equipment	41%	41%	45%
Aerospace, Defense, Oil, and Gas	35	33	28
Energy	24	26	27
Total	100%	100%	100%

(1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Industrial Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal											
	2014						2013					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Organic ⁽¹⁾	Translation ⁽²⁾	Acquisitions (Divestiture)	Total			Organic ⁽¹⁾	Translation ⁽²⁾	Acquisition	Total		
	(\$ in millions)											
Industrial Equipment	\$ 77	6.0%	\$ 4	\$ —	\$ 81	6.3%	\$ (90)	(6.5)%	\$ (25)	\$ —	\$ (115)	(8.2)%
Aerospace, Defense, Oil, and Gas	67	6.5	8	46	121	11.9	(16)	(1.8)	7	160	151	17.4
Energy	17	2.1	(1)	(15)	1	0.1	(36)	(4.3)	(2)	—	(38)	(4.6)
Total	\$161	5.2%	\$11	\$ 31	\$203	6.6%	\$ (142)	(4.6)%	\$ (20)	\$160	\$ (2)	(0.1)%

(1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Fiscal 2014 Compared to Fiscal 2013

Net sales in the Industrial Solutions segment increased \$203 million, or 6.6%, to \$3,302 million in fiscal 2014 from \$3,099 million in fiscal 2013. The strengthening of certain foreign currencies positively impacted net sales by \$11 million, or 0.4%, in fiscal 2014 as compared to fiscal 2013. Organic net sales increased \$161 million, or 5.2%, in fiscal 2014 from fiscal 2013.

In the industrial equipment end market, our organic net sales increased 6.0% in fiscal 2014 as compared to fiscal 2013 as a result of market recovery, particularly in the Asia-Pacific region and, to a lesser degree, the EMEA region. In the aerospace, defense, oil, and gas end market, our organic net sales increased 6.5% in fiscal 2014 as compared to fiscal 2013. The increase was attributable to continued strength in commercial aviation and growth in oil and gas, partially offset by continued weakness in the defense market. In the energy end market, our organic net sales increased 2.1% in

fiscal 2014 from fiscal 2013 primarily as a result of growth in the Asia–Pacific and Americas regions, partially offset by a decline in the EMEA region.

Operating income in the Industrial Solutions segment increased \$84 million to \$446 million in fiscal 2014 from \$362 million in fiscal 2013. Segment results for fiscal 2014 included \$27 million of acquisition and integration costs, \$7 million of net restructuring and other charges, and \$4 million of charges associated with the amortization of acquisition-related fair value adjustments. Segment results for fiscal 2013 included \$62 million of net restructuring and other charges and \$7 million of acquisition and integration costs. Excluding these items, operating income increased in fiscal 2014 as compared to fiscal 2013. The increase was due to higher volume and improved manufacturing productivity, partially offset by price erosion.

Fiscal 2013 Compared to Fiscal 2012

In the Industrial Solutions segment, net sales of \$3,099 million in fiscal 2013 were flat as compared to fiscal 2012. The weakening of certain foreign currencies negatively affected net sales by \$20 million, or 0.6%, in fiscal 2013 as compared to fiscal 2012. Deutsch contributed incremental net sales of \$160 million in the first six months of fiscal 2013 over the same period of fiscal 2012. Organic net sales decreased \$142 million, or 4.6%, during fiscal 2013 as compared to fiscal 2012.

In the industrial equipment end market, our organic net sales decreased 6.5% in fiscal 2013 as compared to fiscal 2012 due primarily to declines in the industrial equipment, solar, and medical markets. In the aerospace, defense, oil, and gas end market, our organic net sales decreased 1.8% in fiscal 2013 as compared to fiscal 2012 as a slowdown in defense spending was partially offset by increased production in the commercial aviation market and growth resulting from increased oil and gas exploration. In the energy end market, our organic net sales decreased 4.3% in fiscal 2013 from fiscal 2012 as a result of continued market declines, primarily in the EMEA and Asia–Pacific regions.

In fiscal 2013, operating income in the Industrial Solutions segment decreased \$32 million to \$362 million from \$394 million in fiscal 2012. Segment results for fiscal 2013 included \$62 million of net restructuring and other charges and \$7 million of acquisition and integration costs related to the acquisition of Deutsch. Segment results for fiscal 2012 included \$49 million of charges related to the acquisition of Deutsch, including \$33 million of charges associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog, \$11 million of acquisition and integration costs, and \$5 million of net restructuring and other charges. Segment results also included \$23 million of additional net restructuring and other charges in fiscal 2012. Excluding these items, operating income decreased in fiscal 2013 as compared to fiscal 2012. The decrease was due to lower volume and, to a lesser degree, price erosion, partially offset by improved manufacturing productivity and benefits attributable to Deutsch.

Network Solutions

	Fiscal		
	2014	2013	2012
	(\$ in millions)		
Net sales	\$2,918	\$3,066	\$3,310
Operating income	\$ 163	\$ 136	\$ 247
Operating margin	5.6%	4.4%	7.5%

The following table sets forth the Network Solutions segment's percentage of total net sales by primary industry end market⁽¹⁾:

	Fiscal		
	2014	2013	2012
Telecom Networks	45%	42%	40%
Data Communications	24	25	26
Enterprise Networks	21	20	20
Subsea Communications	10	13	14
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Network Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal											
	2014					2013						
	Change in Net Sales versus Prior Fiscal Year					Change in Net Sales versus Prior Fiscal Year						
	Organic ⁽¹⁾	Translation ⁽²⁾	Divestiture	Total		Organic ⁽¹⁾	Translation ⁽²⁾	Divestiture	Total			
	(\$ in millions)											
Telecom Networks	\$ 33	2.6%	\$ 4	\$ —	\$ 37	2.9%	\$ (29)	(2.2)%	\$ (4)	\$ —	\$ (33)	(2.5)%
Data Communications	(43)	(5.5)	(1)	(39)	(83)	(10.7)	(55)	(6.3)	(3)	(36)	(94)	(10.8)
Enterprise Networks	26	4.2	(14)	—	12	2.0	(25)	(3.9)	(9)	—	(34)	(5.2)
Subsea Communications	(114)	(28.7)	—	—	(114)	(28.7)	(83)	(17.3)	—	—	(83)	(17.3)
Total	<u>\$ (98)</u>	<u>(3.2)%</u>	<u>\$ (11)</u>	<u>\$ (39)</u>	<u>\$ (148)</u>	<u>(4.8)%</u>	<u>\$ (192)</u>	<u>(5.8)%</u>	<u>\$ (16)</u>	<u>\$ (36)</u>	<u>\$ (244)</u>	<u>(7.4)%</u>

- (1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Fiscal 2014 Compared to Fiscal 2013

Net sales in the Network Solutions segment decreased \$148 million, or 4.8%, to \$2,918 million in fiscal 2014 from \$3,066 million in fiscal 2013. The weakening of certain foreign currencies negatively affected net sales by \$11 million, or 0.4%, in fiscal 2014 from fiscal 2013. In fiscal 2014, organic net sales decreased \$98 million, or 3.2%, as compared to fiscal 2013.

In the telecom networks end market, our organic net sales increased 2.6% in fiscal 2014 from fiscal 2013 due primarily to growth in the fiber business in the EMEA region, partially offset by declines in the Asia-Pacific region and, to a lesser degree, the Americas region. In the data communications end market, our organic net sales decreased 5.5% in fiscal 2014 as compared to fiscal 2013 due to the exit of certain product lines and weak demand. In the enterprise networks end market, our organic net sales increased 4.2% in fiscal 2014 from fiscal 2013 as a result of datacenter growth in India and North America. In the subsea communications end market, our organic net sales decreased 28.7% in fiscal 2014 as compared to fiscal 2013 due to lower project volume.

In the Network Solutions segment, operating income increased \$27 million to \$163 million in fiscal 2014 as compared to \$136 million in fiscal 2013. Segment results included \$35 million and \$125 million of net restructuring and other charges in fiscal 2014 and 2013, respectively. Excluding these items, operating income decreased in fiscal 2014 as compared to fiscal 2013, due primarily to price erosion and lower volume, partially offset by improved manufacturing productivity.

Fiscal 2013 Compared to Fiscal 2012

In fiscal 2013, net sales in the Network Solutions segment decreased \$244 million, or 7.4%, to \$3,066 million from \$3,310 million in fiscal 2012. The weakening of certain foreign currencies negatively affected net sales by \$16 million, or 0.5%, in fiscal 2013 as compared to fiscal 2012. Organic net sales decreased \$192 million, or 5.8%, in fiscal 2013 from fiscal 2012.

In the telecom networks end market, our organic net sales decreased 2.2% in fiscal 2013 as compared to fiscal 2012 as a result of market weakness and decreased capital investments by customers, particularly in the Asia-Pacific region and, to a lesser degree, the EMEA region. In the data communications end market, our organic net sales decreased 6.3% in fiscal 2013 from fiscal 2012 as a result of weakness in demand, particularly in the datacenter market. In the enterprise networks end market, our organic net sales decreased 3.9% in fiscal 2013 as compared to fiscal 2012 with declines resulting primarily from continued market slowdowns in the EMEA region and North America. In the subsea communications end market, our organic net sales decreased 17.3% in fiscal 2013 as compared to fiscal 2012 as a result of lower levels of project activity resulting from customer funding delays.

Operating income in the Network Solutions segment decreased \$111 million to \$136 million in fiscal 2013 from \$247 million in fiscal 2012. Segment results included \$125 million and \$59 million of net restructuring and other charges in fiscal 2013 and 2012, respectively. Excluding these items, operating income decreased in fiscal 2013 as compared to fiscal 2012. The decrease resulted from price erosion, lower volume and, to a lesser degree, unfavorable material costs, partially offset by improved manufacturing productivity.

Consumer Solutions

	Fiscal		
	2014	2013	2012
	(\$ in millions)		
Net sales	\$1,602	\$1,630	\$1,743
Operating income	\$ 153	\$ 86	\$ 123
Operating margin	9.6%	5.3%	7.1%

The following table sets forth the Consumer Solutions segment's percentage of total net sales by primary industry end market⁽¹⁾:

	Fiscal		
	2014	2013	2012
Consumer Devices	59%	62%	64%
Appliances	41	38	36
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Consumer Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal									
	2014					2013				
	Change in Net Sales versus Prior Fiscal Year			Change in Net Sales versus Prior Fiscal Year						
	Organic ⁽¹⁾	Translation ⁽²⁾	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Total	Organic ⁽¹⁾	Translation ⁽²⁾	Total	
	(\$ in millions)									
Consumer Devices	\$(55)	(5.4)%	\$(12)	\$(67)	(6.6)%	\$(86)	(7.6)%	\$(22)	\$(108)	(9.7)%
Appliances	39	6.3	—	39	6.3	(2)	(0.4)	(3)	(5)	(0.8)
Total	<u>\$(16)</u>	<u>(1.0)%</u>	<u>\$(12)</u>	<u>\$(28)</u>	<u>(1.7)%</u>	<u>\$(88)</u>	<u>(5.1)%</u>	<u>\$(25)</u>	<u>\$(113)</u>	<u>(6.5)%</u>

(1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Fiscal 2014 Compared to Fiscal 2013

In the Consumer Solutions segment, net sales decreased \$28 million, or 1.7%, to \$1,602 million in fiscal 2014 as compared to \$1,630 million in fiscal 2013. The weakening of certain foreign currencies negatively affected net sales by \$12 million, or 0.7%, in fiscal 2014 from fiscal 2013. Organic net sales decreased \$16 million, or 1.0%, during fiscal 2014 as compared to fiscal 2013.

In the consumer devices end market, our organic net sales decreased 5.4% in fiscal 2014 as compared to fiscal 2013 due to declines in our sales into the mobile phone and personal computer markets, partially offset by increased demand and new product launches in the tablet computer market. In the appliances end market, our organic net sales increased 6.3% in fiscal 2014 from fiscal 2013 due primarily to increased demand and share gains in the Asia-Pacific region and, to a lesser degree, the Americas region.

In the Consumer Solutions segment, operating income increased \$67 million to \$153 million in fiscal 2014 as compared to \$86 million in fiscal 2013. Segment results included net restructuring and other charges of \$13 million and \$86 million in fiscal 2014 and 2013, respectively. Excluding these items, operating income decreased in fiscal 2014 from fiscal 2013, due primarily to price erosion and, to a lesser degree, lower volume, partially offset by improved manufacturing productivity.

Fiscal 2013 Compared to Fiscal 2012

Net sales in the Consumer Solutions segment decreased \$113 million, or 6.5%, to \$1,630 million in fiscal 2013 from \$1,743 million in fiscal 2012. The weakening of certain foreign currencies negatively affected net sales by \$25 million, or 1.4%, in fiscal 2013 as compared to fiscal 2012. Organic net sales decreased \$88 million, or 5.1%, during fiscal 2013 as compared to fiscal 2012.

In the consumer devices end market, our organic net sales decreased 7.6% in fiscal 2013 from fiscal 2012 due to continuing weakness in the personal computer market, partially offset by increased demand in the mobile phone and tablet computer markets. In the appliances end market, our organic net sales were flat in fiscal 2013 as compared to fiscal 2012 as declines in the EMEA region were offset by increased demand in the Asia-Pacific region.

In fiscal 2013, operating income in the Consumer Solutions segment decreased \$37 million to \$86 million from \$123 million in fiscal 2012. Segment results included net restructuring and other charges of \$86 million and \$23 million in fiscal 2013 and 2012, respectively. Excluding these items, operating income increased in fiscal 2013 as compared to fiscal 2012. The increase resulted from improved manufacturing productivity, partially offset by price erosion.

Liquidity and Capital Resources

The following table summarizes our cash flow from operating, investing, and financing activities, as reflected on the Consolidated Statements of Cash Flows:

	Fiscal		
	2014	2013	2012
	(in millions)		
Net cash provided by operating activities	\$ 2,083	\$ 2,046	\$ 1,947
Net cash used in investing activities	(1,075)	(545)	(1,510)
Net cash provided by (used in) financing activities	65	(1,678)	(65)
Effect of currency translation on cash	(19)	(9)	(1)
Net increase (decrease) in cash and cash equivalents	\$ 1,054	\$ (186)	\$ 371

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of \$250 million of 1.60% senior notes due in February 2015. We may use excess cash to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law, to purchase a portion of our common shares pursuant to our authorized share repurchase program, to pay distributions or dividends on our common shares, or to acquire strategic businesses or product lines. On October 9, 2014, we acquired Measurement Specialties. The total value paid, which included the repayment of debt, was approximately \$1.7 billion, net of cash acquired. In anticipation of the acquisition, we had previously raised funds through the issuance of \$1 billion of senior notes. See additional information regarding debt and the acquisition of Measurement Specialties in Notes 11 and 24, respectively, to the Consolidated Financial Statements. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets and respond as necessary to changing conditions.

As of September 26, 2014, our cash and cash equivalents were held in subsidiaries which are located in various countries throughout the world. Under current applicable laws, substantially all of these amounts can be repatriated to TEGSA, our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company; however, the repatriation of these amounts could subject us to additional tax costs. We provide for tax liabilities on our Consolidated Financial Statements with respect to amounts that we expect to repatriate; however, no tax liabilities are recorded for amounts that we consider to be retained indefinitely and reinvested in our global manufacturing operations. As of September 26, 2014, we had approximately \$5.5 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, and TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately \$1.7 billion of tax expense would be recognized on our Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

Cash Flows from Operating Activities

Net cash provided by continuing operating activities increased \$47 million to \$2,095 million in fiscal 2014 as compared to \$2,048 million in fiscal 2013. The increase resulted from higher income levels, partially offset by higher accounts receivable levels and net payments made in relation to pre-separation tax matters.

Net cash provided by continuing operating activities was \$2,048 million in fiscal 2013 as compared to \$1,888 million in fiscal 2012. The increase of \$160 million in fiscal 2013 over fiscal 2012 resulted primarily from higher income levels.

Pension and postretirement benefit contributions in fiscal 2014, 2013, and 2012 were \$93 million, \$98 million, and \$98 million, respectively. We expect pension and postretirement benefit contributions to be \$84 million in fiscal 2015, before consideration of any voluntary contributions. There were no voluntary pension contributions in fiscal 2014, 2013, and 2012.

The amount of income taxes paid, net of refunds, during fiscal 2014, 2013, and 2012 was \$283 million, \$312 million, and \$290 million, respectively. In fiscal 2013 and 2012, these payments included \$67 million and \$70 million, respectively, for tax deficiencies related to pre-separation tax matters. Also during fiscal 2014, 2013, and 2012, we made net payments of \$179 million and received net reimbursements of \$39 million and \$51 million, respectively, from Tyco International and Covidien pursuant to their indemnifications for pre-separation U.S. tax matters. We expect to make net cash payments related to pre-separation U.S. tax matters of approximately \$31 million over the next twelve months. These amounts include payments in which we are the primary obligor to the taxing authorities and for which we expect a portion to be reimbursed by Tyco International and Covidien under the Tax Sharing Agreement as well as indemnification payments to Tyco International and Covidien under the Tax Sharing Agreement for tax matters where they are the primary obligor to the taxing authorities. See Note 13 to the Consolidated Financial Statements for additional information related to pre-separation tax matters.

In addition to net cash provided by operating activities, we use free cash flow, a non-GAAP financial measure, as a useful measure of our ability to generate cash. Free cash flow was \$1,730 million in fiscal 2014 as compared to \$1,500 million in fiscal 2013 and \$1,434 million in fiscal 2012. The increase in free cash flow in fiscal 2014 as compared to fiscal 2013 was driven primarily by higher income levels and increased proceeds from the sale of property, plant, and equipment, partially offset by higher accounts receivable levels. The increase in free cash flow in fiscal 2013 as compared to fiscal 2012 was driven primarily by higher income levels, partially offset by higher capital expenditures as reduced by proceeds from the sale of property, plant, and equipment.

The following table sets forth a reconciliation of net cash provided by continuing operating activities, the most comparable GAAP financial measure, to free cash flow.

	Fiscal		
	2014	2013	2012
	(in millions)		
Net cash provided by continuing operating activities	\$2,095	\$2,048	\$1,888
Capital expenditures	(673)	(615)	(533)
Proceeds from sale of property, plant, and equipment	129	39	23
Payments related to pre-separation U.S. tax matters, net	179	28	19
Payments related to accrued interest on debt assumed in the acquisition of Deutsch	—	—	17
Payments to settle acquisition-related foreign currency derivative contracts	—	—	20
Free cash flow	<u>\$1,730</u>	<u>\$1,500</u>	<u>\$1,434</u>

Cash Flows from Investing Activities

Capital expenditures were \$673 million, \$615 million, and \$533 million in fiscal 2014, 2013, and 2012, respectively. We expect fiscal 2015 capital spending levels to be approximately 5% of net sales. We believe our capital funding levels are adequate to support new programs, and we continue to invest in our manufacturing infrastructure to further enhance productivity and manufacturing capabilities.

Proceeds from the sale of property, plant, and equipment for fiscal 2014 included approximately \$100 million related to the sale of real estate.

During fiscal 2014, we acquired six companies for \$528 million in cash, net of cash acquired.

During fiscal 2012, we acquired Deutsch. The total value paid for the transaction amounted to €1.55 billion (approximately \$2.05 billion using an exchange rate of \$1.33 per €1.00), net of cash acquired of \$152 million. The total value paid included \$659 million of debt assumed, including accrued interest, which we paid off in its entirety shortly after the completion of the acquisition. See additional information in Note 5 to the Consolidated Financial Statements.

During fiscal 2012, we received net cash proceeds of \$370 million related to the sale of our Touch Solutions business and \$24 million related to the sale of our TE Professional Services business. An additional \$14 million of cash proceeds was received during fiscal 2013. See additional information in Note 4 to the Consolidated Financial Statements.

Cash Flows from Financing Activities and Capitalization

Total debt at fiscal year end 2014 and 2013 was \$3,948 million and \$3,014 million, respectively. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

In July 2014, TEGSA, our 100%-owned subsidiary, issued \$500 million aggregate principal amount of senior floating rate notes due January 29, 2016, \$250 million aggregate principal amount of 2.35% senior notes due August 1, 2019, and \$250 million aggregate principal amount of 3.45% senior notes due August 1, 2024. The senior floating rate notes due 2016 bear interest at a rate of three-month London interbank offered rate (“LIBOR”) plus 0.20% per year. In connection with the issuance of the senior notes in July 2014, the commitments of the lenders under a \$1 billion 364-day credit agreement, dated as of June 27, 2014, automatically terminated.

During November 2013, TEGSA redeemed all of its outstanding 5.95% senior notes due 2014, representing \$300 million principal amount. We paid an immaterial premium in connection with the early redemption. In addition, during November 2013, TEGSA issued \$325 million aggregate principal amount of 2.375% senior notes due December 17, 2018.

The notes issued in July 2014 and November 2013 are TEGSA’s unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur. The notes are fully and unconditionally guaranteed as to payment on an unsecured senior basis by TE Connectivity Ltd.

TEGSA has a five-year unsecured senior revolving credit facility (“Credit Facility”) with total commitments of \$1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 26, 2014 and September 27, 2013.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) LIBOR plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) Deutsche Bank AG New York branch’s base rate, (ii) the federal funds effective rate plus ½ of 1%, and (iii) one-month LIBOR plus 1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of

TEGSA. TEGSA is required to pay an annual facility fee ranging from 7.5 to 25.0 basis points based upon the amount of the lenders' commitments under the Credit Facility and the applicable credit ratings of TEGSA.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of September 26, 2014, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd. Neither TE Connectivity Ltd. nor any of its subsidiaries provides a guarantee as to payment obligations under the 3.50% convertible subordinated notes due 2015 issued by ADC prior to its acquisition in December 2010.

Payments of common share dividends and cash distributions to shareholders were \$443 million, \$384 million, and \$332 million in fiscal 2014, 2013, and 2012, respectively.

In March 2011, our shareholders approved a dividend payment to shareholders of CHF 0.68 (equivalent to \$0.72) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2011 through the second quarter of fiscal 2012. We paid the third and fourth installments of the dividend at a rate of \$0.18 per share during the quarters ended December 30, 2011 and March 30, 2012, respectively.

In March 2012, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of CHF 0.80 (equivalent to \$0.84) per share, payable in four equal quarterly installments beginning in the third quarter of fiscal 2012 through the second quarter of fiscal 2013. We paid the installments of the distribution at a rate of \$0.21 per share during each of the quarters ended June 29, 2012, September 28, 2012, December 28, 2012 and March 29, 2013. These capital reductions reduced the par value of our common shares from CHF 1.37 (equivalent to \$1.28) to CHF 0.57 (equivalent to \$0.44).

In March 2013, our shareholders approved a dividend payment to shareholders of CHF 0.96 (equivalent to \$1.00) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2013 through the second quarter of fiscal 2014. We paid the installments of the dividend at a rate of \$0.25 per share during each of the quarters ended June 28, 2013, September 27, 2013, December 27, 2013, and March 28, 2014.

In March 2014, our shareholders approved a dividend payment to shareholders of CHF 1.04 (equivalent to \$1.16) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2014 through the second quarter of fiscal 2015. We paid the first and second installments of the dividend at a rate of \$0.29 per share during the quarters ended June 27, 2014 and September 26, 2014, respectively.

Future dividends on our common shares or reductions of registered share capital for distribution to shareholders, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends or distributions be approved, our board of directors will consider our results of operations, cash requirements and surplus, financial condition, statutory requirements of applicable law, contractual restrictions, and other factors that they may deem relevant.

During fiscal 2014, our board of directors authorized an increase of \$1 billion in the share repurchase program. We repurchased approximately 11 million of our common shares for \$604 million, approximately 20 million of our common shares for \$829 million, and approximately 6 million of our common shares for \$194 million during fiscal 2014, 2013, and 2012, respectively. At September 26, 2014, we had \$874 million of availability remaining under our share repurchase authorization.

Commitments and Contingencies

The following table provides a summary of our contractual obligations and commitments for debt, minimum lease payment obligations under non-cancelable leases, and other obligations at fiscal year end 2014:

	Total	Payments Due by Fiscal Year					
		2015	2016	2017	2018	2019	Thereafter
		(in millions)					
Long-term debt, including current maturities	\$3,948	\$ 667	\$500	\$ —	\$723	\$574	\$1,484
Interest on long-term debt ⁽¹⁾	1,333	141	135	132	109	82	734
Operating leases	394	125	85	56	40	32	56
Purchase obligations ⁽²⁾	307	272	22	13	—	—	—
Total contractual cash obligations ⁽³⁾⁽⁴⁾⁽⁵⁾	<u>\$5,982</u>	<u>\$1,205</u>	<u>\$742</u>	<u>\$201</u>	<u>\$872</u>	<u>\$688</u>	<u>\$2,274</u>

- (1) Interest payments exclude the impact of our interest rate swaps.
- (2) Purchase obligations consist primarily of commitments for purchases of goods and services.
- (3) The table above does not reflect unrecognized income tax benefits of \$1,597 million and related accrued interest and penalties of \$1,136 million, the timing of which is uncertain. See Note 16 to the Consolidated Financial Statements for additional information regarding unrecognized income tax benefits, interest, and penalties.
- (4) The table above does not reflect pension and postretirement benefit obligations to certain employees and former employees. We are obligated to make contributions to our pension plans and postretirement benefit plans; however, we are unable to determine the amount of plan contributions due to the inherent uncertainties of obligations of this type, including timing, interest rate charges, investment performance, and amounts of benefit payments. We expect to contribute \$84 million to pension and postretirement benefit plans in fiscal 2015, before consideration of voluntary contributions. These plans and our estimates of future contributions and benefit payments are more fully described in Note 15 to the Consolidated Financial Statements.
- (5) Other long-term liabilities of \$332 million are excluded from the table above as we are unable to estimate the timing of payment for these items.

Legal Proceedings

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in “Income Tax Matters” could have a material effect on our results of operations, financial position, or cash flows. See “Part I. Item 3. Legal Proceedings” of our Annual Report on Form 10-K for the fiscal year ended September 26, 2014 filed with the SEC and Note 13 to the Consolidated Financial Statements for further information regarding legal proceedings.

At September 26, 2014, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. A liability for this contingency has not been recorded on the Consolidated Financial Statements as we do not believe that any payment is probable or reasonably estimable at this time.

Income Tax Matters

In connection with the separation from Tyco International in 2007, we entered into a Tax Sharing Agreement that generally governs our, Tyco International's, and Covidien's respective rights, responsibilities, and obligations after the distribution with respect to taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the distribution of all of our shares or the shares of Covidien to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the Code or certain internal transactions undertaken in anticipation of the spin-offs to qualify for tax-favored treatment under the Code.

Pursuant to the Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under the Tax Sharing Agreement, we, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. We are responsible for all of our own taxes that are not shared pursuant to the Tax Sharing Agreement's sharing formula. In addition, Tyco International and Covidien are responsible for their tax liabilities that are not subject to the Tax Sharing Agreement's sharing formula.

Prior to separation, certain of our subsidiaries filed combined income tax returns with Tyco International. Those and other of our subsidiaries' income tax returns are examined periodically by various tax authorities. In connection with these examinations, tax authorities, including the IRS, have raised issues and proposed tax adjustments. Tyco International, as the U.S. income tax audit controlling party under the Tax Sharing Agreement, is reviewing and contesting certain of the proposed tax adjustments. Amounts related to these tax adjustments and other tax contingencies and related interest that management has assessed under the uncertain tax position provisions of ASC 740, which relate specifically to our entities have been recorded on the Consolidated Financial Statements. In addition, we may be required to fund portions of Tyco International's and Covidien's tax obligations. Estimates about these guarantees also have been recognized on the Consolidated Financial Statements. See Note 12 to the Consolidated Financial Statements for additional information.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued Revenue Agent Reports that reflected the IRS' determination of proposed tax adjustments for the 1997 through 2000 period. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. The penalties were asserted against a prior subsidiary of Tyco International that was distributed to us in connection with the separation. Tyco International appealed certain of the proposed

adjustments for the years 1997 through 2000, and Tyco International resolved all but one of the matters associated with the proposed tax adjustments, including reaching an agreement with the IRS on the penalty adjustment in the amount of \$21 million. In October 2012, the IRS issued special agreement Forms 870-AD, effectively settling its audit of all tax matters for the period 1997 through 2000, excluding one issue that remains in dispute as described below. As a result of these developments, in fiscal 2013, we recognized an income tax benefit of \$331 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of \$231 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

The disputed issue involves the tax treatment of certain intercompany debt transactions. The IRS field examination asserted that certain intercompany loans originating during the period 1997 through 2000 did not constitute debt for U.S. federal income tax purposes and disallowed approximately \$2.7 billion of related interest deductions recognized during the period on Tyco International's U.S. income tax returns. In addition, if the IRS is ultimately successful in asserting its claim, it is likely to disallow an additional \$6.6 billion of interest deductions reflected on U.S. income tax returns in years subsequent to fiscal 2000. Tyco International contends that the intercompany financing qualified as debt for U.S. tax purposes and that the interest deductions reflected on the income tax returns are appropriate. The IRS and Tyco International were unable to resolve this matter through the IRS appeals process. On June 20, 2013, Tyco International advised us that it had received Notices of Deficiency from the IRS for certain former U.S. subsidiaries of Tyco International increasing taxable income by approximately \$2.9 billion in connection with the audit of Tyco International's fiscal years 1997 through 2000. The Notices of Deficiency assert that Tyco International owes additional taxes totaling \$778 million, associated penalties of \$154 million, and withholding taxes of \$105 million. In addition, Tyco International received Final Partnership Administrative Adjustments for certain U.S. partnerships owned by former U.S. subsidiaries with respect to which Tyco International estimates an additional tax deficiency of approximately \$30 million will be asserted. The amounts asserted by the IRS exclude any applicable deficiency interest, and do not reflect any impact to subsequent period tax liabilities in the event that the IRS were to prevail on some or all of its assertions. We understand that Tyco International strongly disagrees with the IRS position and has filed petitions in the U.S. Tax Court contesting the IRS' proposed adjustments. Tyco International has advised us that it believes there are meritorious defenses for the tax filings in question and that the IRS positions with regard to these matters are inconsistent with the applicable tax laws and existing U.S. Treasury regulations.

A U.S. Tax Court trial date of February 29, 2016 has been set and the parties are engaged in discovery. TE does not expect any payments to the IRS with respect to these matters until they are fully and finally resolved. In accordance with the Tax Sharing Agreement, we, Tyco International, and Covidien would share 31%, 27%, and 42%, respectively, of any payments made in connection with these matters.

If the IRS were to prevail on its assertions, our share of the assessed tax, deficiency interest, and applicable withholding taxes and penalties could have a material adverse impact on our results of operations, financial position, and cash flows. We have reviewed the Notices of Deficiency, the relevant facts surrounding the intercompany debt transactions, relevant tax regulations, and applicable case law, and we continue to believe that we are appropriately reserved for this matter.

During fiscal 2014, we made net payments of \$179 million related to pre-separation tax matters, including \$198 million of indemnification payments made to Tyco International and Covidien in connection with their advanced payments for expected deficiencies made to the IRS for the 2005 through 2007 audit cycle. We made net payments of \$28 million and \$19 million related to pre-separation tax matters during fiscal 2013 and 2012, respectively.

Tyco International's income tax returns for the years 2001 through 2004 remain subject to adjustment by the IRS upon ultimate resolution of the disputed issue involving certain intercompany loans originated during the period 1997 through 2000. For the undisputed issues for years 2001 through 2004, it is our understanding that Tyco International expects to receive and accept general agreement Forms 870 from the IRS during the first quarter of fiscal 2015. The IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007 in fiscal 2011, and it is our understanding that Tyco International expects the IRS to issue general agreement Forms 870 during the first half of fiscal 2015. Over the next twelve months, we expect to make net cash payments of approximately \$31 million in connection with pre-separation U.S. tax matters.

During fiscal 2012, the IRS commenced its audit of our income tax returns for the years 2008 through 2010. We expect fieldwork for the 2008 through 2010 audit to conclude in fiscal 2015.

At September 26, 2014 and September 27, 2013, we have reflected \$51 million and \$15 million, respectively, of income tax liabilities related to the audits of Tyco International's and our income tax returns in accrued and other current liabilities as certain of these matters could be resolved within the next twelve months.

We believe that the amounts recorded on our Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate resolution is uncertain and could result in a material impact to our results of operations, financial position, or cash flows.

Off-Balance Sheet Arrangements

In certain instances, we have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2015 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance, and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At September 26, 2014, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of \$408 million.

We have recorded liabilities for known indemnifications included as part of environmental liabilities. See Note 13 to the Consolidated Financial Statements for a discussion of these liabilities.

In the normal course of business, we are liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect our results of operations, financial position, or cash flows.

Pursuant to the Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under the Tax Sharing Agreement, we, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities

settled in cash by the companies relating to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. These arrangements were valued upon our separation from Tyco International in accordance with ASC 460, *Guarantees*. At September 26, 2014, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of \$21 million recorded on the Consolidated Balance Sheet. See Notes 12 and 13 to the Consolidated Financial Statements for additional information.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Our significant accounting policies are summarized in Note 2 to the Consolidated Financial Statements. The following accounting policies are considered to be the most critical as they require significant judgments and assumptions that involve inherent risks and uncertainties. Management's estimates are based on the relevant information available at the end of each period.

Revenue Recognition

Our revenue recognition policies are in accordance with ASC 605, *Revenue Recognition*. Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured. For those items where title has not yet transferred, we have deferred the recognition of revenue. A reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of sales. Other allowances include customer quantity and price discrepancies. A reserve for other allowances is generally established at the time of sale based on historical experience and also is recorded as a reduction of sales.

Contract revenues for construction related projects, which are generated in the Network Solutions segment, are recorded primarily using the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related cost to complete. Percentage-of-completion is measured based on the ratio of actual costs incurred to total estimated costs. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. In addition, provisions for credit losses related to construction related projects are recorded as reductions of revenue in the period in which they first become determinable.

Goodwill and Other Intangible Assets

Acquired intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with a determinable life include primarily intellectual property, consisting of patents, trademarks, and unpatented technology, as well as customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. An evaluation of the remaining useful life of determinable-lived intangible assets is performed on a periodic basis and when events and circumstances warrant an evaluation. We assess determinable-lived intangible assets for impairment consistent with our policy for assessing other long-lived assets for impairment. Goodwill is assessed for impairment separately from determinable-lived intangible assets by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management

relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the goodwill impairment analysis.

A reporting unit is generally an operating segment or one level below an operating segment that constitutes a business for which discrete financial information is available and regularly reviewed by segment management. At fiscal year end 2014, we had seven reporting units, six of which contained goodwill. There is one reporting unit in the Transportation Solutions segment and two reporting units in each of the Industrial Solutions, Network Solutions, and Consumer Solutions segments. We review our reporting unit structure each year as part of our annual goodwill impairment test, or more frequently based on changes in our structure.

When testing for goodwill impairment, we follow the guidance prescribed in ASC 350, *Intangibles—Goodwill and Other*. First, we perform a step I goodwill impairment test to identify potential impairment. In doing so, we compare the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, goodwill may be impaired and a step II goodwill impairment test is performed to measure the amount of impairment, if any. In the step II goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The implied fair value of goodwill is determined in a manner consistent with how goodwill is recognized in a business combination. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Fair value estimates used in the step I goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach generally has been supported by guideline analyses (a market approach). These approaches incorporate a number of assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2014 and determined that no impairment existed.

Income Taxes

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the income tax return and financial statement recognition of revenue and expense.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in the most recent years, and our forecast of future taxable income. In estimating future taxable income, we develop assumptions including the amount of future state, federal, and non-U.S. pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

We currently have recorded significant valuation allowances that we intend to maintain until it is more likely than not the deferred tax assets will be realized. Our income tax expense recorded in the future will be reduced to the extent of decreases in our valuation allowances. The realization of our remaining deferred tax assets is dependent primarily on future taxable income in the appropriate jurisdictions. Any reduction in future taxable income including any future restructuring activities may require that we record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in such period and could have a significant impact on our future earnings. Any changes in a valuation allowance that was established in connection with an acquisition will be reflected in the income tax provision.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, financial position, or cash flows.

In addition, the calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. Furthermore, management has reviewed with tax counsel the issues raised by certain taxing authorities and the adequacy of these recorded amounts. If our current estimate of tax and interest liabilities is less than the ultimate settlement, an additional charge to income tax expense may result. If our current estimate of tax and interest liabilities is more than the ultimate settlement, income tax benefits may be recognized. These tax liabilities and related interest are recorded in income taxes and accrued and other current liabilities on the Consolidated Balance Sheets.

Pension and Postretirement Benefits

Our pension expense and obligations are developed from actuarial assumptions. The funded status of our defined benefit pension and postretirement benefit plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the benefit obligation at the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation, which represents the actuarial present value of benefits expected to be paid upon retirement factoring in estimated future compensation levels. For the postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation, which represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under pension and postretirement plans are based on various factors, such as years of service and compensation.

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants.

Two critical assumptions in determining pension expense and obligations are the discount rate and expected long-term return on plan assets. We evaluate these assumptions at least annually. Other assumptions reflect demographic factors such as retirement, mortality, and employee turnover. These

assumptions are evaluated periodically and updated to reflect our actual experience. Actual results may differ from actuarial assumptions. The discount rate represents the market rate for high-quality fixed income investments and is used to calculate the present value of the expected future cash flows for benefit obligations to be paid under our pension plans. A decrease in the discount rate increases the present value of pension benefit obligations. At fiscal year end 2014, a 25 basis point decrease in the discount rate would have increased the present value of our pension obligations by \$140 million; a 25 basis point increase would have decreased the present value of our pension obligations by \$125 million. We consider the current and expected asset allocations of our pension plans, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term rate of return on plan assets. A 50 basis point decrease or increase in the expected long-term return on plan assets would have increased or decreased, respectively, our fiscal 2014 pension expense by \$10 million.

During fiscal 2012, our investment committee made the decision to change the target asset allocation of the U.S. plans' master trust from a previous target of 30% equity and 70% fixed income to 10% equity and 90% fixed income in an effort to better protect the funded status of the U.S. plans' master trust. Asset reallocation will continue over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 ("the Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 100%. Based on the Pension Act Funded Status as of September 26, 2014, our target asset allocation is 44% equity and 56% fixed income.

Acquisitions

We account for acquired businesses using the acquisition method of accounting. This method requires, among other things, that most assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. We allocate the purchase price of acquired businesses to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values, or as required by ASC 805, *Business Combinations*. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill. We may engage independent third-party appraisal firms to assist us in determining the fair values of assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include but are not limited to: future expected cash flows from customer and distributor relationships, acquired developed technologies, and patents; expected costs to develop in-process research and development into commercially viable products and estimated cash flows from projects when completed; brand awareness and market position, as well as assumptions about the period of time the brand will continue to be used in our product portfolio; customer and distributor attrition rates; royalty rates; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates.

Contingent Liabilities

We record a loss contingency when the available information indicates it is probable that we have incurred a liability and the amount of the loss is reasonably estimable. When a range of possible losses with equal likelihood exists, we record the low end of the range. The likelihood of a loss with respect to a particular contingency is often difficult to predict, and determining a meaningful estimate of the loss or a range of loss may not be practicable based on information available. In addition, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must continuously be evaluated to determine whether a loss is probable and a reasonable estimate of that loss can be made. When a loss is probable but a reasonable estimate cannot be made, or when a loss is at least reasonably possible, disclosure is provided.

Accounting Pronouncements

Recently Issued Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for information regarding recently issued accounting pronouncements.

Non-GAAP Financial Measures

Organic Net Sales Growth

Organic net sales growth is a non-GAAP financial measure. The difference between reported net sales growth (the most comparable GAAP measure) and organic net sales growth (the non-GAAP measure) consists of the impact from foreign currency exchange rates, acquisitions, and divestitures. Organic net sales growth is a useful measure of the underlying results and trends in our business. It excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity.

We believe organic net sales growth provides useful information to investors because it reflects the underlying growth from the ongoing activities of our business. Furthermore, it provides investors with a view of our operations from management's perspective. We use organic net sales growth to monitor and evaluate performance, as it is an important measure of the underlying results of our operations. Management uses organic net sales growth together with GAAP measures such as net sales growth and operating income in its decision making processes related to the operations of our reporting segments and our overall company. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The discussion and analysis of organic net sales growth in "Results of Operations" above utilizes organic net sales growth as management does internally. Because organic net sales growth calculations may vary among other companies, organic net sales growth amounts presented above may not be comparable with similarly titled measures of other companies. Organic net sales growth is a non-GAAP financial measure that is not meant to be considered in isolation or as a substitute for GAAP measures. The primary limitation of this measure is that it excludes items that have an impact on our net sales. This limitation is best addressed by evaluating organic net sales growth in combination with our GAAP net sales. The tables presented in "Results of Operations" above provide reconciliations of organic net sales growth to net sales growth calculated under GAAP.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. The difference between net cash provided by continuing operating activities (the most comparable GAAP measure) and free cash flow (the non-GAAP measure) consists mainly of significant cash outflows and inflows that we believe are useful to identify. Free cash flow is a useful measure of our ability to generate cash. It also is a significant component in our incentive compensation plans. We believe free cash flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated from our operations.

Free cash flow is defined as net cash provided by continuing operating activities excluding voluntary pension contributions and the cash impact of special items, minus net capital expenditures. Net capital expenditures consist of capital expenditures less proceeds from the sale of property, plant, and equipment. These items are subtracted because they represent long-term commitments. Voluntary pension contributions are excluded from the GAAP measure because this activity is driven by economic financing decisions rather than operating activity. Certain special items, including net payments related

to pre-separation tax matters, also are considered by management in evaluating free cash flow. We believe investors also should consider these items in evaluating our free cash flow.

Free cash flow as presented herein may not be comparable to similarly-titled measures reported by other companies. The primary limitation of this measure is that it excludes items that have an impact on our GAAP cash flow. Also, it subtracts certain cash items that are ultimately within management's and the board of directors' discretion to direct and may imply that there is less or more cash available for our programs than the most comparable GAAP measure indicates. This limitation is best addressed by using free cash flow in combination with the GAAP cash flow results. It should not be inferred that the entire free cash flow amount is available for future discretionary expenditures, as our definition of free cash flow does not consider certain non-discretionary expenditures, such as debt payments. In addition, we may have other discretionary expenditures, such as discretionary dividends, share repurchases, and business acquisitions, that are not considered in the calculation of free cash flow.

The tables presented in "Liquidity and Capital Resources" above provide reconciliations of free cash flow to cash flows from continuing operating activities calculated under GAAP.

Forward-Looking Information

Certain statements in this report are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "should," or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this report except as required by law.

The following and other risks, which are described in greater detail in "Part I. Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 26, 2014 filed with the SEC, as well as other risks described in this Annual Report, also could cause our results to differ materially from those expressed in forward-looking statements:

- conditions in the global or regional economies and global capital markets, and cyclical industry conditions;
- conditions affecting demand for products in the industries we serve, particularly the automotive industry;
- competition and pricing pressure;
- market acceptance of new product introductions and product innovations and product life cycles;
- raw material availability, quality, and cost;
- fluctuations in foreign currency exchange rates;
- financial condition and consolidation of customers and vendors;
- reliance on third-party suppliers;

- risks associated with current and future acquisitions and divestitures;
- global risks of business interruptions such as natural disasters and political, economic, and military instability;
- risks associated with security breaches and other disruptions to our information technology infrastructure;
- risks related to compliance with current and future environmental and other laws and regulations;
- our ability to protect our intellectual property rights;
- risks of litigation;
- our ability to operate within the limitations imposed by our debt instruments;
- risks relating to our separation on June 29, 2007 from Tyco International;
- the possible effects on us of various U.S. and non-U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate and negatively impact our U.S. government contracts business;
- various risks associated with being a Swiss corporation;
- the impact of fluctuations in the market price of our shares; and
- the impact of certain provisions of our articles of association on unsolicited takeover proposals.

There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our financial position is routinely subject to a variety of risks, including market risks associated with interest rate and currency movements on outstanding debt and non-U.S. dollar denominated assets and liabilities and commodity price movements. We utilize established risk management policies and procedures in executing derivative financial instrument transactions to manage a portion of these risks.

We do not execute transactions or hold derivative financial instruments for trading or speculative purposes. Substantially all counterparties to derivative financial instruments are limited to major financial institutions with at least an A/A2 credit rating. There is no significant concentration of exposures with any one counterparty.

Foreign Currency Exposures

As part of managing the exposure to changes in foreign currency exchange rates, we utilize foreign currency forward and swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. A 10% appreciation or depreciation of the underlying currency in our foreign currency forward or swap contracts from the September 26, 2014 market rates would have changed the unrealized value of our forward and swap contracts by \$16 million. A 10% appreciation or depreciation of the underlying currency in our foreign currency forward or swap contracts from the September 27, 2013 market rates would have changed the unrealized value of our forward and swap contracts by \$27 million. Such gains or losses on these contracts would be generally offset by the gains or losses on the revaluation or settlement of the underlying transactions.

Interest Rate and Investment Exposures

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt. We use forward starting interest rate swaps and options to enter into interest rate swaps to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. We also utilize investment swaps to manage earnings exposure on certain nonqualified deferred compensation liabilities.

During fiscal 2014, we entered into interest rate swaps designated as fair value hedges on \$300 million principal amount of our 3.50% senior notes due 2022. The maturity dates of the interest rate swaps coincide with the maturity date of the notes. Under these contracts, we receive fixed amounts of interest applicable to the underlying notes and pay floating amounts based upon the three-month LIBOR.

Based on our floating rate debt balances of approximately \$950 million at September 26, 2014 and \$150 million at September 27, 2013, an increase in the levels of the U.S. dollar interest rates by 0.5%, with all other variables held constant, would have resulted in an increase of annual interest expense of approximately \$5 million and \$1 million in fiscal 2014 and 2013, respectively.

Commodity Exposures

Our worldwide operations and product lines may expose us to risks from fluctuations in commodity prices. To limit the effects of fluctuations in the future market price paid and related volatility in cash flows, we utilize commodity swap contracts designated as cash flow hedges. We continually evaluate the commodity market with respect to our forecasted usage requirements over the next eighteen months and periodically enter into commodity swap contracts in order to hedge a portion of usage

requirements over that period. At September 26, 2014, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$21 million and had a notional value of \$307 million. At September 27, 2013, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$27 million and had a notional value of \$278 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 26, 2014 prices would have changed the unrealized value of our forward contracts by \$29 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 27, 2013 prices would have changed the unrealized value of our forward contracts by \$25 million.

See Note 14 to the Consolidated Financial Statements for additional information on financial instruments.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 26, 2014. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 26, 2014.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded our internal control over financial reporting was effective as of September 26, 2014.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of September 26, 2014, which is included in this Annual Report.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 26, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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TE CONNECTIVITY LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TE Connectivity Ltd.:

We have audited the accompanying consolidated balance sheets of TE Connectivity Ltd. and subsidiaries (the “Company”) as of September 26, 2014 and September 27, 2013, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three fiscal years in the period ended September 26, 2014. Our audits also included the financial statement schedule listed in the Index. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 26, 2014 and September 27, 2013, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 26, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of September 26, 2014, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 12, 2014 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 12, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TE Connectivity Ltd.:

We have audited the internal control over financial reporting of TE Connectivity Ltd. and subsidiaries (the “Company”) as of September 26, 2014, based on criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 26, 2014, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of the Company as of and for the fiscal year ended September 26, 2014, and our report dated

November 12, 2014 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 12, 2014

TE CONNECTIVITY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

	Fiscal		
	2014	2013	2012
	(in millions, except per share data)		
Net sales	\$13,912	\$13,280	\$13,282
Cost of sales	9,220	8,951	9,236
Gross margin	4,692	4,329	4,046
Selling, general, and administrative expenses	1,882	1,773	1,685
Research, development, and engineering expenses	675	675	688
Acquisition and integration costs	31	14	27
Restructuring and other charges, net	59	311	128
Operating income	2,045	1,556	1,518
Interest income	19	17	23
Interest expense	(131)	(142)	(176)
Other income (expense), net	63	(183)	50
Income from continuing operations before income taxes	1,996	1,248	1,415
Income tax (expense) benefit	(207)	29	(249)
Income from continuing operations	1,789	1,277	1,166
Loss from discontinued operations, net of income taxes	(8)	—	(51)
Net income	1,781	1,277	1,115
Less: net income attributable to noncontrolling interests	—	(1)	(3)
Net income attributable to TE Connectivity Ltd.	<u>\$ 1,781</u>	<u>\$ 1,276</u>	<u>\$ 1,112</u>
Amounts attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 1,789	\$ 1,276	\$ 1,163
Loss from discontinued operations	(8)	—	(51)
Net income	<u>\$ 1,781</u>	<u>\$ 1,276</u>	<u>\$ 1,112</u>
Basic earnings per share attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 4.36	\$ 3.05	\$ 2.73
Loss from discontinued operations	(0.02)	—	(0.12)
Net income	4.34	3.05	2.61
Diluted earnings per share attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 4.29	\$ 3.02	\$ 2.70
Loss from discontinued operations	(0.02)	—	(0.11)
Net income	4.27	3.02	2.59
Dividends and cash distributions paid per common share	\$ 1.08	\$ 0.92	\$ 0.78
Weighted-average number of shares outstanding:			
Basic	410	418	426
Diluted	417	423	430

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

	Fiscal		
	2014	2013	2012
	(in millions)		
Net income	\$1,781	\$1,277	\$1,115
Other comprehensive income (loss):			
Currency translation	(211)	(28)	(131)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	(123)	131	(88)
Gains (losses) on cash flow hedges, net of income taxes	14	(29)	20
Other comprehensive income (loss)	(320)	74	(199)
Comprehensive income	1,461	1,351	916
Less: comprehensive income attributable to noncontrolling interests	—	(1)	(3)
Comprehensive income attributable to TE Connectivity Ltd.	<u>\$1,461</u>	<u>\$1,350</u>	<u>\$ 913</u>

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONSOLIDATED BALANCE SHEETS
As of September 26, 2014 and September 27, 2013

	Fiscal Year End	
	2014	2013
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,457	\$ 1,403
Accounts receivable, net of allowance for doubtful accounts of \$35 and \$48, respectively . . .	2,439	2,323
Inventories	1,745	1,762
Prepaid expenses and other current assets	567	487
Deferred income taxes	336	334
Total current assets	7,544	6,309
Property, plant, and equipment, net	3,126	3,166
Goodwill	4,595	4,326
Intangible assets, net	1,329	1,244
Deferred income taxes	2,058	2,146
Receivable from Tyco International Ltd. and Covidien plc	1,037	1,002
Other assets	463	268
Total Assets	\$20,152	\$18,461
Liabilities and Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 667	\$ 711
Accounts payable	1,391	1,383
Accrued and other current liabilities	1,717	1,762
Deferred revenue	179	68
Total current liabilities	3,954	3,924
Long-term debt	3,281	2,303
Long-term pension and postretirement liabilities	1,287	1,155
Deferred income taxes	240	321
Income taxes	2,045	1,979
Other liabilities	332	393
Total Liabilities	11,139	10,075
Commitments and contingencies (Note 13)		
Equity:		
TE Connectivity Ltd. shareholders' equity:		
Common shares, 419,070,781 shares authorized and issued, CHF 0.57 par value, and 428,527,307 shares authorized and issued, CHF 0.57 par value, respectively	184	189
Contributed surplus	5,231	6,136
Accumulated earnings	4,253	2,472
Treasury shares, at cost, 11,383,631 and 17,020,636 shares, respectively	(644)	(720)
Accumulated other comprehensive income (loss)	(17)	303
Total TE Connectivity Ltd. shareholders' equity	9,007	8,380
Noncontrolling interests	6	6
Total Equity	9,013	8,386
Total Liabilities and Equity	\$20,152	\$18,461

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONSOLIDATED STATEMENTS OF EQUITY

Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

	Common Shares		Treasury Shares		Contributed Surplus	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	TE Connectivity Ltd. Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
	(in millions)									
Balance at September 30, 2011	463	\$ 593	(39)	\$(1,235)	\$7,604	\$ 84	\$ 428	\$7,474	\$10	\$7,484
Net income	—	—	—	—	—	1,112	—	1,112	3	1,115
Other comprehensive loss	—	—	—	—	—	—	(199)	(199)	—	(199)
Share-based compensation expense	—	—	—	—	70	—	—	70	—	70
Distributions approved	—	(389)	—	33	—	—	—	(356)	—	(356)
Exercise of share options	—	—	2	60	—	—	—	60	—	60
Restricted share award vestings and other activity	—	—	3	51	(47)	—	—	4	—	4
Repurchase of common shares	—	—	(6)	(194)	—	—	—	(194)	—	(194)
Cancellation of treasury shares	(24)	(11)	24	801	(790)	—	—	—	—	—
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(7)	(7)
Balance at September 28, 2012	<u>439</u>	<u>\$ 193</u>	<u>(16)</u>	<u>\$ (484)</u>	<u>\$6,837</u>	<u>\$1,196</u>	<u>\$ 229</u>	<u>\$7,971</u>	<u>\$ 6</u>	<u>\$7,977</u>
Net income	—	—	—	—	—	1,276	—	1,276	1	1,277
Other comprehensive income	—	—	—	—	—	—	74	74	—	74
Share-based compensation expense	—	—	—	—	78	—	—	78	—	78
Dividends approved	—	—	—	1	(413)	—	—	(412)	—	(412)
Exercise of share options	—	—	6	214	—	—	—	214	—	214
Restricted share award vestings and other activity	—	—	3	11	(3)	—	—	8	—	8
Repurchase of common shares	—	—	(20)	(829)	—	—	—	(829)	—	(829)
Cancellation of treasury shares	(10)	(4)	10	367	(363)	—	—	—	—	—
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(1)	(1)
Balance at September 27, 2013	<u>429</u>	<u>\$ 189</u>	<u>(17)</u>	<u>\$ (720)</u>	<u>\$6,136</u>	<u>\$2,472</u>	<u>\$ 303</u>	<u>\$8,380</u>	<u>\$ 6</u>	<u>\$8,386</u>
Net income	—	—	—	—	—	1,781	—	1,781	—	1,781
Other comprehensive loss	—	—	—	—	—	—	(320)	(320)	—	(320)
Share-based compensation expense	—	—	—	—	84	—	—	84	—	84
Dividends approved	—	—	—	—	(473)	—	—	(473)	—	(473)
Exercise of share options	—	—	5	156	—	—	—	156	—	156
Restricted share award vestings and other activity	—	—	2	125	(122)	—	—	3	—	3
Repurchase of common shares	—	—	(11)	(604)	—	—	—	(604)	—	(604)
Cancellation of treasury shares	(10)	(5)	10	399	(394)	—	—	—	—	—
Balance at September 26, 2014	<u>419</u>	<u>\$ 184</u>	<u>(11)</u>	<u>\$ (644)</u>	<u>\$5,231</u>	<u>\$4,253</u>	<u>\$ (17)</u>	<u>\$9,007</u>	<u>\$ 6</u>	<u>\$9,013</u>

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

	Fiscal		
	2014	2013	2012
	(in millions)		
Cash Flows From Operating Activities:			
Net income	\$ 1,781	\$ 1,277	\$ 1,115
Loss from discontinued operations, net of income taxes	8	—	51
Income from continuing operations	1,789	1,277	1,166
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	617	607	609
Non-cash restructuring charges	20	84	1
Deferred income taxes	(234)	30	(48)
Provision for losses on accounts receivable and inventories	50	59	58
Tax sharing (income) expense	(65)	181	(52)
Share-based compensation expense	84	78	68
Other	50	56	63
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	(205)	(81)	17
Inventories	(76)	(61)	116
Inventoried costs on long-term contracts	14	18	7
Prepaid expenses and other current assets	(14)	11	103
Accounts payable	52	167	(189)
Accrued and other current liabilities	(282)	(13)	(92)
Deferred revenue	112	(54)	(31)
Income taxes	158	(371)	7
Other	25	60	85
Net cash provided by continuing operating activities	2,095	2,048	1,888
Net cash provided by (used in) discontinued operating activities	(12)	(2)	59
Net cash provided by operating activities	2,083	2,046	1,947
Cash Flows From Investing Activities:			
Capital expenditures	(673)	(615)	(533)
Proceeds from sale of property, plant, and equipment	129	39	23
Acquisition of businesses, net of cash acquired	(528)	(6)	(1,384)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	—	14	394
Other	(3)	23	(9)
Net cash used in continuing investing activities	(1,075)	(545)	(1,509)
Net cash used in discontinued investing activities	—	—	(1)
Net cash used in investing activities	(1,075)	(545)	(1,510)
Cash Flows From Financing Activities:			
Net increase (decrease) in commercial paper	(23)	50	300
Proceeds from issuance of long-term debt	1,322	—	748
Repayment of long-term debt	(360)	(715)	(642)
Proceeds from exercise of share options	156	214	60
Repurchase of common shares	(578)	(844)	(185)
Payment of common share dividends and cash distributions to shareholders	(443)	(384)	(332)
Other	(21)	(1)	44
Net cash provided by (used in) continuing financing activities	53	(1,680)	(7)
Net cash provided by (used in) discontinued financing activities	12	2	(58)
Net cash provided by (used in) financing activities	65	(1,678)	(65)
Effect of currency translation on cash	(19)	(9)	(1)
Net increase (decrease) in cash and cash equivalents	1,054	(186)	371
Cash and cash equivalents at beginning of fiscal year	1,403	1,589	1,218
Cash and cash equivalents at end of fiscal year	\$ 2,457	\$ 1,403	\$ 1,589
Supplemental Cash Flow Information:			
Interest paid	\$ 121	\$ 155	\$ 181
Income taxes paid, net of refunds	283	312	290

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The Consolidated Financial Statements reflect the consolidated operations of TE Connectivity Ltd. and its subsidiaries and have been prepared in United States (“U.S.”) dollars in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

Description of the Business

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is a global technology leader. We design and manufacture connectivity and sensors solutions essential in today’s increasingly connected world. We help our customers solve the need for intelligent, efficient, and high-performing products and solutions.

We consist of four reportable segments:

- *Transportation Solutions.* The Transportation Solutions segment is a leader in electronic components, including terminals and connectors, relays, circuit protection devices, and sensors, as well as application tooling, wire and heat shrink tubing, and other custom-engineered solutions for the automotive market including the industrial and commercial vehicle and hybrid and electric vehicle markets.
- *Industrial Solutions.* The Industrial Solutions segment is a leading supplier of products that connect and distribute power and data, including connectors, heat shrink tubing, relays, and wire and cable, as well as custom-engineered solutions. Our products are used primarily in the industrial equipment; aerospace, defense, oil, and gas; and energy markets.
- *Network Solutions.* The Network Solutions segment is one of the world’s largest suppliers of infrastructure components and systems for the telecommunications market and electronic components for the data communications market. Our products include connectors, fiber optics, wire and cable, racks and panels, and wireless products. We also are a leader in developing, manufacturing, installing, and maintaining some of the world’s most advanced subsea fiber optic communications systems.
- *Consumer Solutions.* The Consumer Solutions segment is a top supplier of electronic components, including connectors, circuit protection devices, antennas, relays, and heat shrink tubing, for the consumer devices and appliances markets.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant estimates in these Consolidated Financial Statements include restructuring and other charges, assets acquired and liabilities assumed in acquisitions, allowances for doubtful accounts receivable, estimates of future cash flows and discount rates associated with asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, estimated contract revenue and related costs, legal contingencies, tax reserves and deferred tax asset valuation allowances, and the determination of discount and other rate assumptions for pension and postretirement employee benefit expenses. Actual results could differ materially from these estimates.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of Presentation (Continued)

Fiscal Year

Unless otherwise indicated, references in the Consolidated Financial Statements to fiscal 2014, fiscal 2013, and fiscal 2012 are to our fiscal years ended September 26, 2014, September 27, 2013, and September 28, 2012, respectively. Our fiscal year is a “52-53 week” year ending on the last Friday of September, such that each quarterly period is 13 weeks in length. For fiscal years in which there are 53 weeks, the fourth quarter reporting period will include 14 weeks. Fiscal 2014, 2013, and 2012 were each 52 weeks in length.

2. Summary of Significant Accounting Policies

Principles of Consolidation

We consolidate entities in which we own or control more than fifty percent of the voting shares or otherwise have the ability to control through similar rights. All intercompany transactions have been eliminated. The results of companies acquired or disposed of are included on the Consolidated Financial Statements from the effective date of acquisition or up to the date of disposal.

Revenue Recognition

Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured. For those items where title has not yet transferred, we have deferred the recognition of revenue.

Contract revenues for construction related projects, which are generated in the Network Solutions segment, are recorded primarily using the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related cost to complete. Percentage-of-completion is measured based on the ratio of actual costs incurred to total estimated costs. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. In addition, provisions for credit losses related to construction related projects are recorded as reductions of revenue in the period in which they first become determinable.

We generally warrant that our products will conform to our or mutually agreed to specifications and that our products will be free from material defects in materials and workmanship for a limited time. We limit our warranty to the replacement or repair of defective parts or a refund or credit of the price of the defective product. We accept returned goods only when the customer makes a verified claim and we have authorized the return. Returns result primarily from defective products or shipping discrepancies. A reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of sales.

Additionally, certain of our long-term contracts in the Network Solutions segment have warranty obligations. Estimated warranty costs for each contract are determined based on the contract terms and technology-specific considerations. These costs are included in total estimated contract costs and are accrued over the construction period of the respective contracts under percentage-of-completion accounting.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

We provide certain distributors with an inventory allowance for returns or scrap equal to a percentage of qualified purchases. A reserve for estimated returns and scrap allowances is established at the time of the sale, based on a fixed percentage of sales to distributors authorized and agreed to by us, and is recorded as a reduction of sales.

Other allowances include customer quantity and price discrepancies. A reserve for other allowances is generally established at the time of sale based on historical experience and is recorded as a reduction of sales. We believe we can reasonably and reliably estimate the amounts of future allowances.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less from the time of purchase are considered to be cash equivalents.

Allowance for Doubtful Accounts

The allowance for doubtful accounts receivable reflects the best estimate of probable losses inherent in our outstanding receivables after consideration of aging, known troubled accounts, and other currently available information.

Inventories

Inventories are recorded at the lower of cost or market value using the first-in, first-out cost method, except for inventoried costs incurred in the performance of long-term contracts primarily by the Network Solutions segment.

Property, Plant, and Equipment, Net and Long-Lived Assets

Property, plant, and equipment is recorded at cost less accumulated depreciation. Maintenance and repair expenditures are charged to expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 5 to 40 years for buildings and improvements, and 1 to 15 years for machinery and equipment.

We periodically evaluate, when events and circumstances warrant, the net realizable value of long-lived assets, including property, plant, and equipment and amortizable intangible assets, relying on a number of factors including operating results, business plans, economic projections, and anticipated future cash flows. When indicators of potential impairment are present, the carrying values of the asset group are evaluated in relation to the operating performance and estimated future undiscounted cash flows of the underlying asset group. Impairment of the carrying value of an asset group is recognized whenever anticipated future undiscounted cash flows from an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates, reflecting varying degrees of perceived risk.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Goodwill and Other Intangible Assets

Acquired intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with a determinable life include primarily intellectual property, consisting of patents, trademarks, and unpatented technology, as well as customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. An evaluation of the remaining useful life of determinable-lived intangible assets is performed on a periodic basis and when events and circumstances warrant an evaluation. We assess determinable-lived intangible assets for impairment consistent with our policy for assessing other long-lived assets for impairment. Goodwill is assessed for impairment separately from determinable-lived intangible assets by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the goodwill impairment analysis.

At fiscal year end 2014, we had seven reporting units, six of which contained goodwill. There is one reporting unit in the Transportation Solutions segment and two reporting units in each of the Industrial Solutions, Network Solutions, and Consumer Solutions segments. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment. In doing so, we compare the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, goodwill may be impaired and a step II goodwill impairment test is performed to measure the amount of impairment, if any. In the step II goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The implied fair value of goodwill is determined in a manner consistent with how goodwill is recognized in a business combination. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Fair value estimates used in the step I goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach generally has been supported by guideline analyses (a market approach). These approaches incorporate a number of assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

Research and Development

Research and development expenditures are expensed when incurred and are included in research, development, and engineering expenses in our Consolidated Statements of Operations. Research and

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed in fiscal 2014, 2013, and 2012 were \$572 million, \$576 million, and \$595 million, respectively.

Income Taxes

Income taxes are computed in accordance with the provisions of Accounting Standards Codification (“ASC”) 740, *Income Taxes*. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected on the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book and tax bases of particular assets and liabilities and operating loss carryforwards using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments.

We account for derivative financial instrument contracts on our Consolidated Balance Sheets at fair value. For instruments not designated as hedges under ASC 815, *Derivatives and Hedging*, the changes in the instruments’ fair value are recognized currently in earnings. For instruments designated as cash flow hedges, the effective portion of changes in the fair value of a derivative is recorded in other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Ineffective portions of a cash flow hedge, including amounts excluded from the hedging relationship, are recognized currently in earnings. Changes in the fair value of instruments designated as fair value hedges affect the carrying value of the asset or liability hedged, with changes in both the derivative instrument and the hedged asset or liability being recognized currently in earnings.

We determine the fair value of our financial instruments by using methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Standard market conventions are used to determine the fair value of financial instruments, including derivatives.

The cash flows related to derivative financial instruments are reported in the operating activities section of the Consolidated Statements of Cash Flows.

Our derivative financial instruments present certain market and counterparty risks. Concentration of counterparty risk is mitigated, however, by our use of financial institutions worldwide, substantially all of which have long-term Standard & Poor’s, Moody’s, and/or Fitch credit ratings of A/A2 or higher. In addition, we utilize only conventional derivative financial instruments. We are exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at September 26, 2014, we have assessed the likelihood of counterparty default as remote. We currently provide guarantees from a wholly-owned subsidiary to the counterparties to our commodity swap derivatives. The likelihood of performance on those guarantees has been assessed as remote. For all other derivative financial instruments, we are not required to provide, nor do we require counterparties to provide, collateral or other security.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, specifies a fair value hierarchy based upon the observable inputs utilized in valuation of certain assets and liabilities. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

- *Level 1.* Quoted prices in active markets for identical assets and liabilities.
- *Level 2.* Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3.* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flows methodologies, and similar techniques that use significant unobservable inputs.

The valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis are as follows:

- *Derivative financial instruments.* Fair value of these assets and liabilities is generally determined using observable inputs such as spot and forward rates for commodities, foreign currencies, and interest rates (level 2).
- *Rabbi trust assets.* Rabbi trust assets are composed principally of equity funds that are marked to fair value based on unadjusted quoted prices in active markets (level 1) and fixed income securities that are marked to fair value based on quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

Financial instruments other than derivative instruments include cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. These instruments are recorded on our Consolidated Balance Sheets at book value. For cash and cash equivalents, accounts receivable, and accounts payable, we believe book value approximates fair value due to the short-term nature of these instruments. See Note 11 for disclosure of the fair value of debt. The following is a description of the valuation methodologies used for the respective financial instruments:

- *Cash and cash equivalents.* Cash and cash equivalents are valued at book value, which we consider to be equivalent to unadjusted quoted prices (level 1).
- *Accounts receivable.* Accounts receivable are valued based on the net value expected to be realized. The net realizable value generally represents an observable contractual agreement (level 2).
- *Accounts payable.* Accounts payable are valued based on the net value expected to be paid, generally supported by an observable contractual agreement (level 2).

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

- *Long-term debt.* The fair value of long-term debt, including both current and non-current maturities, is derived from quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

Pension and Postretirement Benefits

The funded status of our defined benefit pension and postretirement benefit plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the benefit obligation at the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation, which represents the actuarial present value of benefits expected to be paid upon retirement factoring in estimated future compensation levels. For the postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation, which represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under pension and postretirement plans are based on various factors, such as years of service and compensation.

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants.

The measurement of benefit obligations and net periodic benefit cost is based on estimates and assumptions determined by our management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates, and mortality rates.

Share-Based Compensation

We determine the fair value of share awards on the date of grant. Share options are valued using the Black-Scholes-Merton valuation model; restricted share awards and performance awards are valued using our end-of-day share price on the date of grant. The fair value is expensed ratably over the expected service period, with an allowance made for estimated forfeitures based on historical employee activity. Estimates regarding the attainment of performance criteria are reviewed periodically; the cumulative impact of a change in estimate regarding the attainment of performance criteria is recorded in the period in which that change is made.

Earnings Per Share

Basic earnings per share attributable to TE Connectivity Ltd. is computed by dividing net income attributable to TE Connectivity Ltd. by the basic weighted-average number of common shares outstanding. Diluted earnings per share attributable to TE Connectivity Ltd. is computed by dividing net income attributable to TE Connectivity Ltd. by the weighted-average number of common shares outstanding adjusted for the potentially dilutive impact of share-based compensation arrangements.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Currency Translation

For our non-U.S. dollar functional currency subsidiaries, assets and liabilities are translated into U.S. dollars using fiscal year end exchange rates. Sales and expenses are translated at average monthly exchange rates. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) within equity.

Gains and losses resulting from foreign currency transactions, which are included in earnings, were immaterial in fiscal 2014, 2013, and 2012.

Restructuring Charges

Restructuring activities involve employee-related termination costs, facility exit costs, and asset impairments resulting from reductions-in-force, migration of facilities or product lines from higher-cost to lower-cost countries, or consolidation of facilities within countries. We recognize termination costs based on requirements established by severance policy, government law, or previous actions. Facility exit costs generally reflect the cost to terminate a facility lease before the end of its term (measured at fair value at the time we cease using the facility) or costs that will continue to be incurred under the facility lease without future economic benefit to us. Restructuring activities often result in the disposal or abandonment of assets that require an acceleration of depreciation or impairment reflecting the excess of the assets' carrying values over fair value.

The recognition of restructuring costs require that we make certain judgments and estimates regarding the nature, timing, and amount of costs associated with the planned exit activity. To the extent our actual results differ from our estimates and assumptions, we may be required to revise the estimated liabilities, requiring the recognition of additional restructuring costs or the reduction of liabilities already recognized. At the end of each reporting period, we evaluate the remaining accrued balances to ensure these balances are properly stated and the utilization of the reserves are for their intended purpose in accordance with developed exit plans.

Acquisitions

We account for acquired businesses using the acquisition method of accounting. This method requires, among other things, that most assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. We allocate the purchase price of acquired businesses to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values, or as required by ASC 805, *Business Combinations*. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill. We may engage independent third-party appraisal firms to assist us in determining the fair values of assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Contingent Liabilities

We record a loss contingency when the available information indicates it is probable that we have incurred a liability and the amount of the loss is reasonably estimable. When a range of possible losses with equal likelihood exists, we record the low end of the range. The likelihood of a loss with respect to a particular contingency is often difficult to predict, and determining a meaningful estimate of the

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

loss or a range of loss may not be practicable based on information available. In addition, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must continuously be evaluated to determine whether a loss is probable and a reasonable estimate of that loss can be made. When a loss is probable but a reasonable estimate cannot be made, or when a loss is at least reasonably possible, disclosure is provided.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASC 606, *Revenue from Contracts with Customers*. This guidance supersedes ASC 605, *Revenue Recognition*, and introduces a single, comprehensive, five-step revenue recognition model. ASC 606 also enhances disclosures related to revenue recognition. ASC 606 will be effective for us in the first quarter of fiscal 2018 and allows for either a full retrospective or a modified retrospective approach at adoption. We are continuing to assess the impact of adopting ASC 606, but do not expect adoption to have a material impact on our results of operations or financial position.

3. Restructuring and Other Charges, Net

Restructuring and other charges consisted of the following:

	Fiscal		
	2014	2013	2012
	(in millions)		
Restructuring charges, net	\$63	\$314	\$128
Other credits, net	(4)	(3)	—
	\$59	\$311	\$128

Restructuring Charges, Net

Net restructuring charges by segment were as follows:

	Fiscal		
	2014	2013	2012
	(in millions)		
Transportation Solutions	\$ 7	\$ 38	\$ 18
Industrial Solutions	7	61	28
Network Solutions	36	129	59
Consumer Solutions	13	86	23
Restructuring charges, net	\$63	\$314	\$128

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

Activity in our restructuring reserves is summarized as follows:

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation	Balance at End of Fiscal Year
	(in millions)						
Fiscal 2014 Activity:							
Fiscal 2014 Actions:							
Employee severance	\$ —	\$ 31	\$ (1)	\$ (13)	\$ —	\$(1)	\$ 16
Facility and other exit costs	—	1	—	—	—	—	1
Property, plant, and equipment	—	9	—	—	(9)	—	—
Total	—	41	(1)	(13)	(9)	(1)	17
Fiscal 2013 Actions:							
Employee severance	168	23	(12)	(105)	—	(4)	70
Facility and other exit costs	1	5	—	(5)	—	—	1
Property, plant, and equipment	—	11	—	—	(11)	—	—
Total	169	39	(12)	(110)	(11)	(4)	71
Fiscal 2012 Actions:							
Employee severance	35	3	(8)	(23)	—	—	7
Facility and other exit costs	—	1	1	(1)	—	—	1
Total	35	4	(7)	(24)	—	—	8
Pre-Fiscal 2012 Actions:							
Employee severance	16	1	(4)	(6)	—	—	7
Facility and other exit costs	26	2	—	(7)	—	(1)	20
Total	42	3	(4)	(13)	—	(1)	27
Total fiscal 2014 activity	<u>\$246</u>	<u>\$ 87</u>	<u>\$(24)</u>	<u>\$(160)</u>	<u>\$(20)</u>	<u>\$(6)</u>	<u>\$123</u>
Fiscal 2013 Activity:							
Fiscal 2013 Actions:							
Employee severance	\$ —	\$253	\$ (8)	\$ (79)	\$ —	\$ 2	\$168
Facility and other exit costs	—	5	—	(4)	—	—	1
Property, plant, and equipment	—	58	—	—	(58)	—	—
Total	—	316	(8)	(83)	(58)	2	169
Fiscal 2012 Actions:							
Employee severance	79	7	(10)	(43)	—	2	35
Facility and other exit costs	2	1	—	(3)	—	—	—
Property, plant, and equipment	—	26	—	—	(26)	—	—
Total	81	34	(10)	(46)	(26)	2	35
Pre-Fiscal 2012 Actions:							
Employee severance	51	—	(21)	(15)	—	1	16
Facility and other exit costs	29	3	—	(7)	—	1	26
Total	80	3	(21)	(22)	—	2	42
Total fiscal 2013 activity	<u>\$161</u>	<u>\$353</u>	<u>\$(39)</u>	<u>\$(151)</u>	<u>\$(84)</u>	<u>\$ 6</u>	<u>\$246</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation	Balance at End of Fiscal Year
	(in millions)						
Fiscal 2012 Activity:							
Fiscal 2012 Actions:							
Employee severance	\$ —	\$128	\$ (3)	\$ (46)	\$—	\$—	\$ 79
Facility and other exit costs	—	3	—	(1)	—	—	2
Property, plant, and equipment . . .	—	1	—	—	(1)	—	—
Total	—	132	(3)	(47)	(1)	—	81
Pre-Fiscal 2012 Actions:							
Employee severance	137	9	(15)	(76)	—	(4)	51
Facility and other exit costs	38	7	(2)	(14)	—	—	29
Total	175	16	(17)	(90)	—	(4)	80
Total fiscal 2012 activity	<u>\$175</u>	<u>\$148</u>	<u>\$(20)</u>	<u>\$(137)</u>	<u>\$(1)</u>	<u>\$(4)</u>	<u>\$161</u>

Fiscal 2014 Actions

During fiscal 2014, we initiated a restructuring program associated primarily with headcount reductions and manufacturing site and product line closures in the Network Solutions and Consumer Solutions segments. In connection with this program, we recorded net restructuring charges of \$40 million in fiscal 2014. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2014.

The following table summarizes expected and incurred charges for the fiscal 2014 program by type:

	Total Expected Charges	Charges Incurred Fiscal 2014
	(in millions)	
Employee severance	\$30	\$30
Facility and other exit costs	1	1
Property, plant, and equipment	10	9
Total	<u>\$41</u>	<u>\$40</u>

The following table summarizes expected and incurred charges for the fiscal 2014 program by segment:

	Total Expected Charges	Charges Incurred Fiscal 2014
	(in millions)	
Transportation Solutions	\$ 4	\$ 3
Industrial Solutions	3	3
Network Solutions	25	25
Consumer Solutions	9	9
Total	<u>\$41</u>	<u>\$40</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

Fiscal 2013 Actions

During fiscal 2013, we initiated a restructuring program associated with headcount reductions and manufacturing site closures impacting all segments. In connection with this program, during fiscal 2014 and 2013, we recorded net restructuring charges of \$27 million and \$308 million, respectively. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2013.

The following table summarizes expected and incurred charges for the fiscal 2013 program by type:

	<u>Total Expected Charges</u>	<u>Charges Incurred</u>	
		<u>Fiscal</u>	
		<u>2014</u>	<u>2013</u>
	(in millions)		
Employee severance	\$257	\$11	\$245
Facility and other exit costs	12	5	5
Property, plant, and equipment	71	11	58
Total	<u>\$340</u>	<u>\$27</u>	<u>\$308</u>

The following table summarizes expected and incurred charges for the fiscal 2013 program by segment:

	<u>Total Expected Charges</u>	<u>Charges Incurred</u>	
		<u>Fiscal</u>	
		<u>2014</u>	<u>2013</u>
	(in millions)		
Transportation Solutions	\$ 39	\$ 1	\$ 37
Industrial Solutions	74	6	66
Network Solutions	127	15	111
Consumer Solutions	100	5	94
Total	<u>\$340</u>	<u>\$27</u>	<u>\$308</u>

Fiscal 2012 Actions

During fiscal 2012, we initiated a restructuring program to reduce headcount across all segments. Also, we initiated a restructuring program in the Transportation Solutions and Industrial Solutions segments associated with the acquisition of Deutsch Group SAS (“Deutsch”). In connection with these actions we recorded net restructuring credits of \$3 million, charges of \$24 million, and charges of \$129 million in fiscal 2014, 2013, and 2012, respectively. We do not expect to incur any additional expense related to restructuring programs commenced in fiscal 2012.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

The following table summarizes expected and incurred charges for the fiscal 2012 programs by type:

	<u>Total Expected Charges</u>	<u>Charges Incurred</u>		
		<u>Fiscal</u>		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
		(in millions)		
Employee severance	\$117	\$(5)	\$(3)	\$125
Facility and other exit costs	6	2	1	3
Property, plant, and equipment	27	—	26	1
Total	<u>\$150</u>	<u>\$(3)</u>	<u>\$24</u>	<u>\$129</u>

The following table summarizes expected and incurred charges for the fiscal 2012 programs by segment:

	<u>Total Expected Charges</u>	<u>Charges Incurred</u>		
		<u>Fiscal</u>		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
		(in millions)		
Transportation Solutions	\$ 34	\$ 4	\$ 3	\$ 27
Industrial Solutions	28	(1)	3	26
Network Solutions	74	(2)	20	56
Consumer Solutions	14	(4)	(2)	20
Total	<u>\$150</u>	<u>\$(3)</u>	<u>\$24</u>	<u>\$129</u>

Pre-Fiscal 2012 Actions

Prior to fiscal 2012, we initiated several restructuring programs, primarily related to reductions-in-force associated with the acquisition of ADC Telecommunications, Inc. (“ADC”) and in response to economic conditions. In connection with these actions, during fiscal 2014, 2013, and 2012, we recorded net restructuring credits of \$1 million, \$18 million, and \$1 million, respectively.

Total Restructuring Reserves

Restructuring reserves included on our Consolidated Balance Sheets were as follows:

	<u>Fiscal Year End</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Accrued and other current liabilities	\$ 92	\$168
Other liabilities	31	78
Restructuring reserves	<u>\$123</u>	<u>\$246</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Discontinued Operations

During fiscal 2012, we sold our Touch Solutions business for net cash proceeds of \$380 million and recognized an insignificant pre-tax gain on the transaction. The agreement includes contingent earn-out provisions through 2015 based on business performance. In connection with the divestiture, we incurred an income tax charge of \$65 million, which is included in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations for fiscal 2012. This charge was driven primarily by the inability to fully realize a tax benefit associated with the write-off of goodwill at the time of the sale.

During fiscal 2012, we sold our TE Professional Services business for net cash proceeds of \$28 million and recognized an insignificant pre-tax gain on the transaction. Additionally, during fiscal 2012, we recorded a pre-tax impairment charge of \$28 million, which is included in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations, to write the carrying value of this business down to its estimated fair value less costs to sell.

In December 2011, the New York Court of Claims entered judgment in our favor in the amount of \$25 million, payment of which was received in fiscal 2012, in connection with our former Wireless Systems business's State of New York contract. This judgment resolved all outstanding issues between the parties in this matter. This partial recovery of a previously recognized loss, net of legal fees, is reflected in loss from discontinued operations, net of income taxes on the Consolidated Statement of Operations for fiscal 2012.

The following table presents net sales, pre-tax income (loss), pre-tax gain (loss) on sale, and income tax (expense) benefit from discontinued operations:

	<u>Fiscal</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Net sales from discontinued operations	\$ —	\$—	\$355
Pre-tax income (loss) from discontinued operations	\$(12)	\$(1)	\$ 19
Pre-tax gain (loss) on sale of discontinued operations	—	(4)	7
Income tax (expense) benefit	4	5	(77)
Loss from discontinued operations, net of income taxes	<u>\$ (8)</u>	<u>\$—</u>	<u>\$(51)</u>

The Touch Solutions, TE Professional Services, and Wireless Systems businesses met the discontinued operations criteria and have been included as such in all periods presented on our Consolidated Financial Statements. Prior to reclassification to discontinued operations, the Touch Solutions and TE Professional Services businesses were included in the former Communications and Industrial Solutions segment and the Network Solutions segment, respectively. The Wireless Systems business was a component of the former Wireless Systems segment.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions

Fiscal 2014 Acquisitions

During fiscal 2014, we acquired six companies, including the SEACON Group (“SEACON”), a leading provider of underwater connector technology and systems, for \$528 million in cash, net of cash acquired.

Fiscal 2012 Acquisition

On April 3, 2012, we acquired 100% of the outstanding shares of Deutsch Group SAS (“Deutsch”) for a total value paid of €1.55 billion (approximately \$2.05 billion using an exchange rate of \$1.33 per €1.00), net of cash acquired. The total value paid included \$659 million related to the repayment of Deutsch’s financial debt and accrued interest. Deutsch is a global leader in high-performance connectors for harsh environments, and significantly expands our product portfolio and enables us to better serve customers in the industrial and commercial transportation; aerospace, defense, oil, and gas; and rail markets. We realized cost savings and other synergies through operational efficiencies. The acquired Deutsch businesses have been reported in the Transportation Solutions and Industrial Solutions segments from the date of acquisition.

During fiscal 2012, we finalized the valuation of the identifiable assets acquired and liabilities assumed. The following table summarizes the allocation of the purchase price to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition, in accordance with the acquisition method of accounting:

	<u>(in millions)</u>
Cash and cash equivalents	\$ 152
Other current assets	330
Property, plant, and equipment	131
Goodwill	1,042
Intangible assets	827
Other long-term assets	11
Total assets acquired	2,493
Current maturities of long-term debt	642
Other current liabilities	143
Deferred income taxes	148
Other long-term liabilities	24
Total liabilities assumed	957
Net assets acquired	1,536
Cash and cash equivalents acquired	(152)
Net cash paid	\$1,384

Other current assets consisted primarily of inventories of \$189 million and trade accounts receivable of \$121 million. Other current liabilities consisted primarily of accrued and other current liabilities of \$76 million and trade accounts payable of \$56 million.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions (Continued)

The fair values assigned to intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. Both valuation methods rely on management judgment, including expected future cash flows resulting from existing customer relationships, customer attrition rates, contributory effects of other assets utilized in the business, peer group cost of capital and royalty rates, and other factors. The valuation of tangible assets was derived using a combination of the income, market, and cost approaches. Significant judgments used in valuing tangible assets include estimated reproduction or replacement cost, useful lives of assets, estimated selling prices, costs to complete, and reasonable profit. Useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flows.

Intangible assets acquired consisted of the following:

	<u>Amount</u> (in millions)	<u>Weighted-Average Amortization Period</u> (in years)
Customer relationships	\$490	15
Developed technology	165	12
Trade names and trademarks	150	20
Customer order backlog	<u>22</u>	< 1
Total	<u>\$827</u>	15

The acquired intangible assets are being amortized on a straight-line basis over their expected lives.

Goodwill of \$1,042 million was recognized in the transaction, representing the excess of the purchase price over the fair value of the tangible and intangible assets acquired and liabilities assumed. This goodwill is attributable primarily to cost savings and other synergies related to operational efficiencies including the consolidation of manufacturing, marketing, and general and administrative functions. The goodwill has been allocated to the Transportation Solutions and Industrial Solutions segments and is not deductible for tax purposes. However, prior to its merger with us, Deutsch completed certain acquisitions that resulted in approximately \$215 million of goodwill that is deductible primarily for U.S. tax purposes, which we will deduct through 2025.

During fiscal 2012, Deutsch contributed net sales of \$327 million and an operating loss of \$54 million to our Consolidated Statement of Operations. The operating loss included charges of \$75 million associated with the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog, acquisition costs of \$21 million, restructuring charges of \$14 million, and integration costs of \$6 million.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions (Continued)

Pro Forma Financial Information

The following unaudited pro forma financial information reflects our consolidated results of operations had the Deutsch acquisition occurred at the beginning of fiscal 2011:

	Fiscal 2012
	(in millions, except per share data)
Net sales	\$13,625
Net income attributable to TE Connectivity Ltd.	1,194
Diluted earnings per share attributable to TE Connectivity Ltd.	\$ 2.78

The pro forma financial information is based on our final allocation of the purchase price of the acquisition. The significant pro forma adjustments, which are described below, are net of income tax expense (benefit) at the statutory rate.

Pro forma results for fiscal 2012 were adjusted to exclude \$30 million of charges related to the fair value adjustment to acquisition-date inventories, \$29 million of interest expense based on pro forma changes in our capital structure, \$20 million of income tax expense based on the estimated impact of combining Deutsch into our global tax position, \$14 million of charges related to acquired customer order backlog, \$13 million of acquisition costs, \$4 million of charges related to other acquisition-related adjustments, \$2 million of share-based compensation expense incurred by Deutsch as a result of the change in control of Deutsch, and \$2 million of charges related to depreciation expense. In addition, pro forma results for fiscal 2012 were adjusted to include \$10 million of charges related to the amortization of the fair value of acquired intangible assets.

Pro forma results do not include any synergies. Accordingly, the unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Deutsch acquisition occurred at the beginning of fiscal 2011.

6. Inventories

Inventories consisted of the following:

	Fiscal Year End	
	2014	2013
	(in millions)	
Raw materials	\$ 257	\$ 258
Work in progress	596	597
Finished goods	868	870
Inventoried costs on long-term contracts	24	37
Inventories	\$ 1,745	\$ 1,762

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Property, Plant, and Equipment, Net

Net property, plant, and equipment consisted of the following:

	Fiscal Year End	
	2014	2013
	(in millions)	
Land and improvements	\$ 202	\$ 251
Buildings and improvements	1,380	1,503
Machinery and equipment	7,126	7,280
Construction in process	577	485
Gross property, plant, and equipment	9,285	9,519
Accumulated depreciation	(6,159)	(6,353)
Property, plant, and equipment, net	\$ 3,126	\$ 3,166

Depreciation expense was \$502 million, \$496 million, and \$502 million in fiscal 2014, 2013, and 2012, respectively.

8. Goodwill

The changes in the carrying amount of goodwill by segment were as follows⁽¹⁾:

	Transportation Solutions	Industrial Solutions	Network Solutions	Consumer Solutions	Total
	(in millions)				
September 28, 2012 ⁽²⁾	\$793	\$1,906	\$981	\$628	\$4,308
Currency translation and other	4	13	(4)	5	18
September 27, 2013 ⁽²⁾	797	1,919	977	633	4,326
Acquisitions	46	265	2	—	313
Currency translation and other	(9)	(19)	(9)	(7)	(44)
September 26, 2014 ⁽²⁾	\$834	\$2,165	\$970	\$626	\$4,595

(1) In connection with the realignment of certain businesses during fiscal 2014, goodwill was re-allocated to reporting units using a relative fair value approach. See Note 22 for additional information regarding our current segment structure.

(2) At fiscal year end 2014, 2013, and 2012, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, Network Solutions, and Consumer Solutions segments were \$2,191 million, \$669 million, \$1,236 million, and \$579 million, respectively.

During fiscal 2014, we completed the acquisition of six companies and recognized goodwill of \$313 million, which primarily related to the acquisition of SEACON and benefited the Industrial Solutions segment. See Note 5 for additional information regarding acquisitions.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2014 and determined that no impairment existed.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Intangible Assets, Net

Intangible assets consisted of the following:

	Fiscal Year End					
	2014			2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Intellectual property	\$1,216	\$(559)	\$ 657	\$1,144	\$(499)	\$ 645
Customer relationships	784	(142)	642	658	(92)	566
Other	44	(14)	30	46	(13)	33
Total	<u>\$2,044</u>	<u>\$(715)</u>	<u>\$1,329</u>	<u>\$1,848</u>	<u>\$(604)</u>	<u>\$1,244</u>

Intangible asset amortization expense was \$115 million, \$111 million, and \$107 million for fiscal 2014, 2013, and 2012, respectively.

The aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Fiscal 2015	\$ 129
Fiscal 2016	127
Fiscal 2017	124
Fiscal 2018	123
Fiscal 2019	121
Thereafter	705
Total	<u>\$1,329</u>

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	Fiscal Year End	
	2014	2013
	(in millions)	
Accrued payroll and employee benefits	\$ 539	\$ 498
Dividends and cash distributions payable to shareholders	236	206
Income taxes payable	160	112
Restructuring reserves	92	168
Interest payable	51	51
Deferred income taxes	28	54
Warranty liability	19	21
Tax Sharing Agreement guarantee liabilities pursuant to ASC 460	8	185
Other	584	467
Accrued and other current liabilities	<u>\$1,717</u>	<u>\$1,762</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Debt

Debt was as follows:

	Fiscal Year End	
	2014	2013
	(in millions)	
Current maturities of long-term debt:		
5.95% senior notes due 2014	\$ —	\$ 300
1.60% senior notes due 2015	250	—
3.50% convertible subordinated notes due 2015	89	—
Commercial paper, at a weighted-average interest rate of 0.30% and 0.28%, respectively	327	350
Other	1	61
Total	667	711
Long-term debt:		
1.60% senior notes due 2015	—	250
Senior floating rate notes due 2016	500	—
6.55% senior notes due 2017	723	727
2.375% senior notes due 2018	324	—
2.35% senior notes due 2019	250	—
4.875% senior notes due 2021	261	263
3.50% senior notes due 2022	499	498
3.45% senior notes due 2024	249	—
7.125% senior notes due 2037	475	475
3.50% convertible subordinated notes due 2015	—	89
Other	—	1
Total	3,281	2,303
Total debt ⁽¹⁾	\$3,948	\$3,014

(1) Senior notes are presented at face amount and, if applicable, are net of unamortized discount and the effects of interest rate swaps designated as fair value hedges.

In July 2014, Tyco Electronics Group S.A. (“TEGSA”), our 100%-owned subsidiary, issued \$500 million aggregate principal amount of senior floating rate notes due January 29, 2016, \$250 million aggregate principal amount of 2.35% senior notes due August 1, 2019, and \$250 million aggregate principal amount of 3.45% senior notes due August 1, 2024. The senior floating rate notes due 2016 bear interest at a rate of three-month London interbank offered rate (“LIBOR”) plus 0.20% per year. In connection with the issuance of the senior notes in July 2014, the commitments of the lenders under a \$1 billion 364-day credit agreement, dated as of June 27, 2014, automatically terminated.

During November 2013, TEGSA redeemed all of its outstanding 5.95% senior notes due 2014, representing \$300 million principal amount. We paid an immaterial premium in connection with the early redemption. In addition, during November 2013, TEGSA issued \$325 million aggregate principal amount of 2.375% senior notes due December 17, 2018.

The notes issued in July 2014 and November 2013 are TEGSA’s unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Debt (Continued)

senior to any subordinated indebtedness that TEGSA may incur. The notes are fully and unconditionally guaranteed as to payment on an unsecured senior basis by TE Connectivity Ltd.

TEGSA has a five-year unsecured senior revolving credit facility (“Credit Facility”) with total commitments of \$1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 26, 2014 and September 27, 2013.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) LIBOR plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) Deutsche Bank AG New York branch’s base rate, (ii) the federal funds effective rate plus ½ of 1%, and (iii) one-month LIBOR plus 1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA. TEGSA is required to pay an annual facility fee ranging from 7.5 to 25.0 basis points based upon the amount of the lenders’ commitments under the Credit Facility and the applicable credit ratings of TEGSA.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA’s payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd. Neither TE Connectivity Ltd. nor any of its subsidiaries provides a guarantee as to payment obligations under the 3.50% convertible subordinated notes due 2015 issued by ADC prior to its acquisition in December 2010.

The aggregate amounts of total debt maturing are as follows:

	<u>(in millions)</u>
Fiscal 2015	\$ 667
Fiscal 2016	500
Fiscal 2017	—
Fiscal 2018	723
Fiscal 2019	574
Thereafter	<u>1,484</u>
Total	<u>\$3,948</u>

The fair value of our debt, based on indicative valuations, was approximately \$4,214 million and \$3,180 at fiscal year end 2014 and 2013, respectively.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees

Tax Sharing Agreement

Effective June 29, 2007, we became the parent company of the former electronics businesses of Tyco International Ltd. (“Tyco International”). On June 29, 2007, Tyco International distributed all of our shares, as well as its shares of its former healthcare businesses (“Covidien”), to its common shareholders (the “separation”).

Upon separation, we entered into a Tax Sharing Agreement, under which we share responsibility for certain of our, Tyco International’s, and Covidien’s income tax liabilities based on a sharing formula for periods prior to and including June 29, 2007. We, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax authorities to our, Tyco International’s, and Covidien’s U.S. income tax returns. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. All costs and expenses associated with the management of these shared tax liabilities are shared equally among the parties. We are responsible for all of our own taxes that are not shared pursuant to the Tax Sharing Agreement’s sharing formula. In addition, Tyco International and Covidien are responsible for their tax liabilities that are not subject to the Tax Sharing Agreement’s sharing formula.

All of the tax liabilities that are associated with our businesses, including liabilities that arose prior to our separation from Tyco International, became our tax liabilities. Although we have agreed to share certain of these tax liabilities with Tyco International and Covidien pursuant to the Tax Sharing Agreement, we remain primarily liable for all of these liabilities. If Tyco International and Covidien default on their obligations to us under the Tax Sharing Agreement, we would be liable for the entire amount of these liabilities.

If any party to the Tax Sharing Agreement were to default in its obligation to another party to pay its share of the distribution taxes that arise as a result of no party’s fault, each non-defaulting party would be required to pay, equally with any other non-defaulting party, the amounts in default. In addition, if another party to the Tax Sharing Agreement that is responsible for all or a portion of an income tax liability were to default in its payment of such liability to a taxing authority, we could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, we may be obligated to pay amounts in excess of our agreed-upon share of our, Tyco International’s, and Covidien’s tax liabilities.

Indemnification

Our indemnification created under the Tax Sharing Agreement qualifies as a guarantee of a third party entity’s debt under ASC 460, *Guarantees*. ASC 460 addresses the measurement and disclosure of a guarantor’s obligation to pay a debt incurred by a third party. To value the initial guarantee obligation, we considered a range of probability-weighted future cash flows that represented the likelihood of payment of each class of liability by each of the three post-separation companies. The expected cash flows incorporated interest and penalties that the companies believed would be incurred on each class of liabilities and were discounted to the present value to reflect the value associated with each at separation. The calculation of the guarantee liability also included a premium that reflected the cost for an insurance carrier to stand in and assume the payment obligation at the separation date.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees (Continued)

At inception of the guarantee, based on the probability-weighted future cash flows related to unresolved tax matters, we, under the Tax Sharing Agreement, faced a maximum potential liability of \$3 billion, based on undiscounted estimates and interest and penalties used to determine the fair value of the guarantee and an assumption of 100% default on the parts of Tyco International and Covidien, a likelihood that management believes to be remote. In the event that we are required, due to bankruptcy or other business interruption on the part of Tyco International or Covidien, to pay more than the contractually determined 31%, we retain the right to seek payment from the effected entity.

At September 26, 2014, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of \$21 million. At September 27, 2013, the liability was \$223 million, of which \$185 million was reflected in accrued and other current liabilities and \$38 million was reflected in other liabilities on the Consolidated Balance Sheet. The decrease in the liability from fiscal year end 2013 reflects cash payments made to Tyco International and Covidien during fiscal 2014 related to our indemnifications under the Tax Sharing Agreement. See additional information in Note 13.

We have assessed the probable future cash payments to Tyco International and Covidien for pre-separation income tax matters pursuant to the terms of the Tax Sharing Agreement and determined that \$21 million is sufficient to satisfy these expected obligations.

Other Matters

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At September 26, 2014, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of \$408 million.

In the normal course of business, we are liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect our results of operations, financial position, or cash flows.

We generally record estimated product warranty costs when contract revenues are recognized under the percentage-of-completion method for construction related contracts; other warranty reserves are not significant. The estimation is primarily based on historical experience and actual warranty claims. Amounts accrued for warranty claims at fiscal year end 2014 and 2013 were \$31 million and \$38 million, respectively.

13. Commitments and Contingencies

General Matters

We have facility, land, vehicle, and equipment leases that expire at various dates. Rental expense under these leases was \$153 million, \$154 million, and \$160 million for fiscal 2014, 2013, and 2012,

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

respectively. At fiscal year end 2014, the minimum lease payment obligations under non-cancelable lease obligations were as follows:

	<u>(in millions)</u>
Fiscal 2015	\$125
Fiscal 2016	85
Fiscal 2017	56
Fiscal 2018	40
Fiscal 2019	32
Thereafter	<u>56</u>
Total	<u>\$394</u>

Legal Proceedings

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in “Income Tax Matters” could have a material effect on our results of operations, financial position, or cash flows.

At September 26, 2014, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. A liability for this contingency has not been recorded on the Consolidated Financial Statements as we do not believe that any payment is probable or reasonably estimable at this time.

Income Tax Matters

In connection with the separation, we entered into a Tax Sharing Agreement that generally governs our, Tyco International’s, and Covidien’s respective rights, responsibilities, and obligations after the distribution with respect to taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the distribution of all of our shares or the shares of Covidien to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the Internal Revenue Code (the “Code”) or certain internal transactions undertaken in anticipation of the spin-offs to qualify for tax-favored treatment under the Code.

Pursuant to the Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under the Tax Sharing

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

Agreement, we, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. See Note 12 for additional information regarding the Tax Sharing Agreement.

Prior to separation, certain of our subsidiaries filed combined income tax returns with Tyco International. Those and other of our subsidiaries' income tax returns are examined periodically by various tax authorities. In connection with these examinations, tax authorities, including the Internal Revenue Service ("IRS"), have raised issues and proposed tax adjustments. Tyco International, as the U.S. income tax audit controlling party under the Tax Sharing Agreement, is reviewing and contesting certain of the proposed tax adjustments. Amounts related to these tax adjustments and other tax contingencies and related interest that management has assessed under the uncertain tax position provisions of ASC 740, which relate specifically to our entities have been recorded on the Consolidated Financial Statements. In addition, we may be required to fund portions of Tyco International's and Covidien's tax obligations. Estimates about these guarantees also have been recognized on the Consolidated Financial Statements. See Note 12 for additional information.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued Revenue Agent Reports that reflected the IRS' determination of proposed tax adjustments for the 1997 through 2000 period. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. The penalties were asserted against a prior subsidiary of Tyco International that was distributed to us in connection with the separation. Tyco International appealed certain of the proposed adjustments for the years 1997 through 2000, and Tyco International resolved all but one of the matters associated with the proposed tax adjustments, including reaching an agreement with the IRS on the penalty adjustment in the amount of \$21 million. In October 2012, the IRS issued special agreement Forms 870-AD, effectively settling its audit of all tax matters for the period 1997 through 2000, excluding one issue that remains in dispute as described below. As a result of these developments, in fiscal 2013, we recognized an income tax benefit of \$331 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of \$231 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

The disputed issue involves the tax treatment of certain intercompany debt transactions. The IRS field examination asserted that certain intercompany loans originating during the period 1997 through 2000 did not constitute debt for U.S. federal income tax purposes and disallowed approximately \$2.7 billion of related interest deductions recognized during the period on Tyco International's U.S. income tax returns. In addition, if the IRS is ultimately successful in asserting its claim, it is likely to disallow an additional \$6.6 billion of interest deductions reflected on U.S. income tax returns in years subsequent to fiscal 2000. Tyco International contends that the intercompany financing qualified as debt for U.S. tax purposes and that the interest deductions reflected on the income tax returns are appropriate. The IRS and Tyco International were unable to resolve this matter through the IRS appeals process. On June 20, 2013, Tyco International advised us that it had received Notices of Deficiency from the IRS for certain former U.S. subsidiaries of Tyco International increasing taxable income by approximately \$2.9 billion in connection with the audit of Tyco International's fiscal years 1997 through 2000. The Notices of Deficiency assert that Tyco International owes additional taxes totaling \$778 million, associated penalties of \$154 million, and withholding taxes of \$105 million. In

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

In addition, Tyco International received Final Partnership Administrative Adjustments for certain U.S. partnerships owned by former U.S. subsidiaries with respect to which Tyco International estimates an additional tax deficiency of approximately \$30 million will be asserted. The amounts asserted by the IRS exclude any applicable deficiency interest, and do not reflect any impact to subsequent period tax liabilities in the event that the IRS were to prevail on some or all of its assertions. We understand that Tyco International strongly disagrees with the IRS position and has filed petitions in the U.S. Tax Court contesting the IRS' proposed adjustments. Tyco International has advised us that it believes there are meritorious defenses for the tax filings in question and that the IRS positions with regard to these matters are inconsistent with the applicable tax laws and existing U.S. Treasury regulations.

A U.S. Tax Court trial date of February 29, 2016 has been set and the parties are engaged in discovery. TE does not expect any payments to the IRS with respect to these matters until they are fully and finally resolved. In accordance with the Tax Sharing Agreement, we, Tyco International, and Covidien would share 31%, 27%, and 42%, respectively, of any payments made in connection with these matters.

If the IRS were to prevail on its assertions, our share of the assessed tax, deficiency interest, and applicable withholding taxes and penalties could have a material adverse impact on our results of operations, financial position, and cash flows. We have reviewed the Notices of Deficiency, the relevant facts surrounding the intercompany debt transactions, relevant tax regulations, and applicable case law, and we continue to believe that we are appropriately reserved for this matter.

During fiscal 2014, we made net payments of \$179 million related to pre-separation tax matters, including \$198 million of indemnification payments made to Tyco International and Covidien in connection with their advanced payments for expected deficiencies made to the IRS for the 2005 through 2007 audit cycle. We made net payments of \$28 million and \$19 million related to pre-separation tax matters during fiscal 2013 and 2012, respectively.

Tyco International's income tax returns for the years 2001 through 2004 remain subject to adjustment by the IRS upon ultimate resolution of the disputed issue involving certain intercompany loans originated during the period 1997 through 2000. For the undisputed issues for years 2001 through 2004, it is our understanding that Tyco International expects to receive and accept general agreement Forms 870 from the IRS during the first quarter of fiscal 2015. The IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007 in fiscal 2011, and it is our understanding that Tyco International expects the IRS to issue general agreement Forms 870 during the first half of fiscal 2015. Over the next twelve months, we expect to make net cash payments of approximately \$31 million in connection with pre-separation U.S. tax matters.

During fiscal 2012, the IRS commenced its audit of our income tax returns for the years 2008 through 2010. We expect fieldwork for the 2008 through 2010 audit to conclude in fiscal 2015.

At September 26, 2014 and September 27, 2013, we have reflected \$51 million and \$15 million, respectively, of income tax liabilities related to the audits of Tyco International's and our income tax returns in accrued and other current liabilities as certain of these matters could be resolved within the next twelve months.

We believe that the amounts recorded on our Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate resolution is uncertain and could result in a material impact to our results of operations, financial position, or cash flows.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

Environmental Matters

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of fiscal year end 2014, we concluded that it was probable that we would incur remedial costs in the range of \$18 million to \$40 million. As of fiscal year end 2014, we concluded that the best estimate within this range is \$21 million, of which \$5 million is included in accrued and other current liabilities and \$16 million is included in other liabilities on the Consolidated Balance Sheet. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

14. Financial Instruments and Fair Value Measurements

We use derivative and non-derivative financial instruments to manage certain exposures to foreign currency, interest rate, investment, and commodity risks.

The effects of derivative instruments on the Consolidated Statements of Operations were immaterial for fiscal 2014, 2013, and 2012.

Foreign Exchange Risks

As part of managing the exposure to changes in foreign currency exchange rates, we utilize foreign currency forward and swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions.

We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Consolidated Statements of Operations within the next twelve months.

Interest Rate and Investment Risk Management

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt. We use forward starting interest rate swaps and options to enter into interest rate swaps to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. We also utilize investment swaps to manage earnings exposure on certain nonqualified deferred compensation liabilities.

During fiscal 2014, we entered into interest rate swaps designated as fair value hedges on \$300 million principal amount of our 3.50% senior notes due 2022. The maturity dates of the interest rate swaps coincide with the maturity date of the notes. Under these contracts, we receive fixed amounts of interest applicable to the underlying notes and pay floating amounts based upon the three-month LIBOR.

During fiscal 2012, in conjunction with the issuance of the 1.60% senior notes due 2015 and 3.50% senior notes due 2022, we terminated forward starting interest rate swaps and options to enter into interest rate swaps designated as cash flow hedges on notional amounts of \$400 million originated in

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Financial Instruments and Fair Value Measurements (Continued)

fiscal 2010, for a cash payment of \$24 million. Also during fiscal 2012 and in conjunction with the issuance of the 3.50% senior notes due 2022, we entered into, and subsequently terminated, an interest rate swap designated as a cash flow hedge on a notional amount of \$300 million for an immaterial cash payment.

We utilize swaps to manage exposure related to certain of our nonqualified deferred compensation liabilities. The notional amount of the swaps was \$51 million and \$38 million at September 26, 2014 and September 27, 2013, respectively. The swaps act as economic hedges of changes in a portion of the liabilities. The change in value of both the swap contracts and the nonqualified deferred compensation liabilities are recorded in selling, general, and administrative expenses on the Consolidated Statements of Operations.

Hedges of Net Investment

We hedge our net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was \$2,893 million and \$2,374 million at September 26, 2014 and September 27, 2013, respectively. Foreign exchange gains of \$156 million in fiscal 2014 were recorded as currency translation, a component of accumulated other comprehensive income (loss), offsetting foreign exchange gains or losses attributable to the translation of the net investment. Foreign exchange gains and losses recorded as currency translation in fiscal 2013 and 2012 were immaterial. See Note 20 for additional information.

Commodity Hedges

As part of managing the exposure to certain commodity price fluctuations, we utilize commodity swap contracts designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in prices of commodities used in production.

At September 26, 2014 and September 27, 2013, our commodity hedges had notional values of \$307 million and \$278 million, respectively. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the commodity hedges will be reclassified into the Consolidated Statements of Operations within the next twelve months.

Fair Value Measurements

Financial instruments recorded at fair value on a recurring basis, which consist of derivative instruments and marketable securities, were immaterial at September 26, 2014 and September 27, 2013.

As of September 26, 2014 and September 27, 2013, we did not have significant financial assets or liabilities that were measured at fair value on a non-recurring basis. We also did not have significant non-financial assets or liabilities that were measured at fair value as of September 26, 2014 and September 27, 2013.

Other financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. These instruments are recorded on our Consolidated Balance Sheets at book value. For cash and cash equivalents, accounts receivable, and accounts payable, we believe book value approximates fair value due to the short-term nature of these instruments. See Note 11 for information regarding the fair value of debt.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans

Defined Benefit Pension Plans

We have a number of contributory and noncontributory defined benefit retirement plans covering certain of our U.S. and non-U.S. employees, designed in accordance with local customs and practice.

The net periodic pension benefit cost for all U.S. and non-U.S. defined benefit pension plans was as follows:

	U.S. Plans			Non-U.S. Plans		
	Fiscal			Fiscal		
	2014	2013	2012	2014	2013	2012
	(\$ in millions)					
Service cost	\$ 7	\$ 6	\$ 7	\$ 50	\$ 55	\$ 51
Interest cost	50	46	51	73	70	76
Expected return on plan assets	(63)	(60)	(58)	(71)	(69)	(54)
Amortization of net actuarial loss	25	36	42	24	33	29
Other	—	—	(1)	(3)	(18)	(5)
Net periodic pension benefit cost	<u>\$ 19</u>	<u>\$ 28</u>	<u>\$ 41</u>	<u>\$ 73</u>	<u>\$ 71</u>	<u>\$ 97</u>
<i>Weighted-average assumptions used to determine net pension benefit cost during the fiscal year:</i>						
Discount rate	4.84%	3.98%	4.71%	3.38%	3.27%	4.12%
Expected return on plan assets	7.16%	6.65%	7.10%	5.99%	6.31%	5.43%
Rate of compensation increase	—%	—%	4.00%	2.86%	2.88%	3.01%

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

The following table represents the changes in benefit obligation and plan assets and the net amount recognized on the Consolidated Balance Sheets for all U.S. and non-U.S. defined benefit pension plans:

	U.S. Plans		Non-U.S. Plans	
	Fiscal		Fiscal	
	2014	2013	2014	2013
	(\$ in millions)			
<i>Change in benefit obligation:</i>				
Benefit obligation at beginning of fiscal year	\$1,074	\$1,177	\$ 2,181	\$2,206
Service cost	7	6	50	55
Interest cost	50	46	73	70
Actuarial (gain) loss	90	(84)	261	48
Benefits and administrative expenses paid	(77)	(69)	(80)	(98)
Currency translation	—	—	(98)	(74)
Other	(1)	(2)	(31)	(26)
Benefit obligation at end of fiscal year	<u>1,143</u>	<u>1,074</u>	<u>2,356</u>	<u>2,181</u>
<i>Change in plan assets:</i>				
Fair value of plan assets at beginning of fiscal year	931	941	1,185	1,118
Actual return on plan assets	123	58	106	131
Employer contributions	2	2	89	94
Benefits and administrative expenses paid	(77)	(69)	(80)	(98)
Currency translation	—	—	(37)	(62)
Other	(1)	(1)	(11)	2
Fair value of plan assets at end of fiscal year	<u>978</u>	<u>931</u>	<u>1,252</u>	<u>1,185</u>
Funded status	<u>\$ (165)</u>	<u>\$ (143)</u>	<u>\$(1,104)</u>	<u>\$ (996)</u>
<i>Amounts recognized on the Consolidated Balance Sheets:</i>				
Other assets	\$ —	\$ —	\$ 2	\$ 3
Accrued and other current liabilities	(4)	(3)	(21)	(20)
Long-term pension and postretirement liabilities	(161)	(140)	(1,085)	(979)
Net amount recognized	<u>\$ (165)</u>	<u>\$ (143)</u>	<u>\$(1,104)</u>	<u>\$ (996)</u>
<i>Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:</i>				
Discount rate	4.34%	4.84%	2.76%	3.38%
Rate of compensation increase	—%	—%	2.87%	2.86%

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

The pre-tax amounts recognized in accumulated other comprehensive income (loss) for all U.S. and non-U.S. defined benefit pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	Fiscal		Fiscal	
	2014	2013	2014	2013
	(in millions)			
<i>Change in net loss:</i>				
Unrecognized net loss at beginning of fiscal year	\$320	\$438	\$592	\$ 705
Current year change recorded in accumulated other comprehensive income (loss)	30	(82)	180	(80)
Amortization reclassified to earnings	(25)	(36)	(24)	(33)
Unrecognized net loss at end of fiscal year	<u>\$325</u>	<u>\$320</u>	<u>\$748</u>	<u>\$ 592</u>
<i>Change in prior service credit:</i>				
Unrecognized prior service credit at beginning of fiscal year	\$ —	\$ —	\$(68)	\$(112)
Current year change recorded in accumulated other comprehensive income (loss)	—	—	(4)	37
Amortization reclassified to earnings	—	—	5	7
Unrecognized prior service credit at end of fiscal year	<u>\$ —</u>	<u>\$ —</u>	<u>\$(67)</u>	<u>\$ (68)</u>

Unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for U.S. defined benefit pension plans in fiscal 2014 are principally the result of change in mortality assumptions and decreasing discount rates. Unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for non-U.S. defined benefit pension plans in fiscal 2014 are principally the result of decreasing discount rates. Unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) for U.S. defined benefit pension plans in fiscal 2013 are principally the result of improved discount rates. Unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) for non-U.S. defined benefit pension plans in fiscal 2013 are principally the result of improved asset performance and the effects of currency translation. Amortization of prior service credit is included in other in the above table summarizing the components of net periodic pension benefit cost.

The estimated amortization of actuarial losses from accumulated other comprehensive income (loss) into net periodic pension benefit cost for U.S. and non-U.S. defined benefit pension plans in fiscal 2015 is expected to be \$25 million and \$37 million, respectively. The estimated amortization of prior service credit from accumulated other comprehensive income (loss) into net periodic pension benefit cost for non-U.S. defined benefit pension plans in fiscal 2015 is expected to be \$5 million.

In determining the expected return on plan assets, we consider the relative weighting of plan assets by class and individual asset class performance expectations.

The investment strategy for the U.S. pension plans is governed by our investment committee; investment strategies for non-U.S. pension plans are governed locally. Our investment strategy for our pension plans is to manage the plans on a going concern basis. Current investment policy is to achieve a reasonable return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. Projected returns are based primarily on pro forma asset

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

allocation, expected long-term returns, and forward-looking estimates of active portfolio and investment management.

During fiscal 2012, our investment committee made the decision to change the target asset allocation of the U.S. plans' master trust from a previous target of 30% equity and 70% fixed income to 10% equity and 90% fixed income in an effort to better protect the funded status of the U.S. plans' master trust. Asset reallocation will continue over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 (the "Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 100%. Based on the Pension Act Funded Status as of September 26, 2014, our target asset allocation is 44% equity and 56% fixed income.

Target weighted-average asset allocation and weighted-average asset allocation for U.S. and non-U.S. pension plans were as follows:

	U.S. Plans			Non-U.S. Plans		
	Target ⁽¹⁾	Fiscal Year End 2014 ⁽¹⁾	Fiscal Year End 2013	Target	Fiscal Year End 2014	Fiscal Year End 2013
Asset Category:						
Equity securities	44%	45%	45%	47%	48%	43%
Debt securities	56	55	55	28	28	35
Insurance contracts and other investments . . .	—	—	—	23	22	20
Real estate investments	—	—	—	2	2	2
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Based on our Pension Act Funded Status as of September 26, 2014, equity securities of the U.S. plans' master trust cannot exceed 45%.

Our common shares are not a direct investment of our pension funds; however, the pension funds may indirectly include our shares. The aggregate amount of our common shares would not be considered material relative to the total pension fund assets.

Our funding policy is to make contributions in accordance with the laws and customs of the various countries in which we operate as well as to make discretionary voluntary contributions from time to time. We anticipate that, at a minimum, we will make the minimum required contributions to our pension plans in fiscal 2015 of \$4 million to U.S. plans and \$77 million to non-U.S. plans.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

Benefit payments, which reflect future expected service, as appropriate, are expected to be paid as follows:

	<u>U.S. Plans</u>	<u>Non-U.S. Plans</u>
	(in millions)	
Fiscal 2015	\$ 69	\$ 76
Fiscal 2016	68	81
Fiscal 2017	68	81
Fiscal 2018	69	83
Fiscal 2019	70	89
Fiscal 2020-2024	367	517

Set forth below is the accumulated benefit obligation for all U.S. and non-U.S. pension plans as well as additional information related to plans with an accumulated benefit obligation in excess of plan assets and plans with a projected benefit obligation in excess of plan assets.

	<u>U.S. Plans</u>		<u>Non-U.S. Plans</u>	
	<u>Fiscal Year End</u>		<u>Fiscal Year End</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(in millions)			
Accumulated benefit obligation	\$1,143	\$1,074	\$2,181	\$2,021
Pension plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	1,143	1,074	2,125	1,930
Fair value of plan assets	978	931	1,176	1,072
Pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	1,143	1,074	2,291	2,120
Fair value of plan assets	978	931	1,185	1,122

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

We value our pension assets based on the fair value hierarchy of ASC 820. Details of the fair value hierarchy are described in Note 2. The following table presents our defined benefit pension plans' asset categories and their associated fair value within the fair value hierarchy:

	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in millions)								
September 26, 2014:								
Equity:								
Equity securities:								
U.S. equity securities ⁽¹⁾	\$210	\$ —	\$—	\$210	\$ 67	\$ —	\$—	\$ 67
Non-U.S. equity securities ⁽¹⁾	209	—	—	209	104	—	—	104
Commingled equity funds ⁽²⁾	—	—	—	—	—	444	—	444
Fixed income:								
Government bonds ⁽³⁾	—	87	—	87	—	211	—	211
Corporate bonds ⁽⁴⁾	—	445	—	445	—	19	—	19
Commingled bond funds ⁽⁵⁾	—	—	—	—	—	203	—	203
Other ⁽⁶⁾	—	13	—	13	—	96	78	174
Subtotal	<u>\$419</u>	<u>\$545</u>	<u>\$—</u>	<u>964</u>	<u>\$171</u>	<u>\$973</u>	<u>\$78</u>	<u>1,222</u>
Items to reconcile to fair value of plan assets ⁽⁷⁾				14				30
Fair value of plan assets				<u>\$978</u>				<u>\$1,252</u>
September 27, 2013:								
Equity:								
Equity securities:								
U.S. equity securities ⁽¹⁾	\$237	\$ —	\$—	\$237	\$ 57	\$ —	\$—	\$ 57
Non-U.S. equity securities ⁽¹⁾	179	—	—	179	95	—	—	95
Commingled equity funds ⁽²⁾	—	—	—	—	—	362	—	362
Fixed income:								
Government bonds ⁽³⁾	—	77	—	77	—	143	—	143
Corporate bonds ⁽⁴⁾	—	413	—	413	—	119	—	119
Commingled bond funds ⁽⁵⁾	—	—	—	—	—	217	—	217
Other ⁽⁶⁾	—	14	—	14	1	90	72	163
Subtotal	<u>\$416</u>	<u>\$504</u>	<u>\$—</u>	<u>920</u>	<u>\$153</u>	<u>\$931</u>	<u>\$72</u>	<u>1,156</u>
Items to reconcile to fair value of plan assets ⁽⁷⁾				11				29
Fair value of plan assets				<u>\$931</u>				<u>\$1,185</u>

- (1) U.S. and non-U.S. equity securities are valued at the closing price reported on the stock exchange on which the individual securities are traded.
- (2) Commingled equity funds are pooled investments in multiple equity-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

- (3) Government bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (4) Corporate bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (5) Commingled bond funds are pooled investments in multiple debt-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.
- (6) Other investments are composed of insurance contracts, derivatives, short-term investments, structured products such as collateralized obligations and mortgage- and asset-backed securities, real estate investments, and hedge funds. Insurance contracts are valued using cash surrender value, or face value of the contract if a cash surrender value is unavailable (level 2). These values represent the amount that the plan would receive on termination of the underlying contract. Derivatives, short-term investments, and structured products are marked to fair value using models that are supported by observable market based data (level 2). Real estate investments include investments in commingled real estate funds. The investments are valued at their net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3). Hedge funds are valued at their net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3).
- (7) Items to reconcile to fair value of plan assets include amounts receivable for securities sold, amounts payable for securities purchased, and any cash balances, considered to be carried at book value, that are held in the plans.

The following table sets forth a summary of changes in the fair value of Level 3 assets contained in the non-U.S. plans:

	Real Estate	Hedge Funds
	(in millions)	
Balance at September 28, 2012	\$19	\$48
Return on assets held at end of fiscal year	(2)	4
Purchases, sales, and settlements, net	3	—
Balance at September 27, 2013	20	52
Return on assets held at end of fiscal year	1	5
Balance at September 26, 2014	\$21	\$57

Defined Contribution Retirement Plans

We maintain several defined contribution retirement plans, the most significant of which is located in the U.S. These plans include 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was \$61 million for each of fiscal 2014, 2013, and 2012.

Deferred Compensation Plans and Rabbi Trusts

We maintain nonqualified deferred compensation plans, which permit eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to a number of funds in our 401(k) plans and the account balance fluctuates with the investment returns on those funds. Total deferred compensation liabilities were \$116 million and \$99 million at fiscal year end 2014 and 2013, respectively. See Note 14 for additional information regarding our risk management strategy related to deferred compensation liabilities.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

Additionally, we have established rabbi trusts, related to certain acquired companies, through which the assets may be used to pay nonqualified plan benefits. The trusts hold primarily bonds and equities. The rabbi trust assets are subject to the claims of our creditors in the event of our insolvency; plan participants are general creditors of ours with respect to these benefits. The value of the assets held by these trusts, included in other assets on the Consolidated Balance Sheets, was \$83 million at fiscal year end 2014 and 2013. Total liabilities related to the assets held by the rabbi trust and reflected on the Consolidated Balance Sheets were \$12 million and \$13 million at fiscal year end 2014 and 2013, respectively, and include certain deferred compensation liabilities (referred to above), split dollar life insurance policy liabilities, and an unfunded U.S. pension plan. Plan participants are general creditors of ours with respect to these benefits.

Postretirement Benefit Plans

In addition to providing pension and 401(k) benefits, we also provide certain health care coverage continuation for qualifying retirees from the date of retirement to age 65.

Net periodic postretirement benefit cost was \$2 million, \$4 million, and \$3 million for fiscal 2014, 2013, and 2012, respectively, and consisted primarily of service and interest cost. The weighted-average assumptions used to determine net postretirement benefit cost were as follows:

	<u>Fiscal</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Discount rate	4.85%	3.85%	5.00%
Rate of compensation increase	4.00%	3.35%	4.00%

The accrued postretirement benefit obligation was \$44 million and \$39 million at fiscal year end 2014 and 2013, respectively. The fair value of plan assets was \$3 million at fiscal year end 2014 and 2013. The underfunded status of the postretirement benefit plans was included primarily in long-term pension and postretirement liabilities on the Consolidated Balance Sheets. The weighted-average assumptions used to determine the postretirement benefit obligation were as follows:

	<u>Fiscal Year End</u>	
	<u>2014</u>	<u>2013</u>
Discount rate	4.13%	4.85%
Rate of compensation increase	3.65%	4.00%

Unrecognized postretirement benefit credits of \$1 million and \$6 million at fiscal year end 2014 and 2013, respectively, were recorded in accumulated other comprehensive income (loss). Amortization of these balances into net periodic postretirement benefit cost is expected to be insignificant in fiscal 2015.

Our investment strategy for our postretirement benefit plans is to achieve a reasonable return on assets, subject to a prudent level of portfolio risk. The plan is invested in debt securities, which are considered level 2 in the fair value hierarchy, and equity securities, which are considered level 1 in the fair value hierarchy, and targets an allocation of 50% in each category.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

We anticipate that we will make insignificant contributions to our postretirement benefit plans in fiscal 2015.

Benefit payments, which reflect future expected service, as appropriate, are expected to be approximately \$3 million annually from fiscal 2015 through fiscal 2019 and \$13 million in total from fiscal 2020 through fiscal 2024. Health care cost trend assumptions used to determine the postretirement benefit obligation were as follows:

	Fiscal Year End	
	2014	2013
Health care cost trend rate assumed for next fiscal year	7.01%	7.33%
Rate to which the cost trend rate is assumed to decline	4.50%	4.50%
Fiscal year the ultimate trend rate is achieved	2029	2029

A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
	(in millions)	
Effect on total of service and interest cost	\$—	\$—
Effect on postretirement benefit obligation	4	(4)

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes

Our operations are conducted through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which our operations are conducted and income and loss from operations is subject to taxation.

Significant components of the income tax provision (benefit) were as follows:

	<u>Fiscal</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Current:			
U.S.:			
Federal	\$ 137	\$ (295)	\$ 92
State	(3)	(85)	11
Non-U.S.	307	321	194
Current income tax provision (benefit)	<u>441</u>	<u>(59)</u>	<u>297</u>
Deferred:			
U.S.:			
Federal	(269)	71	(50)
State	1	(1)	4
Non-U.S.	34	(40)	(2)
Deferred income tax provision (benefit)	<u>(234)</u>	<u>30</u>	<u>(48)</u>
Provision (benefit) for income taxes	<u>\$ 207</u>	<u>\$ (29)</u>	<u>\$ 249</u>

The U.S. and non-U.S. components of income from continuing operations before income taxes were as follows:

	<u>Fiscal</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
U.S.	\$ (25)	\$ (238)	\$ (96)
Non-U.S.	2,021	1,486	1,511
Income from continuing operations before income taxes . .	<u>\$1,996</u>	<u>\$1,248</u>	<u>\$1,415</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

The reconciliation between U.S. federal income taxes at the statutory rate and provision (benefit) for income taxes on continuing operations was as follows:

	Fiscal		
	2014	2013	2012
	(in millions)		
Notional U.S. federal income tax provision at the statutory rate	\$ 699	\$ 437	\$ 495
Adjustments to reconcile to the income tax provision (benefit):			
U.S. state income tax provision (benefit), net	(1)	(56)	10
Other (income) expense—Tax Sharing Agreement	(23)	64	(18)
Tax law changes	(1)	—	21
Tax credits	(9)	(11)	(9)
Non-U.S. net earnings ⁽¹⁾	(315)	(277)	(225)
Nondeductible charges	7	3	3
Change in accrued income tax liabilities	113	(162)	95
Valuation allowance	(244)	(31)	(107)
Other	(19)	4	(16)
Provision (benefit) for income taxes	<u>\$ 207</u>	<u>\$ (29)</u>	<u>\$ 249</u>

(1) Excludes nondeductible charges and other items which are broken out separately in the table.

The tax provision for fiscal 2014 reflects income tax benefits of \$282 million recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards, partially offset by an income tax charge related to adjustments to prior year income tax returns.

In fiscal 2014, we acquired SEACON, and its U.S. operations were combined with our ADC U.S. federal consolidated tax group. In addition, the ADC U.S. tax group was combined with other U.S. legal entities and assets. We reassessed the realization of the revised ADC U.S. tax group's tax loss and credit carryforwards. Based upon management's review of forecasted future taxable income of the reorganized combined tax group, we believe it is more likely than not that a tax benefit will be realized on additional U.S. federal and state net operating losses. Accordingly, we reduced the valuation allowance and recorded a tax benefit of \$282 million. As of fiscal year end 2014, we continue to maintain a valuation allowance of \$75 million related to U.S. federal and state tax attributes of the ADC U.S. tax group due to uncertainty of their realization in the future.

The tax benefit for fiscal 2013 reflects an income tax benefit of \$331 million related to the effective settlement of all undisputed tax matters for the period 1997 through 2000. In addition, the tax benefit for fiscal 2013 reflects \$23 million of net tax benefits consisting primarily of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards and income tax benefits recognized in connection with the lapse of statutes of limitations for examinations of prior year income tax returns, partially offset by income tax expense related to adjustments to prior year income tax returns.

The tax provision for fiscal 2012 reflects an income tax benefit of \$107 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations. In addition, the tax provision for fiscal 2012 reflects \$17 million of income tax

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

expense associated with certain non-U.S. tax rate changes enacted in the quarter ended December 30, 2011.

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax asset were as follows:

	Fiscal Year End	
	2014	2013
	(in millions)	
Deferred tax assets:		
Accrued liabilities and reserves	\$ 275	\$ 320
Tax loss and credit carryforwards	3,374	3,431
Inventories	57	55
Pension and postretirement benefits	276	235
Deferred revenue	12	5
Interest	358	372
Unrecognized income tax benefits	391	364
Other	29	19
	4,772	4,801
Deferred tax liabilities:		
Intangible assets	(828)	(778)
Property, plant, and equipment	(25)	(64)
Other	(72)	(38)
	(925)	(880)
Net deferred tax asset before valuation allowance	3,847	3,921
Valuation allowance	(1,721)	(1,816)
Net deferred tax asset	\$ 2,126	\$ 2,105

At fiscal year end 2014, we had approximately \$1,413 million of U.S. federal and \$116 million of U.S. state net operating loss carryforwards (tax effected) which will expire in future years through 2034. In addition, at fiscal year end 2014, we had approximately \$179 million of U.S. federal tax credit carryforwards, of which \$55 million have no expiration and \$124 million will expire in future years through 2034, and \$38 million of U.S. state tax credits carryforwards which will expire in future years through 2029.

At fiscal year end 2014, we had approximately \$1,586 million of net operating loss carryforwards (tax effected) in certain non-U.S. jurisdictions, of which \$1,416 million have no expiration and \$170 million will expire in future years through 2034. Also, at fiscal year end 2014, there were \$1 million of non-U.S. tax credit carryforwards which have no expiration. In addition, \$41 million of non-U.S. capital loss carryforwards (tax effected) have no expiration.

The valuation allowance for deferred tax assets of \$1,721 million and \$1,816 million at fiscal year end 2014 and 2013, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. We

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on our Consolidated Balance Sheet. The valuation allowance was calculated in accordance with the provisions of ASC 740, which require that a valuation allowance be established or maintained when it is more likely than not that all or a portion of deferred tax assets will not be realized. At fiscal year end 2014, approximately \$118 million of the valuation allowance relates to share-based compensation and will be recorded to equity if certain net operating losses and tax credit carryforwards are utilized.

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. Furthermore, management has reviewed with tax counsel the issues raised by certain taxing authorities and the adequacy of these recorded amounts. If our current estimate of tax and interest liabilities is less than the ultimate settlement, an additional charge to income tax expense may result. If our current estimate of tax and interest liabilities is more than the ultimate settlement, income tax benefits may be recognized.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of September 26, 2014, certain subsidiaries had approximately \$18 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of September 26, 2014, we had approximately \$5.5 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately \$1.7 billion of tax expense would be recognized on our Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

Uncertain Tax Position Provisions of ASC 740

As of September 26, 2014, we had total unrecognized income tax benefits of \$1,597 million. If recognized in future periods, \$1,452 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. As of September 27, 2013, we had total unrecognized income tax benefits of \$1,620 million. If recognized in future periods, \$1,471 million of these unrecognized income tax benefits would impact the income tax provision and effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

	Fiscal		
	2014	2013	2012
	(in millions)		
Balance at beginning of fiscal year	\$1,620	\$1,795	\$1,783
Additions related to prior periods tax positions	22	90	41
Reductions related to prior periods tax positions	(57)	(271)	(36)
Additions related to current period tax positions	32	88	31
Acquisitions	7	—	7
Settlements	(14)	(8)	(12)
Reductions due to lapse of applicable statute of limitations	(13)	(74)	(19)
Balance at end of fiscal year	<u>\$1,597</u>	<u>\$1,620</u>	<u>\$1,795</u>

We record accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of September 26, 2014, we had recorded \$1,136 million of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheet, of which \$1,115 million was recorded in income taxes and \$21 million was recorded in accrued and other current liabilities. As of September 27, 2013, the balance of accrued interest and penalties was \$1,018 million, of which \$1,015 million was recorded in income taxes and \$3 million was recorded in accrued and other current liabilities. During fiscal 2014, 2013, and 2012, we recognized expense of \$99 million, benefits of \$247 million, and expense of \$95 million, respectively, related to interest and penalties on the Consolidated Statements of Operations.

For tax years 1997 through 2000, Tyco International has resolved all matters, excluding one disputed issue related to the tax treatment of certain intercompany debt transactions. Tyco International's income tax returns for the years 2001 through 2004 remain subject to adjustment by the IRS upon ultimate resolution of the disputed issue involving certain intercompany loans originated during the period 1997 through 2000. For the undisputed issues for years 2001 through 2004, it is our understanding that Tyco International expects to receive and accept general agreement Forms 870 from the IRS during the first quarter of fiscal 2015. The IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007 in fiscal 2011, and it is our understanding that Tyco International expects the IRS to issue general agreement Forms 870 during the first half of fiscal 2015. Also, during fiscal 2012, the IRS commenced its audit of our income tax returns for the years 2008 through 2010. We expect fieldwork for the 2008 through 2010 audit to conclude in fiscal 2015. See Note 13 for additional information regarding the status of IRS examinations.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

We file income tax returns on a unitary, consolidated, or stand-alone basis in multiple state and local jurisdictions, which generally have statutes of limitations ranging from 3 to 4 years. Various state and local income tax returns are currently in the process of examination or administrative appeal.

Our non-U.S. subsidiaries file income tax returns in the countries in which they have operations. Generally, these countries have statutes of limitations ranging from 3 to 10 years. Various non-U.S. subsidiary income tax returns are currently in the process of examination by taxing authorities.

As of September 26, 2014, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

<u>Jurisdiction</u>	<u>Open Years</u>
Belgium	2012 through 2014
Brazil	2009 through 2014
Canada	2002 and 2005 through 2014
China	2004 through 2014
Czech Republic	2010 through 2014
France	2011 through 2014
Germany	2008 through 2014
Hong Kong	2008 through 2014
India	2007 through 2014
Italy	2009 through 2014
Japan	2008 through 2014
Korea	2007 through 2014
Luxembourg	2009 through 2014
Netherlands	2011 through 2014
Portugal	2011 through 2014
Singapore	2009 through 2014
Spain	2010 through 2014
Switzerland	2012 through 2014
United Kingdom	2012 through 2014
U.S.—federal and state and local	1997 through 2014

In most jurisdictions, taxing authorities retain the ability to review prior tax years and to adjust any net operating loss and tax credit carryforwards from these years that are utilized in a subsequent period.

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that up to approximately \$220 million of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months.

We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected on the Consolidated Balance Sheet as of September 26, 2014.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Other Income (Expense), Net

In fiscal 2014, 2013, and 2012, we recorded net other income of \$63 million, net other expense of \$183 million, and net other income of \$50 million, respectively, primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 for further information regarding the Tax Sharing Agreement. The net other income in fiscal 2014 included \$18 million of income related to our share of a settlement agreement entered into by Tyco International with a former subsidiary, CIT Group Inc., which arose from a pre-separation claim for which we were entitled to 31% once resolved. The net other expense in fiscal 2013 included \$231 million related to the effective settlement of all undisputed tax matters for the period 1997 through 2000. See Note 13 for additional information.

18. Earnings Per Share

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share was as follows:

	Fiscal		
	2014	2013	2012
	(in millions)		
Basic	410	418	426
Dilutive impact of share-based compensation arrangements	7	5	4
Diluted	417	423	430

The computation of diluted earnings per share for fiscal 2013 and 2012 excludes 3 million and 12 million, respectively, of share options because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive. There were no antidilutive share options for fiscal 2014.

19. Equity

Common Shares

We are organized under the laws of Switzerland. The rights of holders of our shares are governed by Swiss law, our Swiss articles of association, and our Swiss organizational regulations. Accordingly, the par value of our common shares is stated in Swiss francs ("CHF"). We continue to use the U.S. dollar, however, as our reporting currency on our Consolidated Financial Statements.

Subject to certain conditions specified in our articles of association, we are authorized to increase our share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. In March 2013, our shareholders reapproved and extended through March 6, 2015 our board of directors' authorization to issue additional new shares, subject to certain conditions specified in the articles, in aggregate not exceeding 50% of the amount of our authorized shares.

Common Shares Held in Treasury

At September 26, 2014, approximately 11 million common shares were held in treasury, of which 9 million were owned by one of our subsidiaries. At September 27, 2013, approximately 17 million common shares were held in treasury, of which 8 million were owned by one of our subsidiaries. Shares

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

held both directly by us and by our subsidiary are presented as treasury shares on the Consolidated Balance Sheets.

In March 2014, our shareholders approved the cancellation of 10 million shares purchased under our share repurchase program during the period from December 29, 2012 to December 27, 2013. The capital reduction by cancellation of shares was subject to a notice period and filing with the commercial register in Switzerland and became effective in May 2014.

In March 2013, our shareholders approved the cancellation of 10 million shares purchased under our share repurchase program during the period from December 31, 2011 to December 28, 2012. The capital reduction by cancellation of shares was subject to a notice period and filing with the commercial register in Switzerland and became effective in May 2013.

In March 2012, our shareholders approved the cancellation of 24 million shares purchased under our share repurchase program during the period from December 25, 2010 to December 30, 2011. The capital reduction by cancellation of shares was subject to a notice period and filing with the commercial register in Switzerland and became effective in May 2012.

Contributed Surplus

Contributed surplus established for Swiss tax and statutory purposes (“Swiss Contributed Surplus”), subject to certain conditions, is a freely distributable reserve. Distributions to shareholders from Swiss Contributed Surplus are free from withholding tax. As of September 26, 2014 and September 27, 2013, Swiss Contributed Surplus was CHF 8,862 million and CHF 9,342 million, respectively (equivalent to \$7,985 million and \$8,520 million, respectively).

Dividends and Distributions to Shareholders

Under Swiss law, subject to certain conditions, distributions to shareholders made in the form of a reduction of registered share capital or from reserves from capital contributions (equivalent to Swiss Contributed Surplus) are exempt from Swiss withholding tax. See “Contributed Surplus” for additional information regarding our ability to make distributions free from withholding tax from contributed surplus. Distributions or dividends on our shares must be approved by our shareholders.

In March 2011, our shareholders approved a dividend payment to shareholders of CHF 0.68 (equivalent to \$0.72) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2011 through the second quarter of fiscal 2012. We paid the third and fourth installments of the dividend at a rate of \$0.18 per share during the quarters ended December 30, 2011 and March 30, 2012, respectively.

In March 2012, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of CHF 0.80 (equivalent to \$0.84) per share, payable in four equal quarterly installments beginning in the third quarter of fiscal 2012 through the second quarter of fiscal 2013. We paid the installments of the distribution at a rate of \$0.21 per share during each of the quarters ended June 29, 2012, September 28, 2012, December 28, 2012 and March 29, 2013. These capital reductions reduced the par value of our common shares from CHF 1.37 (equivalent to \$1.28) to CHF 0.57 (equivalent to \$0.44).

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

In March 2013, our shareholders approved a dividend payment to shareholders of CHF 0.96 (equivalent to \$1.00) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2013 through the second quarter of fiscal 2014. We paid the installments of the dividend at a rate of \$0.25 per share during each of the quarters ended June 28, 2013, September 27, 2013, December 27, 2013, and March 28, 2014.

In March 2014, our shareholders approved a dividend payment to shareholders of CHF 1.04 (equivalent to \$1.16) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2014 through the second quarter of fiscal 2015. We paid the first and second installments of the dividend at a rate of \$0.29 per share during the quarters ended June 27, 2014 and September 26, 2014, respectively.

Upon approval by the shareholders of a dividend payment or cash distribution in the form of a capital reduction, we record a liability with a corresponding charge to contributed surplus or common shares. At September 26, 2014 and September 27, 2013, the unpaid portion of the dividends and distributions recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled \$236 million and \$206 million, respectively.

Share Repurchase Program

During fiscal 2014, our board of directors authorized an increase of \$1 billion in the share repurchase program. We repurchased approximately 11 million of our common shares for \$604 million, approximately 20 million of our common shares for \$829 million, and approximately 6 million of our common shares for \$194 million during fiscal 2014, 2013, and 2012, respectively. At September 26, 2014, we had \$874 million of availability remaining under our share repurchase authorization.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Accumulated Other Comprehensive Income (Loss)

The changes in each component of accumulated other comprehensive income (loss) were as follows:

	Currency Translation ⁽¹⁾	Unrecognized Pension and Postretirement Benefit Costs	Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
	(in millions)			
Balance at September 30, 2011	\$1,090	\$(612)	\$(50)	\$ 428
Net other comprehensive income (loss)	(131)	(114)	24	(221)
Income tax (expense) benefit	—	26	(4)	22
Net other comprehensive income (loss), net of tax	(131)	(88)	20	(199)
Balance at September 28, 2012	959	(700)	(30)	229
Net other comprehensive income (loss)	(28)	204	(36)	140
Income tax (expense) benefit	—	(73)	7	(66)
Net other comprehensive income (loss), net of tax	(28)	131	(29)	74
Balance at September 27, 2013	931	(569)	(59)	303
Other comprehensive loss before reclassifications	(216)	(211)	(35)	(462)
Amounts reclassified from accumulated other comprehensive income (loss)	5	44	49	98
Income tax (expense) benefit	—	44	—	44
Net other comprehensive income (loss), net of tax	(211)	(123)	14	(320)
Balance at September 26, 2014	<u>\$ 720</u>	<u>\$(692)</u>	<u>\$(45)</u>	<u>\$ (17)</u>

(1) Includes hedges of net investment foreign exchange gains or losses which offset foreign exchange gains or losses attributable to the translation of the net investments.

21. Share Plans

Equity awards (primarily restricted share awards, performance share awards, and share options) granted by us are administered by the management development and compensation committee of our board of directors, which consists exclusively of independent directors. Our plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated, is the primary plan, provide for the award of annual performance bonuses and long-term performance awards, including share options, restricted and performance units, deferred stock units, and other share-based awards (collectively, "Awards") and allow for the use of unissued shares or treasury shares to be used to satisfy such Awards. As of September 26, 2014, our plans provided for a maximum of 67 million shares to be issued as Awards, subject to adjustment as provided under the terms of the plans. A total of 23 million shares remained available for issuance under our plans as of September 26, 2014.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

Share-Based Compensation Expense

Total share-based compensation expense, which was included primarily in selling, general, and administrative expenses on the Consolidated Statements of Operations, was \$84 million, \$78 million, and \$68 million during fiscal 2014, 2013, and 2012, respectively. We have recognized a related tax benefit associated with our share-based compensation arrangements of \$26 million, \$24 million, and \$21 million in fiscal 2014, 2013, and 2012, respectively.

Restricted Share Awards

Restricted share awards, which are generally in the form of restricted share units, are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant. All restrictions on an award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, a portion of the award may vest, depending on the terms and conditions of the particular grant. Recipients of restricted units have no voting rights, but do receive dividend equivalents. For grants that vest through passage of time, the fair value of the award at the time of the grant is amortized to expense over the period of vesting. The fair value of restricted share awards is determined based on the closing value of our shares on the grant date. Restricted share awards generally vest in increments over a period of four years as determined by the management development and compensation committee.

A summary of restricted share award activity is presented below:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested at September 27, 2013	3,983,925	\$33.50
Granted	1,281,684	52.21
Vested	(1,615,343)	31.93
Forfeited	(252,438)	40.45
Nonvested at September 26, 2014	<u>3,397,828</u>	\$40.79

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2014, 2013, and 2012 was \$52.21, \$34.69, and \$34.63, respectively.

As of September 26, 2014, there was \$83 million of unrecognized compensation cost related to nonvested restricted share awards. The cost is expected to be recognized over a weighted-average period of 1.6 years.

Performance Share Awards

Performance share awards, which are generally in the form of performance share units, are granted with pay-out subject to vesting requirements and certain performance conditions that are determined at the time of grant. Based on our performance, the pay-out of performance share units can range from 0% to 200% of the number of units originally granted. Certain employees who receive performance share awards also are granted an opportunity to earn additional performance shares subject to the attainment of additional performance criteria which are set at the time of grant. Attainment of the performance criteria will result in an additional pay-out of performance share units equal to 100% of

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

the performance share units paid out under the original performance share award. The grant-date fair value of performance share awards is expensed over the period of performance once achievement of the performance criteria is deemed probable. Recipients of performance share units have no voting rights but do receive dividend equivalents. Performance share awards generally vest after a period of three years as determined by the management development and compensation committee.

A summary of performance share award activity is presented below:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Outstanding at September 27, 2013	311,419	\$34.17
Granted	214,941	51.63
Forfeited	<u>(15,872)</u>	34.05
Outstanding at September 26, 2014	<u>510,488</u>	\$41.53

The weighted-average grant-date fair value of performance share awards granted during fiscal 2014 and 2013 was \$51.63 and \$34.16, respectively. There were no performance share awards granted in fiscal 2012.

As of September 26, 2014, there was \$14 million of unrecognized compensation cost related to nonvested performance share awards. The cost is expected to be recognized over a weighted-average period of 1.5 years.

Share Options

Share options are granted to purchase our common shares at prices which are equal to or greater than the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. All restrictions on the award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, a portion of the award may vest, depending on the terms and conditions of the particular grant. Options generally vest and become exercisable in equal annual installments over a period of four years and expire ten years after the date of grant.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

A summary of share option award activity is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at September 27, 2013	15,831,864	\$32.18		
Granted	1,617,900	51.78		
Exercised	(5,118,309)	30.14		
Expired	(127,826)	49.97		
Forfeited	(255,045)	36.91		
Outstanding at September 26, 2014	<u>11,948,584</u>	\$35.41	6.1	\$280
Vested and expected to vest at				
September 26, 2014	11,539,646	\$35.21	6.1	\$272
Exercisable at September 26, 2014	6,530,629	\$32.00	4.5	\$175

The weighted-average exercise price of share option awards granted during fiscal 2014, 2013, and 2012 were \$51.78, \$34.27, and \$34.49, respectively.

As of September 26, 2014, there was \$38 million of unrecognized compensation cost related to nonvested share options granted under our share option plans. The cost is expected to be recognized over a weighted-average period of 1.5 years.

Share-Based Compensation Assumptions

The grant-date fair value of each share option grant was estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Prior to fiscal 2014, we calculated the grant-date fair value of our share option awards utilizing the historical share volatility of a composite of our peers and implied volatility derived from exchange-traded options on that same composite of peers. Effective for fiscal 2014, as a result of now having historical share price information for a period of time equal to our expected option life assumption, we began to employ our historical share volatility when calculating the grant-date fair value of our share option grants using the Black-Scholes-Merton option pricing model. Currently, we do not have exchange-traded options of sufficient duration to employ an implied volatility assumption in the calculation and therefore rely solely on the historical volatility calculation. The change in methodology did not have a significant impact on share-based compensation expense during fiscal 2014. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term that approximated the expected life assumed at the date of grant. The expected annual dividend per share was based on our expected dividend rate. The recognized share-based compensation expense was net of estimated forfeitures, which are based on voluntary termination behavior as well as an analysis of actual option forfeitures.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

The weighted-average grant-date fair value of options granted and the weighted-average assumptions we used in the Black-Scholes-Merton option pricing model were as follows:

	Fiscal		
	2014	2013	2012
Weighted-average grant-date fair value	\$16.81	\$8.62	\$9.49
Assumptions:			
Expected share price volatility	39%	34%	36%
Risk free interest rate	1.8%	0.9%	1.3%
Expected annual dividend per share	\$ 1.00	\$0.84	\$0.84
Expected life of options (in years)	6.0	6.0	6.0

The total intrinsic value of options exercised during fiscal 2014, 2013, and 2012 was \$136 million, \$69 million, and \$31 million, respectively. The total fair value of restricted share awards that vested during fiscal 2014, 2013, and 2012 was \$52 million, \$51 million, and \$42 million, respectively. We received cash related to the exercise of options of \$156 million, \$214 million, and \$60 million in fiscal 2014, 2013, and 2012, respectively. The related excess cash tax benefit classified as a financing cash inflow on the Consolidated Statements of Cash Flows for fiscal 2014, 2013, and 2012 was not material.

22. Segment and Geographic Data

During fiscal 2014, we realigned certain businesses within our segment reporting structure to better align our product portfolio. We continue to operate through four reporting segments: Transportation Solutions, Industrial Solutions, Network Solutions, and Consumer Solutions. See Note 1 for a description of the segments in which we operate. We aggregate our operating segments into reportable segments based upon similar economic characteristics and business groupings of products, services, and customers.

Segment performance is evaluated based on net sales and operating income. Generally, we consider all expenses to be of an operating nature and, accordingly, allocate them to each reportable segment. Costs specific to a segment are charged to the segment. Corporate expenses, such as headquarters administrative costs, are allocated to the segments based on segment operating income. Intersegment sales were not material and were recorded at selling prices that approximate market prices. Corporate assets are allocated to the segments based on segment assets.

The following segment information reflects our current segment reporting structure. Prior period segment results have been restated to conform to the current segment reporting structure.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Segment and Geographic Data (Continued)

Net sales and operating income by segment were as follows:

	Net Sales			Operating Income		
	Fiscal			Fiscal		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Transportation Solutions	\$ 6,090	\$ 5,485	\$ 5,128	\$1,283	\$ 972	\$ 754
Industrial Solutions	3,302	3,099	3,101	446	362	394
Network Solutions	2,918	3,066	3,310	163	136	247
Consumer Solutions	1,602	1,630	1,743	153	86	123
Total	<u>\$13,912</u>	<u>\$13,280</u>	<u>\$13,282</u>	<u>\$2,045</u>	<u>\$1,556</u>	<u>\$1,518</u>

No single customer accounted for a significant amount of our net sales in fiscal 2014, 2013, and 2012.

As we are not organized by product or service, it is not practicable to disclose net sales by product or service.

Depreciation and amortization and capital expenditures were as follows:

	Depreciation and Amortization			Capital Expenditures		
	Fiscal			Fiscal		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Transportation Solutions	\$ 291	\$ 296	\$ 264	\$ 378	\$ 325	\$ 285
Industrial Solutions	103	97	99	142	110	73
Network Solutions	100	122	143	93	86	102
Consumer Solutions	123	92	103	60	94	73
Total	<u>\$ 617</u>	<u>\$ 607</u>	<u>\$ 609</u>	<u>\$ 673</u>	<u>\$ 615</u>	<u>\$ 533</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Segment and Geographic Data (Continued)

Segment assets and a reconciliation of segment assets to total assets were as follows:

	Segment Assets		
	Fiscal Year End		
	2014	2013	2012
	(in millions)		
Transportation Solutions	\$ 3,052	\$ 2,974	\$ 2,869
Industrial Solutions	1,734	1,635	1,596
Network Solutions	1,666	1,684	1,853
Consumer Solutions	858	958	1,046
Total segment assets ⁽¹⁾	7,310	7,251	7,364
Other current assets	3,360	2,224	2,352
Other non-current assets	9,482	8,986	9,590
Total assets	<u>\$20,152</u>	<u>\$18,461</u>	<u>\$19,306</u>

(1) Segment assets are composed of accounts receivable, inventories, and property, plant, and equipment.

Net sales and net property, plant, and equipment by geographic region were as follows:

	Net Sales ⁽¹⁾			Property, Plant, and Equipment, Net		
	Fiscal			Fiscal Year End		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Europe/Middle East/Africa:						
Switzerland	\$ 4,006	\$ 3,689	\$ 3,719	\$ 54	\$ 54	\$ 52
Germany	126	123	120	330	356	339
Other Europe/Middle East/Africa	792	750	663	697	702	692
Total Europe/Middle East/Africa	<u>4,924</u>	<u>4,562</u>	<u>4,502</u>	<u>1,081</u>	<u>1,112</u>	<u>1,083</u>
Asia-Pacific:						
China	2,436	2,197	2,159	512	516	432
Other Asia-Pacific	2,132	2,144	2,333	478	500	572
Total Asia-Pacific	<u>4,568</u>	<u>4,341</u>	<u>4,492</u>	<u>990</u>	<u>1,016</u>	<u>1,004</u>
Americas:						
U.S.	3,867	3,811	3,664	923	958	1,042
Other Americas	553	566	624	132	80	84
Total Americas	<u>4,420</u>	<u>4,377</u>	<u>4,288</u>	<u>1,055</u>	<u>1,038</u>	<u>1,126</u>
Total	<u>\$13,912</u>	<u>\$13,280</u>	<u>\$13,282</u>	<u>\$3,126</u>	<u>\$3,166</u>	<u>\$3,213</u>

(1) Net sales to external customers is attributed to individual countries based on the legal entity that records the sale.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Quarterly Financial Data (unaudited)

Summarized quarterly financial data was as follows:

	Fiscal							
	2014				2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter ⁽¹⁾	First Quarter ⁽²⁾	Second Quarter	Third Quarter	Fourth Quarter ⁽³⁾
	(in millions, except per share data)							
Net sales	\$3,326	\$3,431	\$3,580	\$3,575	\$3,134	\$3,265	\$3,449	\$3,432
Gross margin	1,117	1,173	1,204	1,198	989	1,052	1,132	1,156
Acquisition and integration costs . . .	—	1	1	29	5	3	3	3
Restructuring and other charges, net .	7	21	14	17	92	81	67	71
Amounts attributable to TE								
Connectivity Ltd.:								
Income from continuing operations	355	364	405	665	279	278	332	387
Income (loss) from discontinued operations, net of income taxes .	(2)	(2)	(2)	(2)	(2)	(1)	3	—
Net income	353	362	403	663	277	277	335	387
Basic earnings per share attributable to TE Connectivity Ltd.:								
Income from continuing operations	\$ 0.86	\$ 0.89	\$ 0.99	\$ 1.63	\$ 0.66	\$ 0.66	\$ 0.80	\$ 0.94
Income (loss) from discontinued operations, net of income taxes .	—	—	—	—	—	—	0.01	—
Net income	0.86	0.88	0.99	1.62	0.66	0.66	0.81	0.94
Diluted earnings per share attributable to TE								
Connectivity Ltd.:								
Income from continuing operations	\$ 0.85	\$ 0.87	\$ 0.97	\$ 1.60	\$ 0.65	\$ 0.66	\$ 0.79	\$ 0.92
Income (loss) from discontinued operations, net of income taxes .	—	—	—	—	—	—	0.01	—
Net income	0.84	0.87	0.97	1.59	0.65	0.65	0.80	0.92
Weighted-average number of shares outstanding:								
Basic	411	410	409	409	422	420	415	413
Diluted	418	417	416	416	426	424	421	420

- (1) Results for the fourth quarter of fiscal 2014 include \$282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.
- (2) Results for the first quarter of fiscal 2013 include \$331 million of income tax benefits associated with the effective settlement of an audit of prior year tax returns as well as the related impact of \$231 million to other expense pursuant to the tax sharing agreement with Tyco International and Covidien. Results for the first quarter of fiscal 2013 also include \$30 million of income tax expense related to adjustments to prior year income tax returns and the estimated impacts of certain intercompany dividends.
- (3) Results for the fourth quarter of fiscal 2013 include \$63 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Subsequent Event

On October 9, 2014, we acquired 100% of the outstanding shares of Measurement Specialties, Inc. (“Measurement Specialties”), a leading global designer and manufacturer of sensors and sensor-based systems, for \$86 in cash per share. The total value paid, which included the repayment of debt, was approximately \$1.7 billion, net of cash acquired. Measurement Specialties offers a broad portfolio of technologies including pressure, vibration, force, temperature, humidity, ultrasonics, position, and fluid sensors, for a wide range of applications and industries. This business will be reported as part of our Transportation Solutions segment.

We have not yet completed the initial accounting for this business combination, including obtaining all of the information required for the valuation of contingencies, intangible assets, and goodwill. Also, because the initial accounting for the transaction is incomplete, we are unable to provide the supplemental pro forma revenue and earnings of the combined entity. The amounts recognized for the major classes of assets acquired and liabilities assumed as of the acquisition date and the pro forma revenue and earnings of the combined entity will be included in our Form 10-Q for the quarter ending December 26, 2014.

25. Tyco Electronics Group S.A.

Tyco Electronics Group S.A. (“TEGSA”), a Luxembourg company and our 100%-owned subsidiary, is a holding company that owns, directly or indirectly, all of our operating subsidiaries. TEGSA is the obligor under our senior notes, commercial paper, and Credit Facility, which are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd. The following tables present condensed consolidating financial information for TE Connectivity Ltd., TEGSA, and all other subsidiaries that are not providing a guarantee of debt but which represent assets of TEGSA, using the equity method of accounting.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Net sales	\$ —	\$ —	\$13,912	\$ —	\$13,912
Cost of sales	—	—	9,220	—	9,220
Gross margin	—	—	4,692	—	4,692
Selling, general, and administrative expenses, net ⁽¹⁾	131	1,877	(126)	—	1,882
Research, development, and engineering expenses	—	—	675	—	675
Acquisition and integration costs	—	—	31	—	31
Restructuring and other charges, net	—	—	59	—	59
Operating income (loss)	(131)	(1,877)	4,053	—	2,045
Interest income	—	—	19	—	19
Interest expense	—	(126)	(5)	—	(131)
Other income (expense), net	18	(3)	48	—	63
Equity in net income of subsidiaries	1,904	3,847	—	(5,751)	—
Equity in net loss of subsidiaries of discontinued operations	(8)	(8)	—	16	—
Intercompany interest income (expense), net	(2)	63	(61)	—	—
Income from continuing operations before income taxes	1,781	1,896	4,054	(5,735)	1,996
Income tax expense	—	—	(207)	—	(207)
Income from continuing operations	1,781	1,896	3,847	(5,735)	1,789
Loss from discontinued operations, net of income taxes	—	—	(8)	—	(8)
Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	1,781	1,896	3,839	(5,735)	1,781
Other comprehensive loss	(320)	(320)	(328)	648	(320)
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	\$1,461	\$ 1,576	\$ 3,511	\$(5,087)	\$ 1,461

(1) TEGSA selling, general, and administrative expenses include losses of \$1,874 million related to intercompany transactions. These losses are offset by corresponding gains recorded by Other Subsidiaries.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 27, 2013

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Net sales	\$ —	\$ —	\$13,280	\$ —	\$13,280
Cost of sales	—	—	8,951	—	8,951
Gross margin	—	—	4,329	—	4,329
Selling, general, and administrative expenses	156	3	1,614	—	1,773
Research, development, and engineering expenses	—	—	675	—	675
Acquisition and integration costs	—	—	14	—	14
Restructuring and other charges, net	—	—	311	—	311
Operating income (loss)	(156)	(3)	1,715	—	1,556
Interest income	—	—	17	—	17
Interest expense	—	(135)	(7)	—	(142)
Other expense, net	—	—	(183)	—	(183)
Equity in net income of subsidiaries	1,445	1,533	—	(2,978)	—
Intercompany interest income (expense), net	(13)	54	(41)	—	—
Income from continuing operations before income taxes	1,276	1,449	1,501	(2,978)	1,248
Income tax (expense) benefit	—	(4)	33	—	29
Net income	1,276	1,445	1,534	(2,978)	1,277
Less: net income attributable to noncontrolling interests	—	—	(1)	—	(1)
Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	1,276	1,445	1,533	(2,978)	1,276
Other comprehensive income	74	74	64	(138)	74
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	<u>\$1,350</u>	<u>\$1,519</u>	<u>\$ 1,597</u>	<u>\$(3,116)</u>	<u>\$ 1,350</u>

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 28, 2012

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Net sales	\$ —	\$ —	\$13,282	\$ —	\$13,282
Cost of sales	—	—	9,236	—	9,236
Gross margin	—	—	4,046	—	4,046
Selling, general, and administrative expenses, net ⁽¹⁾	102	(122)	1,705	—	1,685
Research, development, and engineering expenses	—	—	688	—	688
Acquisition and integration costs	1	2	24	—	27
Restructuring and other charges, net	—	—	128	—	128
Operating income (loss)	(103)	120	1,501	—	1,518
Interest income	—	—	23	—	23
Interest expense	—	(168)	(8)	—	(176)
Other income, net	—	—	50	—	50
Equity in net income of subsidiaries	1,277	1,256	—	(2,533)	—
Equity in net loss of subsidiaries of discontinued operations	(51)	(51)	—	102	—
Intercompany interest income (expense), net	(11)	69	(58)	—	—
Income from continuing operations before income taxes	1,112	1,226	1,508	(2,431)	1,415
Income tax expense	—	—	(249)	—	(249)
Income from continuing operations	1,112	1,226	1,259	(2,431)	1,166
Loss from discontinued operations, net of income taxes	—	—	(51)	—	(51)
Net income	1,112	1,226	1,208	(2,431)	1,115
Less: net income attributable to noncontrolling interests	—	—	(3)	—	(3)
Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	1,112	1,226	1,205	(2,431)	1,112
Other comprehensive loss	(199)	(199)	(203)	402	(199)
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	\$ 913	\$1,027	\$ 1,002	\$(2,029)	\$ 913

(1) TEGSA selling, general, and administrative expenses include gains of \$125 million related to intercompany transactions. These gains are offset by corresponding losses recorded by Other Subsidiaries.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Balance Sheet
As of September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 1	\$ 2,456	\$ —	\$ 2,457
Accounts receivable, net	—	—	2,439	—	2,439
Inventories	—	—	1,745	—	1,745
Intercompany receivables	932	230	30	(1,192)	—
Prepaid expenses and other current assets	6	3	558	—	567
Deferred income taxes	—	—	336	—	336
Total current assets	938	234	7,564	(1,192)	7,544
Property, plant, and equipment, net	—	—	3,126	—	3,126
Goodwill	—	—	4,595	—	4,595
Intangible assets, net	—	—	1,329	—	1,329
Deferred income taxes	—	—	2,058	—	2,058
Investment in subsidiaries	8,602	19,966	—	(28,568)	—
Intercompany loans receivable	20	2,160	9,883	(12,063)	—
Receivable from Tyco International Ltd. and Covidien plc	—	—	1,037	—	1,037
Other assets	—	30	433	—	463
Total Assets	\$9,560	\$22,390	\$30,025	\$(41,823)	\$20,152
Liabilities and Equity					
Current liabilities:					
Current maturities of long-term debt	\$ —	\$ 577	\$ 90	\$ —	\$ 667
Accounts payable	1	—	1,390	—	1,391
Accrued and other current liabilities	282	50	1,385	—	1,717
Deferred revenue	—	—	179	—	179
Intercompany payables	260	—	932	(1,192)	—
Total current liabilities	543	627	3,976	(1,192)	3,954
Long-term debt	—	3,281	—	—	3,281
Intercompany loans payable	4	9,880	2,179	(12,063)	—
Long-term pension and postretirement liabilities	—	—	1,287	—	1,287
Deferred income taxes	—	—	240	—	240
Income taxes	—	—	2,045	—	2,045
Other liabilities	—	—	332	—	332
Total Liabilities	547	13,788	10,059	(13,255)	11,139
Total Equity	9,013	8,602	19,966	(28,568)	9,013
Total Liabilities and Equity	\$9,560	\$22,390	\$30,025	\$(41,823)	\$20,152

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Balance Sheet
As of September 27, 2013

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ —	\$ 1,403	\$ —	\$ 1,403
Accounts receivable, net	—	—	2,323	—	2,323
Inventories	—	—	1,762	—	1,762
Intercompany receivables	1,823	222	255	(2,300)	—
Prepaid expenses and other current assets	6	1	480	—	487
Deferred income taxes	—	—	334	—	334
Total current assets	1,829	223	6,557	(2,300)	6,309
Property, plant, and equipment, net	—	—	3,166	—	3,166
Goodwill	—	—	4,326	—	4,326
Intangible assets, net	—	—	1,244	—	1,244
Deferred income taxes	—	—	2,146	—	2,146
Investment in subsidiaries	7,014	17,040	—	(24,054)	—
Intercompany loans receivable	18	2,120	9,489	(11,627)	—
Receivable from Tyco International Ltd. and Covidien plc	—	—	1,002	—	1,002
Other assets	—	28	240	—	268
Total Assets	\$8,861	\$19,411	\$28,170	\$(37,981)	\$18,461
Liabilities and Equity					
Current liabilities:					
Current maturities of long-term debt	\$ —	\$ 650	\$ 61	\$ —	\$ 711
Accounts payable	1	—	1,382	—	1,383
Accrued and other current liabilities	213	49	1,500	—	1,762
Deferred revenue	—	—	68	—	68
Intercompany payables	256	—	2,044	(2,300)	—
Total current liabilities	470	699	5,055	(2,300)	3,924
Long-term debt	—	2,213	90	—	2,303
Intercompany loans payable	5	9,485	2,137	(11,627)	—
Long-term pension and postretirement liabilities	—	—	1,155	—	1,155
Deferred income taxes	—	—	321	—	321
Income taxes	—	—	1,979	—	1,979
Other liabilities	—	—	393	—	393
Total Liabilities	475	12,397	11,130	(13,927)	10,075
Total Equity	8,386	7,014	17,040	(24,054)	8,386
Total Liabilities and Equity	\$8,861	\$19,411	\$28,170	\$(37,981)	\$18,461

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities ⁽¹⁾	\$(296)	\$ 1,829	\$ 2,444	\$(1,882)	\$ 2,095
Net cash used in discontinued operating activities	—	—	(12)	—	(12)
Net cash provided by (used in) operating activities	(296)	1,829	2,432	(1,882)	2,083
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(673)	—	(673)
Proceeds from sale of property, plant, and equipment	—	—	129	—	129
Acquisition of business, net of cash acquired	—	—	(528)	—	(528)
Intercompany distribution receipts ⁽¹⁾	—	99	—	(99)	—
Change in intercompany loans	—	347	—	(347)	—
Other	—	—	(3)	—	(3)
Net cash provided by (used in) investing activities	—	446	(1,075)	(446)	(1,075)
Cash Flows From Financing Activities:					
Changes in parent company equity ⁽²⁾	67	(3,259)	3,192	—	—
Net decrease in commercial paper	—	(23)	—	—	(23)
Proceeds from issuance of long-term debt	—	1,322	—	—	1,322
Repayment of long-term debt	—	(303)	(57)	—	(360)
Proceeds from exercise of share options	—	—	156	—	156
Repurchase of common shares	(127)	—	(451)	—	(578)
Payment of common share dividends to shareholders	(452)	—	9	—	(443)
Intercompany distributions ⁽¹⁾	—	—	(1,981)	1,981	—
Loan activity with parent	808	—	(1,155)	347	—
Other	—	(11)	(10)	—	(21)
Net cash provided by (used in) continuing financing activities	296	(2,274)	(297)	2,328	53
Net cash provided by discontinued financing activities	—	—	12	—	12
Net cash provided by (used in) financing activities	296	(2,274)	(285)	2,328	65
Effect of currency translation on cash	—	—	(19)	—	(19)
Net increase in cash and cash equivalents	—	1	1,053	—	1,054
Cash and cash equivalents at beginning of fiscal year	—	—	1,403	—	1,403
Cash and cash equivalents at end of fiscal year	\$ —	\$ 1	\$ 2,456	\$ —	\$ 2,457

(1) During fiscal 2014, other subsidiaries made distributions to TEGSA in the amount of \$1,981 million. Cash flows are presented based upon the nature of the distributions.

(2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 27, 2013

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Cash Flows From Operating Activities:					
Net cash provided by continuing operating activities ⁽¹⁾	\$ 3,621	\$ 1,972	\$ 2,331	\$(5,876)	\$ 2,048
Net cash used in discontinued operating activities	—	—	(2)	—	(2)
Net cash provided by operating activities	3,621	1,972	2,329	(5,876)	2,046
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(615)	—	(615)
Proceeds from sale of property, plant, and equipment	1	—	38	—	39
Acquisition of business, net of cash acquired	—	—	(6)	—	(6)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	—	—	14	—	14
Intercompany distribution receipts ⁽¹⁾	—	1,100	—	(1,100)	—
Change in intercompany loans	—	1,566	—	(1,566)	—
Other	(3)	—	26	—	23
Net cash provided by (used in) investing activities	(2)	2,666	(543)	(2,666)	(545)
Cash Flows From Financing Activities:					
Changes in parent company equity ⁽²⁾	(826)	(174)	1,000	—	—
Net increase in commercial paper	—	50	—	—	50
Repayment of long-term debt	—	(714)	(1)	—	(715)
Proceeds from exercise of share options	—	—	214	—	214
Repurchase of common shares	(602)	—	(242)	—	(844)
Payment of common share dividends and cash distributions to shareholders	(391)	—	7	—	(384)
Intercompany distributions ⁽¹⁾	—	(3,800)	(3,176)	6,976	—
Loan activity with parent	(1,800)	—	234	1,566	—
Other	—	—	(1)	—	(1)
Net cash used in continuing financing activities	(3,619)	(4,638)	(1,965)	8,542	(1,680)
Net cash provided by discontinued financing activities	—	—	2	—	2
Net cash used in financing activities	(3,619)	(4,638)	(1,963)	8,542	(1,678)
Effect of currency translation on cash	—	—	(9)	—	(9)
Net decrease in cash and cash equivalents	—	—	(186)	—	(186)
Cash and cash equivalents at beginning of fiscal year	—	—	1,589	—	1,589
Cash and cash equivalents at end of fiscal year	\$ —	\$ —	\$ 1,403	\$ —	\$ 1,403

(1) During fiscal 2013, other subsidiaries made distributions to TEGSA in the amount of \$3,176 million and TEGSA made distributions to TE Connectivity Ltd. of \$3,800 million. Cash flows are presented based upon the nature of the distributions.

(2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 28, 2012

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities	\$ (97)	\$ 171	\$ 2,098	\$ (284)	\$ 1,888
Net cash provided by discontinued operating activities	—	—	59	—	59
Net cash provided by (used in) operating activities	(97)	171	2,157	(284)	1,947
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(533)	—	(533)
Proceeds from sale of property, plant, and equipment	7	—	16	—	23
Acquisition of businesses, net of cash acquired	—	—	(1,384)	—	(1,384)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	—	—	394	—	394
Change in intercompany loans	(22)	2,160	—	(2,138)	—
Other	—	—	(9)	—	(9)
Net cash provided by (used in) continuing investing activities	(15)	2,160	(1,516)	(2,138)	(1,509)
Net cash used in discontinued investing activities	—	—	(1)	—	(1)
Net cash provided by (used in) investing activities	(15)	2,160	(1,517)	(2,138)	(1,510)
Cash Flows From Financing Activities:					
Changes in parent company equity ⁽¹⁾	639	(3,371)	2,732	—	—
Net increase in commercial paper	—	300	—	—	300
Proceeds from long-term debt	—	748	—	—	748
Repayment of long-term debt	—	—	(642)	—	(642)
Proceeds from exercise of share options	—	—	60	—	60
Repurchase of common shares	(185)	—	—	—	(185)
Payment of common share dividends and cash distributions to shareholders	(342)	—	10	—	(332)
Intercompany distributions	—	—	(284)	284	—
Loan activity with parent	—	—	(2,138)	2,138	—
Other	—	(8)	52	—	44
Net cash provided by (used in) continuing financing activities	112	(2,331)	(210)	2,422	(7)
Net cash used in discontinued financing activities	—	—	(58)	—	(58)
Net cash provided by (used in) financing activities	112	(2,331)	(268)	2,422	(65)
Effect of currency translation on cash	—	—	(1)	—	(1)
Net increase in cash and cash equivalents	—	—	371	—	371
Cash and cash equivalents at beginning of fiscal year	—	—	1,218	—	1,218
Cash and cash equivalents at end of fiscal year	\$ —	\$ —	\$ 1,589	\$ —	\$ 1,589

(1) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

TE CONNECTIVITY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Disclosures Required by Swiss Law

We are subject to statutory reporting requirements in Switzerland. The following disclosures are presented in accordance with, and are based on definitions contained in, the Swiss Code of Obligations.

Personnel Expenses

Total personnel expenses were \$3,849 million and \$3,967 million in fiscal 2014 and 2013, respectively.

Fire Insurance Value

The fire insurance values of property, plant, and equipment were \$11,438 million and \$11,641 million at fiscal year end 2014 and 2013, respectively.

Risk Assessment

Our board of directors is responsible for appraising our major risks and overseeing that appropriate risk management and control procedures are in place. The audit committee of the board of directors meets to review and discuss, as determined to be appropriate, our major financial and accounting risk exposures and related policies and practices with management, the internal auditor, and the independent registered public accountants to assess and control such exposures, and assist the board in fulfilling its oversight responsibilities regarding our policies and guidelines with respect to risk assessment and risk management.

Our risk assessment process was in place during fiscal 2014 and 2013 and followed by the board of directors.

TE CONNECTIVITY LTD.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Acquisitions, Divestitures, and Other</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
			(in millions)		
Fiscal 2014					
Allowance for doubtful accounts receivable	\$ 48	\$ 6	\$—	\$ (19)	\$ 35
Valuation allowance on deferred tax assets	1,816	285	—	(380)	1,721
Fiscal 2013					
Allowance for doubtful accounts receivable	\$ 41	\$ 11	\$—	\$ (4)	\$ 48
Valuation allowance on deferred tax assets	1,719	323	—	(226)	1,816
Fiscal 2012					
Allowance for doubtful accounts receivable	\$ 38	\$ 7	\$ 2	\$ (6)	\$ 41
Valuation allowance on deferred tax assets	1,921	54	31	(287)	1,719

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS OF TE CONNECTIVITY LTD.

To the General meeting of
TE CONNECTIVITY LTD., SCHAFFHAUSEN

Report of the Statutory Auditor on the consolidated financial statements

As Statutory Auditor, we have audited the accompanying consolidated financial statements of TE Connectivity Ltd. (the “Company”), which comprise the consolidated balance sheet as of September 26, 2014, and the consolidated statement of operations, statement of comprehensive income, statement of shareholders’ equity, statement of cash flows and notes (pages 53-121) for the year then ended.

Board of Directors’ Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended September 26, 2014 present fairly, in all material respects, the financial position of the Company and the result of its operations and its cash flows in accordance with accounting principles generally accepted in the United States of America, and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (“AOA”) and independence (Article 728 CO and Article 11, AOA) and that there are no circumstances incompatible with our independence.

In accordance with Article 728a, paragraph 1, item 3, CO, and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG

/s/ Martin Welsler
Licensed Audit Expert
Auditor in charge

/s/ Matthias Gschwend
Licensed Audit Expert

Zurich, November 12, 2014

TE CONNECTIVITY LTD.
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TE CONNECTIVITY LTD.
SWISS STATUTORY FINANCIAL STATEMENTS
STATEMENTS OF OPERATIONS

For the fiscal years ended September 26, 2014 and September 27, 2013

	September 26, 2014		September 27, 2013	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
	(in millions)			
Income				
Income from distributions made by a subsidiary (Note 3)	\$ —	CHF —	\$3,800	CHF 3,518
Insurance premiums charged to subsidiaries	13	12	14	13
Remeasurement gain on foreign currency transactions	12	11	—	—
Intercompany interest income	2	1	—	—
Total income	<u>27</u>	<u>24</u>	<u>3,814</u>	<u>3,531</u>
Expenses				
Salary and social costs	6	5	10	9
General and administrative costs	4	4	4	4
Legal and consulting costs	8	7	8	7
Insurance premiums	17	15	17	16
Pre-separation tax settlement expense, net (Note 4)	186	167	(32)	(30)
Expenses for services provided by subsidiaries	44	40	38	36
Remeasurement loss on foreign currency transactions	—	—	21	19
Intercompany interest expense	4	4	13	13
Total expenses	<u>269</u>	<u>242</u>	<u>79</u>	<u>74</u>
Net income (loss)	<u>\$ (242)</u>	<u>CHF (218)</u>	<u>\$3,735</u>	<u>CHF 3,457</u>

See Notes to Swiss Statutory Financial Statements.

TE CONNECTIVITY LTD.
SWISS STATUTORY FINANCIAL STATEMENTS
BALANCE SHEETS

As of September 26, 2014 and September 27, 2013

	September 26, 2014		September 27, 2013	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
	(in millions, except share data)			
Assets				
Current assets:				
Accounts receivable from subsidiaries (Note 4)	\$ 942	CHF 895	\$ 1,834	CHF 1,671
Prepaid expenses and other current assets	7	7	8	7
Shares held in treasury (Note 5)	164	150	398	373
Total current assets	1,113	1,052	2,240	2,051
Investment in subsidiaries (Note 3)	9,621	10,416	9,541	10,344
Total Assets	\$10,734	CHF 11,468	\$11,781	CHF 12,395
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable to subsidiaries (Note 4)	\$ 46	CHF 43	\$ 47	CHF 43
Loans from subsidiaries (Note 4)	230	218	222	202
Accrued and other current liabilities	50	47	12	11
Approved but unpaid distributions to shareholders (Note 5)	242	217	210	201
Total current liabilities	568	525	491	457
Unrealized translation gains (Note 3)	—	553	—	574
Total Liabilities	568	1,078	491	1,031
Commitments, contingencies, and guarantees (Note 4)				
Shareholders' equity (Note 5):				
Share capital, 419,070,781 and 428,527,307 shares authorized and issued, CHF 0.57 par value	184	239	189	244
Legal reserves:				
General reserve	38	49	—	—
Reserve for treasury shares	644	581	723	684
Free reserves:				
Reserves from capital contributions	7,985	8,862	8,520	9,342
Unappropriated accumulated earnings	1,315	659	1,858	1,094
Total Shareholders' Equity	10,166	10,390	11,290	11,364
Total Liabilities and Shareholders' Equity	\$10,734	CHF 11,468	\$11,781	CHF 12,395

See Notes to Swiss Statutory Financial Statements.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS

1. Basis of Presentation

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is the ultimate holding company of TE Connectivity Ltd. and its subsidiaries (the “TE Group”) with a listing on the New York Stock Exchange.

The accompanying statements of operations reflect the results of operations for the fiscal years ended September 26, 2014 and September 27, 2013, and have been prepared in accordance with the requirements of Swiss law for companies, the Swiss Code of Obligations. The financial statements present the results of the holding company on a stand-alone basis and do not represent the consolidated operations of the TE Group.

On January 1, 2013, changes in Swiss company law became effective and the requirements of the law must be adopted by January 1, 2015. We intend to adopt the requirements effective with the start of fiscal 2015. See Note 11 for additional information on the expected impact of adopting new Swiss company law.

Notes 6 through 9 are consistent with, and prepared on the substantially same basis as, similar information publicly available via regulatory filings with the U.S. Securities and Exchange Commission (the “SEC”) and, consequently, are presented in U.S. dollars only.

Fiscal Year

Unless otherwise indicated, references in the financial statements to fiscal 2014, and fiscal 2013 are to our fiscal years ended September 26, 2014 and September 27, 2013. Our fiscal year is a “52-53 week” year ending on the last Friday of September. Fiscal 2014 and 2013 are 52 week years.

2. Risk Assessment

Our board of directors is responsible for appraising the TE Group’s major risks and overseeing that appropriate risk management and control procedures are in place. The audit committee of the board meets to review and discuss, as determined to be appropriate, the TE Group’s major financial and accounting risk exposures and related policies and practices with management, the internal auditor, and the independent registered public accountants to assess and control such exposures, and assist the board in fulfilling its oversight responsibilities regarding the TE Group’s policies and guidelines with respect to risk assessment and risk management.

The TE Group’s risk assessment process was in place for the reporting periods presented and followed by the board of directors. TE Connectivity Ltd., as the ultimate holding company of the TE Group, is fully integrated into the TE Group-wide risk assessment process.

3. Summary of Significant Accounting Policies

Shares Held in Treasury and Reserve for Treasury Shares

Shares held in treasury that are held directly by us for the purpose of retirement are presented at historical cost, and, because we expect to retire the shares within the next year, as current assets.

Our reserve for treasury shares represents all shares held in treasury, whether held by us or a subsidiary, and is recorded at historical cost. We established the reserve for treasury shares during fiscal 2014 and 2013 by primarily charging accumulated earnings (deficit).

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

Investment in Subsidiaries

Investments in subsidiaries are equity interests held on a long-term basis for the purpose of our business activities. Investments in subsidiaries, on an aggregate basis, are carried at a value no higher than cost less adjustments for impairment. No impairments were recorded during fiscal 2014 or fiscal 2013.

During fiscal 2013, a subsidiary distributed \$3,800 million (equivalent to CHF 3,518 million) to us. The distributions are included in income from distributions made by a subsidiary in our statements of operations.

Currency Translation

Our functional currency is the U.S. dollar. We present our financial statements in both U.S. dollars and Swiss francs (“CHF”). Assets and liabilities in U.S. dollars are converted to Swiss francs for presentation purposes using historical foreign exchange rates (investment in subsidiaries, shares held in treasury, approved but unpaid distributions to shareholders payable, and equity accounts) and current foreign exchange rates (all other assets and liabilities). Revenue and expenses, excluding income from distributions made by a subsidiary, are translated using the average exchange rates in effect for the period presented. Income from distributions made by a subsidiary is translated using the exchange rate in effect on the date that each distribution was made to us. Net unrealized foreign currency translation gains are deferred in the balance sheets, while unrealized translation losses and realized transactional gains and losses are reflected in the statements of operations. We consider all foreign currency transactional gains and losses associated with current assets and liabilities, excluding shares held in treasury, to be realized.

Salaries and Social Charges

Salaries and social charges include cash and equity compensation paid to our directors. During fiscal 2013, we determined that an accrual to reflect deferred stock units granted but not yet distributed to our directors was necessary and accrued CHF 6 million via a charge to salaries and social charges. Prior to fiscal 2013, we recorded such charges when a director left our board.

4. Commitments, Contingencies, and Guarantees

Affiliated Debt and Loans Receivable

We have three open lines of credit, the 2012 Line, the 2011 Line, and the Schaffhausen Line, with wholly-owned subsidiaries. All lines bear interest at the 1-month London interbank offered rate (“LIBOR”) plus 0.40% (0.55% and 0.58% at September 26, 2014 and September 27, 2013, respectively). The 2012 Line has a \$500 million limit (CHF 475 million) on the principal drawable and matures in September 2017. The 2011 Line has a \$200 million limit (CHF 190 million) on the principal drawable and matures in September 2016. The Schaffhausen Line does not have a limit on the amount drawable and matures in April 2017. At September 26, 2014 and September 27, 2013, there were no outstanding borrowings under any of the open lines of credit.

We utilize a cash pooling relationship with a wholly-owned subsidiary (the “Cash Pool”) to help fund our operations. The Cash Pool does not have an expiration date and accrues interest based on LIBOR. At September 26, 2014, our Cash Pool position was an asset of CHF 868 million included in

TE CONNECTIVITY LTD.

NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

4. Commitments, Contingencies, and Guarantees (Continued)

accounts receivable from subsidiaries. At September 27, 2013, our Cash Pool positions were an asset of CHF 1,645 million included in accounts receivable from subsidiaries and a liability of CHF 9 million included in accounts payable to subsidiaries.

In order to minimize currency exposure related to distributions to shareholders approved in Swiss francs and paid in U.S. dollars, we enter into arrangements with a wholly-owned subsidiary in which we borrow Swiss francs from, and simultaneously loan U.S. dollars to, the subsidiary. As distributions to shareholders are paid, both the borrowing and the loan receivable are partially settled. As of September 26, 2014 and September 27, 2013, the borrowing totaled CHF 218 million and CHF 202 million, respectively. At both periods, the loan receivable was included in the Cash Pool asset.

We have fully and unconditionally guaranteed the debt of a subsidiary, Tyco Electronics Group S.A., totaling approximately CHF 3,668 million and CHF 2,608 million at September 26, 2014 and September 27, 2013, respectively. As of September 26, 2014, we have not been required to perform on our guarantee.

Tax Sharing Agreement

We are a party to the Tax Sharing Agreement (“TSA”) with Tyco International Ltd. (“Tyco International”) and Covidien plc (“Covidien”), under which we share responsibility for certain of our, Tyco International’s, and Covidien’s income tax liabilities based on a sharing formula for periods prior to and including June 29, 2007. We, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax authorities to our, Tyco International’s, and Covidien’s U.S. income tax returns. The effect of the TSA is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. All costs and expenses associated with the management of these shared tax liabilities are shared equally among the parties. We are responsible for all of our own taxes that are not shared pursuant to the TSA’s sharing formula. In addition, Tyco International and Covidien are responsible for their tax liabilities that are not subject to the TSA’s sharing formula.

During fiscal 2014 and 2013, we recorded net expense of CHF 167 million and net income of CHF 30 million, respectively, related to the TSA and tax settlements involving Tyco International, Covidien, and us. These amounts are presented in pre-separation tax settlement expense, net in our statements of operations.

Performance Guarantees

From time to time, we provide performance guarantees and surety bonds in favor of our subsidiaries. At September 26, 2014 and September 27, 2013, these performance guarantees totaled CHF 497 million and CHF 469 million, respectively. In addition to these amounts, all of which are quantifiable, we have issued a parent company guarantee in behalf of a U.S.-based aerospace customer that does not have a limit. We do not anticipate having to perform under these guarantees.

We are the leader of a Swiss value-added tax (“VAT”) group (“VAT Group”). All companies in the VAT Group maintain primary responsibility for their own VAT liabilities. However, in the event of non-compliance by any company in the VAT Group, all companies within the VAT Group assume joint and several responsibility for any VAT liabilities. As VAT Group leader, we have not had to assume responsibility for any events of noncompliance by the other companies in the group.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

5. Equity

Changes in Equity Accounts

The following table presents activity related to our equity accounts during fiscal 2014 and 2013 in U.S. dollars.

	Share Capital	Approved but Unpaid Distributions to Shareholders	Legal Reserves		Free Reserves		Total Shareholders' Equity
			General Reserve	Reserve for Treasury Shares	Reserves from Capital Contributions	Unappropriated Accumulated Earnings (Deficit)	
(USD millions)							
September 28, 2012	\$ 378	\$(182)	\$—	\$ 502	\$8,940	\$(1,293)	\$ 8,345
Approved dividends	—	—	—	—	(420)	—	(420)
Capital reductions distributed	(185)	182	—	—	—	—	(3)
Retirement of treasury shares	(4)	—	—	(367)	—	4	(367)
Transfer of reserve for treasury shares	—	—	—	588	—	(588)	—
Net income	—	—	—	—	—	3,735	3,735
September 27, 2013	189	—	—	723	8,520	1,858	11,290
Appropriation of general reserve	—	—	38	—	—	(38)	—
Approved dividends	—	—	—	—	(484)	—	(484)
Retirement of treasury shares	(5)	—	—	(398)	—	5	(398)
Transfer of reserve for treasury shares	—	—	—	319	(51)	(268)	—
Net income	—	—	—	—	—	(242)	(242)
September 26, 2014	<u>\$ 184</u>	<u>\$ —</u>	<u>\$38</u>	<u>\$ 644</u>	<u>\$7,985</u>	<u>\$ 1,315</u>	<u>\$10,166</u>

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

5. Equity (Continued)

Authorized Share Capital

In March 2013, our shareholders reapproved and extended through March 6, 2015 our board of directors' authorization to issue additional new shares, subject to certain conditions specified in the articles, in aggregate not exceeding 50% of the amount of our authorized shares. This authorization can be renewed for additional two-year periods upon shareholder approval. As of September 26, 2014, no authorized shares had been issued.

Conditional Share Capital

Subject to certain conditions specified in our articles of association, we are authorized to increase our share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. As of September 26, 2014, no conditional shares had been issued.

Common Shares Held in Treasury

During the fiscal years ended September 26, 2014 and September 27, 2013, activity related to common shares held in treasury by us was as follows:

	<u>Number of Shares (in millions)</u>	<u>Total Cost (in millions CHF)</u>
Common shares held as of September 28, 2012	6	CHF 186
Additions	13	539
Shareholder-approved retirements	<u>(10)</u>	<u>(352)</u>
Common shares held as of September 27, 2013	9	373
Additions	3	150
Shareholder-approved retirements	<u>(10)</u>	<u>(373)</u>
Common shares held as of September 26, 2014	<u>2</u>	<u>CHF 150</u>

In March 2014, our shareholders approved the cancellation of approximately 10 million shares purchased under our share repurchase program during the period from December 29, 2012 to December 27, 2013. The capital reduction by cancellation of shares was subject to a notice period and filing with the commercial register and became effective in May 2014.

In March 2013, our shareholders approved the cancellation of approximately 10 million shares purchased under our share repurchase program during the period from December 31, 2011 to December 28, 2012. The capital reduction by cancellation of shares was subject to a notice period and filing with the commercial register and became effective in May 2013.

We acquire treasury shares with the intent to retire using a virtual secondary trading line (“Secondary Line”). Pursuant to this Secondary Line, we acquired 3 million shares at a historical cost of CHF 150 million in fiscal 2014 and 13 million shares at a historical cost of CHF 539 million in fiscal 2013.

Treasury shares held by us and a subsidiary at September 26, 2014 totaled 2 million and 9 million, respectively, with a combined historical cost of CHF 581 million. Treasury shares held by us and a

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

5. Equity (Continued)

subsidiary at September 27, 2013 totaled 9 million and 8 million, respectively, with a combined historical cost of CHF 684 million. Because we had freely distributable equity reserves when we repurchased treasury shares during fiscal 2014 and 2013, significantly all of the reserve for treasury shares was created out of accumulated earnings.

During fiscal 2014, our board of directors authorized an increase of \$1 billion in the share repurchase program. We and our subsidiary repurchased approximately 11 million of our common shares for \$604 million (equivalent to CHF 544 million) and approximately 20 million of our common shares for \$829 million (equivalent to CHF 775 million) during fiscal 2014 and 2013, respectively. At September 26, 2014, we had \$874 million of availability remaining under our share repurchase authorization. Purchases made both pursuant to the Secondary Line and by a subsidiary are subject to this authorization.

Reserves from Capital Contributions

Reserves from capital contributions, subject to certain conditions, are freely distributable reserves. As of September 26, 2014 and September 27, 2013, reserves from capital contributions were CHF 8,862 million (equivalent to \$7,985 million) and CHF 9,342 million (equivalent to \$8,520 million), respectively.

General Reserve

To comply with the Swiss Code of Obligations, 5% of annual net income must be appropriated to our general reserve until the general reserve, a non-distributable reserve, equals 20% of share capital. In March 2014, our shareholders approved an appropriation for the general reserve in an amount of CHF 49 million. This appropriation satisfies the requirements of the Swiss Code of Obligations with respect to the general reserve.

Distributions to Shareholders

Under current Swiss law, subject to certain conditions, distributions to shareholders made in the form of a reduction of registered share capital or from reserves from capital contributions are exempt from Swiss withholding tax.

As of September 28, 2012, capital reductions previously approved by our shareholders and filed with the commercial register had reduced the par value of our common shares from CHF 2.60 (equivalent to \$2.40), our par value at our change of domicile in June 2009, to CHF 0.97 (equivalent to \$0.86).

During the quarters ended December 28, 2012, and March 29, 2013, we paid the third and fourth installments of the capital reduction originally approved in March 2012 at a rate of \$0.21 per installment. These payments further reduced our par value to CHF 0.57 (equivalent to \$0.44).

In March 2013, our shareholders approved a dividend payment to shareholders of CHF 0.96 (equivalent to \$1.00) per share out of reserves from capital contributions, payable in four equal quarterly installments beginning in the third quarter of fiscal 2013 through the second quarter of fiscal 2014. We paid the installments of the capital reduction at a rate of \$0.25 per share during each of the quarters ended June 28, 2013, September 27, 2013, December 27, 2013, and March 28, 2014.

TE CONNECTIVITY LTD.

NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

5. Equity (Continued)

In March 2014, our shareholders approved a dividend payment to shareholders of CHF 1.04 (equivalent to \$1.16) per share out of reserves from capital contributions, payable in four equal quarterly installments beginning in the third quarter of fiscal 2014 through the second quarter of fiscal 2015. We paid the installments of the dividend at a rate of \$0.29 per share during each of the quarters ended June 27, 2014 and September 26, 2014. We have reflected a liability related to the unpaid distributions in approved but unpaid distributions to shareholders on our balance sheets.

6. Executive Compensation

The following table summarizes the compensation of our chief executive officer and the chief financial officer and the three other most highly compensated executive officers as a group for fiscal 2014 and 2013 (the “named executive officers”).

Name and Principal Position	Year	Salary ⁽²⁾ (\$)	Bonus ⁽³⁾ (\$)	Stock Awards ⁽⁴⁾ (\$)	Option Awards ⁽⁵⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽⁶⁾ (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁷⁾ (\$)	All Other Compensation ⁽⁸⁾ (\$)	Total (\$)
Thomas Lynch, Chief Executive Officer	2014	\$1,172,308	—	\$3,685,986	\$3,828,213	\$2,512,800	—	\$ 417,675	\$11,616,982
	2013	\$1,074,615	—	\$3,602,490	\$3,358,155	\$2,098,800	—	\$ 338,968	\$10,473,028
Chief Financial Officer and three other most highly compensated executive officers ⁽¹⁾	2014	\$2,503,653	—	\$4,054,998	\$4,210,950	\$2,800,980	\$100,610	\$2,047,239	\$15,718,430
	2013	\$2,392,906	\$850,000	\$4,065,912	\$3,789,656	\$2,987,680	—	\$2,977,120	\$17,063,274

- (1) For fiscal 2014 and 2013, one executive was paid in part outside the U.S. in another currency, while all other executives were paid in U.S. dollars. Due to the timing of payments the following range of exchange rates, primarily as determined by TE Connectivity finance, was used to convert to U.S. dollars: \$0.162—\$0.163:CNY 1 in fiscal 2014 and \$0.159—\$0.163:CNY 1 in fiscal 2013.
- (2) Amounts shown are not reduced to reflect the named executive officers’ elections, if any, to defer receipt of salary into the Tyco Electronics Corporation Supplemental Savings and Retirement Plan (“SSRP”).
- (3) Our chief financial officer received a cash sign-on bonus to compensate for bonus and equity forfeited when he left his previous employer. Half of the sign-on bonus was paid in the first quarter of fiscal 2013.
- (4) This amount represents the grant date fair value of restricted stock units (“RSUs”) and performance stock units (“PSUs”) calculated using the provisions of Accounting Standards Codification (“ASC”) 718, *Compensation—Stock Compensation*. The PSUs included in the grant date fair value assume target performance. All dividend equivalent units earned on unvested RSUs and PSUs are reported in the All Other Compensation table, shown below.
- (5) This amount represents the grant date fair value of stock options calculated using the provisions of ASC 718.
- (6) Represents amounts earned under the TE Connectivity Ltd. Annual Incentive Plan. Amounts shown are not reduced to reflect the named executive officers’ elections, if any, to defer receipt of awards into the SSRP.
- (7) Represents the aggregate change in actuarial present value of the accumulated benefits for one executive in both fiscal 2014 and 2013. For fiscal 2013, the change in pension value is a decrease from fiscal 2012. Rather than report a negative value, a change of \$0 is reported.
- (8) See the All Other Compensation table below for a detailed breakdown of the amounts shown, which include perquisites and company match on employee contributions to the TE Connectivity Ltd. Employee Stock Purchase Plan (the “ESPP”), our qualified and nonqualified defined contribution plans, dividend equivalent units, and other amounts. The amounts reflected in the table for perquisites are our incremental cost. We also provide group life, health, hospitalization, and medical reimbursement plans which do not discriminate in scope, terms, or operation in favor of officers and are available to all full-time employees; the value of these benefits is not shown in the table.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

6. Executive Compensation (Continued)

All Other Compensation

<u>Name and Principal Position</u>	<u>Year</u>	<u>Perquisites^(a) (\$)</u>	<u>Insurance Premiums^(b) (\$)</u>	<u>Dollar Value of Dividends not factored into Grant Date Fair Value^(c) (\$)</u>	<u>Company Contributions to DC Plans^(d) (\$)</u>	<u>All Other Compensation (\$)</u>
Thomas Lynch,	2014	\$ 17,353	—	\$236,767	\$163,555	\$ 417,675
Chief Executive Officer	2013	\$ 37,289	—	\$194,919	\$106,760	\$ 338,968
Chief Financial Officer	2014	\$1,393,713	\$568	\$290,439	\$362,519	\$2,047,239
and three other most highly compensated executive officers	2013	\$2,493,548	\$532	\$230,865	\$252,175	\$2,977,120

- (a) Amounts reflect a cash perquisite allowance paid for the first quarter of fiscal 2013 under the executive flexible perquisites allowance program which provides a cash allowance of 10% of base salary for executives whose employment is based in the United States. As of January 1, 2013, the chief executive officer and his direct reports, including the named executive officers, were no longer eligible for the flexible perquisites allowance program. Amounts for fiscal 2014 and 2013 also include, for our chief executive officer, amounts for non-business use of our aircraft. We own an aircraft that we use for business purposes. Mr. Lynch uses the aircraft for business purposes, but occasionally he will make a non-business related stop while on a business trip, provide travel to a family member while on a business trip, or travel on the aircraft to attend meetings of the Thermo Fisher Scientific Inc. board of directors, of which he is a member. The amounts listed above include the direct variable costs associated with travel to attend Thermo Fisher Scientific Inc. board meetings during fiscal 2014 and fiscal 2013. Amounts for fiscal 2014 and 2013 include various miscellaneous repatriation expenses, personal tax preparation assistance, German tax payments, and U.S. tax gross-up payments pertaining to a 2011 expatriate assignment in Germany for one executive, and cash allowances (goods, services and utilities), housing and management fees, repatriation expenses, miscellaneous fees and expenses, China tax payments, U.S. tax gross-up payments, personal tax preparation assistance, and car and driver expenses for another executive on expatriate assignment in China during fiscal 2013 and a portion of fiscal 2014. Housing, utilities, car and driver expenses, and local tax payments were reported in local currency. Due to the timing of payments the following range of exchange rates, primarily as determined by TE Connectivity finance, were used to convert to U.S. dollars: \$1.33—\$1.38:EUR 1 and \$0.162—\$0.163: CNY 1 in fiscal 2014 and \$1.28—\$1.34:EUR 1 and \$0.159—\$0.163:CNY 1 in fiscal 2013. For our chief financial officer, amounts include a relocation benefit value in fiscal 2014 and fiscal 2013. For our chief financial officer, fiscal 2013 amounts include relocation allowances and tax gross-up payments for calendar year 2012 on relocation allowances paid in fiscal year 2012. Fiscal 2014 amounts include tax gross-up payments for calendar year 2013 on relocation allowances paid in fiscal year 2013. Tax gross-up payments to our chief financial officer made him whole for the additional taxes assessed on the value of the relocation benefits provided to him in accordance with our relocation benefit policy.
- (b) Represents the additional income reported for one executive for participation in a company paid life insurance program.
- (c) Represents the value of dividend equivalent units credited in the fiscal year using the close price on the date of the crediting.

TE CONNECTIVITY LTD.

NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

6. Executive Compensation (Continued)

(d) Reflects contributions made on behalf of the named executive officers under our qualified defined contribution plan, and accruals on behalf of the named executive officers under the SSRP (also a defined contribution plan), as follows:

<u>Name</u>	<u>Year</u>	<u>Company Matching Contribution (Qualified Plan)</u>	<u>Company Contribution (Non-Qualified Plan)</u>
Thomas Lynch,	2014	\$13,000	\$150,555
Chief Executive Officer	2013	\$12,750	\$ 94,010
Chief Financial Officer	2014	\$68,724	\$293,795
and three other most highly compensated executive officers ^(*)	2013	\$64,215	\$187,960

(*) Included in the amount above is an additional matching contribution of \$5,610 for fiscal 2014 and \$5,500 for fiscal 2013 for one of the referenced executives as a result of a frozen defined benefit plan.

No loans or guarantees were granted to named executive officers in fiscal 2014.

7. Compensation of Non-Employee Directors

Fiscal 2014 compensation of each director who is not our salaried employee or an employee of our subsidiaries was increased to \$250,000 per annum, payable \$90,000 in cash and \$160,000 in equity value. The chair of the audit committee received an additional \$25,000 cash retainer and the chairs of the management development and compensation committee and nominating, governance and compliance committee each received an additional \$15,000 cash retainer. The lead independent director received an additional retainer fee of \$160,000 (\$100,000 in cash and \$60,000 in equity value). Audit committee members, including the chair, each received an additional \$10,000 in cash compensation. Directors who are employed by us or our subsidiaries, including our chairman of the board, do not receive any compensation for their services as directors.

Each non-employee director received the equity component of their compensation in the form of a grant of common shares of TE Connectivity Ltd., with the exception of Dr. Gromer, who received the equity component of his compensation in the form of deferred stock units (“DSUs”). Under current U.S. tax law, our U.S.-based non-employee directors cannot defer any portion of their compensation, including DSUs, and therefore, they were issued common shares (which are immediately taxable) in lieu of DSUs. Because Dr. Gromer is a German citizen, he receives his equity compensation in the form of DSUs.

DSUs awarded to Dr. Gromer vested immediately upon grant, and will be paid in common shares within 30 days following termination (subject to the previously-existing option of deferring the payout). Dividend equivalent units or additional DSUs are credited to a non-employee director’s DSU account when dividends or distributions are paid on our common shares.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

Fiscal 2015 compensation for non-employee directors will be the same as fiscal 2014.

We reimburse our board members for expenses incurred in attending board and committee meetings or performing other services for us in their capacities as directors. Such expenses include food, lodging, and transportation.

The following table discloses the cash and equity awards paid to each of our non-employee directors during fiscal 2014 and 2013.

Name	Fiscal Year	Fees Earned or Paid in Cash ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards (\$)	All Other Compensation ⁽³⁾ (\$)	Total (\$)
Pierre Brondeau	2014	\$100,000	\$157,256	—	\$22,895	\$280,151
	2013	\$ 90,000	\$138,958	—	\$30,782	\$259,740
Juergen Gromer	2014	\$100,000	\$157,256	—	\$37,339	\$294,595
	2013	\$ 90,000	\$138,958	—	\$28,434	\$257,392
William Jeffrey	2014	\$ 90,000	\$157,256	—	\$ 1,000	\$248,256
	2013	\$ 80,000	\$138,958	—	—	\$218,958
Yong Nam	2014	\$ 90,000	\$157,256	—	\$ 3,450	\$250,706
	2013	\$ 80,000	\$138,958	—	—	\$218,958
Daniel Phelan	2014	\$ 90,000	\$157,256	—	\$22,895	\$270,151
	2013	\$ 80,000	\$138,958	—	\$21,242	\$240,200
Frederic Poses	2014	\$205,000	\$216,246	—	\$24,468	\$445,714
	2013	\$195,000	\$200,725	—	\$22,092	\$417,817
Lawrence Smith	2014	\$125,000	\$157,256	—	\$27,461	\$309,717
	2013	\$115,000	\$138,958	—	\$22,969	\$276,927
Paula Sneed	2014	\$ 90,000	\$157,256	—	\$25,810	\$273,066
	2013	\$ 80,000	\$138,958	—	\$23,240	\$242,198
David Steiner	2014	\$105,000	\$157,256	—	\$22,895	\$285,151
	2013	\$ 95,000	\$138,958	—	\$20,782	\$254,740
John Van Scoter	2014	\$ 90,000	\$157,256	—	\$ 8,388	\$255,644
	2013	\$ 80,000	\$138,958	—	\$ 5,787	\$224,745
Laura Wright ⁽⁴⁾	2014	\$ 58,333	\$ 96,089	—	\$60,000	\$214,422

(1) The amounts shown represent the amount of cash compensation earned for board and committee services. Effective for fiscal 2014 cash compensation increased to \$90,000 from the fiscal 2013 rate of \$80,000. Mr. Poses received additional fees for his work until January 7, 2013 as the board chair, and then as lead independent director for the remainder of fiscal 2013 and full fiscal 2014. For fiscal 2014 and 2013, Mr. Poses, Mr. Smith, and Mr. Steiner each received additional fees for their roles as chair of the nominating, governance and compliance committee, the audit committee, and the management development and compensation committee, respectively. For fiscal 2014 and fiscal 2013, Dr. Brondeau, Dr. Gromer, and Mr. Smith each received for the full year the additional audit committee cash retainer for serving on the committee. Ms. Wright received an additional audit committee cash retainer for serving on the audit committee for the last month of the second quarter and the last two full quarters of fiscal year 2014.

(2) Effective for fiscal 2014 equity value included in non-employee director compensation was increased to \$160,000 from the fiscal 2013 equity value of \$135,000. On November 14, 2013, Dr. Brondeau, Dr. Jeffrey, Mr. Nam, Mr. Phelan, Mr. Poses, Mr. Smith, Ms. Sneed, Mr. Steiner, and Mr. Van Scoter each received a grant of 3,047 common shares. Dr. Gromer received an award of 3,047 DSUs. Mr. Poses received an additional 1,143 shares in equity compensation for serving as lead independent director. On November 12, 2012, each director then serving on our board of directors received a grant of 4,081 common shares, except for Dr. Gromer who received his award in the form of DSUs. Mr. Poses received an additional 1,814 shares in equity compensation as board chair until January 7, 2013, and then as lead independent director for the remainder of fiscal 2013. In fiscal 2014, in determining the number of common shares and DSUs to be issued, we used the

TE CONNECTIVITY LTD.

NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

average daily closing price for the 20 day period prior to the grant date (\$52.51 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal 2014, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant (\$51.61 per share). In fiscal 2013, in determining the number of common shares and DSUs to be issued, we used the average daily closing price for the 20 day period prior to the grant date (\$33.08 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal 2013, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant (\$34.05 per share). On March 5, 2014, Ms. Wright received a grant of 1,630 common shares. In determining the number of common shares and DSUs to be issued, we used the average daily closing price for the 20-day period prior to the grant date (\$57.26 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal 2014, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant (\$58.95 per share). The common shares and DSUs vested immediately and non-employee directors receive dividend equivalents in connection with any DSU award granted to them.

- (3) Amounts shown represent the value of dividend equivalent units earned on current and prior DSU awards calculated using the market value on the date of the dividend, company matching gift contributions made on behalf of certain directors under TE Connectivity's matching gift program, and amounts reimbursed to Mr. Smith in fiscal 2014 and to Mr. Phelan and Mr. Smith in fiscal 2013 for expenses incurred when attending continuing education courses. Our board governance principles encourage directors to attend certain continuing education courses that are related to their duties as directors, and provide that we will reimburse the costs associated with attending one course every two years. The \$37,339 amount reported in fiscal 2014 and the \$28,434 amount reported in fiscal 2013 for Dr. Gromer are the dividend equivalent unit amounts earned on his DSU awards. The \$60,000 amount reported for Ms. Wright in fiscal 2014 is for fees paid for consulting services performed prior to her being elected to the board.
- (4) On March 4, 2014, Ms. Wright was elected to our Board of Directors. Cash compensation for Ms. Wright was pro-rated for her service during fiscal 2014.

No loans or guarantees were granted to members of the board of directors in fiscal 2014. During fiscal 2014, the TE Group engaged in commercial transactions in the normal course of business with companies where our directors were employed and served as officers. Purchases from such companies aggregated less than one percent of our consolidated net sales during fiscal 2014.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

8. Security Ownership of Board of Directors and Executive Officers

The following table sets forth the shares, options and stock units held as of September 26, 2014 by each member of our board of directors, our chief executive officer and the other executive officers as a group whose compensation is aggregated in the compensation table in Note 6 for fiscal 2014.

	<u>Shares Held</u>	<u>Options Held⁽¹⁾</u>	<u>Options Exercise Price</u>	<u>Fiscal Years of Expiration</u>	<u>RSUs/PSUs/DSUs Held⁽²⁾</u>
Board of Directors:					
Pierre Brondeau	17,539	—	—	—	12,102
Juergen Gromer	77,477	—	—	—	34,978
William Jeffrey	6,999	—	—	—	—
Thomas Lynch ⁽³⁾	339,421	3,574,469	\$14.56–\$51.61	2017–2024	221,747
Yong Nam	6,999	—	—	—	—
Daniel Phelan	16,044	—	—	—	12,102
Frederic Poses	184,752	—	—	—	13,566
Lawrence Smith	26,979 ⁽⁴⁾	—	—	—	16,196
Paula Sneed	17,244	—	—	—	14,855
David Steiner	16,044	—	—	—	12,102
John Van Scoter	18,640	—	—	—	6,481
Laura Wright	1,222	—	—	—	—
Executive Officers:					
Thomas Lynch ⁽³⁾	339,421	3,574,469	\$14.56–\$51.61	2017–2024	221,747
Other executive officers	92,738	1,492,863	\$14.11–\$51.61	2018–2024	257,504

- (1) Each option provides the right to purchase one share at the exercise price. Subject to acceleration upon certain events, the stock options are exercisable in equal installments on anniversaries of the grant dates.
- (2) Executive officers hold RSUs (Mr. Lynch—112,067; other executive officers—134,971) and PSUs (Mr. Lynch—109,680; other executive officers—122,533) and directors hold DSUs. Subject to acceleration upon certain events, the RSUs vest over time on anniversaries of the grant dates, are settled in shares upon vesting on a one-for-one basis, and receive dividend equivalent units. The PSU amounts assume achievement of target level of performance including target dividend equivalent units through fiscal 2014. Under the terms of the PSUs, shares of stock are reserved based on the company's earnings per share growth relative to the Standard & Poor's 500 Non-Financial Companies Index each year over a three-year performance cycle, subject to various conditions, and the PSUs earn dividend equivalent units. Subject to acceleration upon certain events, vesting of reserved PSUs occurs when the management development and compensation committee certifies year three results following the close of the three-year performance cycle. The DSUs are vested upon issuance, generally will be settled in shares on a one-for-one basis within 30 days following the director's termination, and receive dividend equivalent units.
- (3) Mr. Lynch is chairman of the board of directors and chief executive officer.
- (4) Includes 1,860 shares held in a trust and 3,000 shares held in a family limited partnership over which Mr. Smith has dispositive power. Mr. Smith disclaims beneficial ownership of such shares.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

9. Significant Shareholders

The following table sets forth the information indicated for persons or groups known to us to be beneficial owners of more than 5% of our outstanding shares beneficially owned as of September 26, 2014.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Dodge & Cox ⁽¹⁾ 555 California Street, 40th Floor San Francisco, CA 94104	35,191,231	8.6%
Harris Associates L.P. ⁽²⁾ Two North LaSalle Street, Suite 500 Chicago, IL 60602	27,155,660	6.7%

- (1) This information is based on a Schedule 13G/A filed with the SEC on February 13, 2014 by Dodge & Cox, which reported sole voting power and sole dispositive power as follows: sole voting power—33,831,130 and sole dispositive power—35,191,231.
- (2) This information is based on a Schedule 13G/A filed with the SEC on February 12, 2014 by Harris Associates L.P. and its general partner, Harris Associates Inc., which reported sole voting power and sole dispositive power as follows: sole voting power—25,545,302 and sole dispositive power—25,545,302. As a result of advisory and other relationships with persons who own the shares, Harris Associates L.P. may be deemed to be the beneficial owner of the shares.

10. Subsidiaries of the Company

We are the ultimate holding company of all subsidiaries of the TE Group. Our direct subsidiaries and significant subsidiaries of the TE Group, as determined based on net sales or total assets and all of

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

10. Subsidiaries of the Company (Continued)

which are wholly-owned indirectly by us, were as follows as of September 26, 2014 and September 27, 2013:

<u>Entity Name</u>	<u>Jurisdiction</u>	<u>Direct or Indirect Holding</u>	<u>Nominal Capital⁽¹⁾</u>	<u>Purpose⁽²⁾</u>
Tyco Electronics Group S.A.	Luxembourg	Direct	\$1	F
Tyco Electronics Holdings (Bermuda) No. 7 Limited	Bermuda	Direct	\$—	F
Tyco Electronics Verwaltungen GmbH	Germany	Direct	EUR—	F
ADC Telecommunications, Inc.	United States	Indirect	\$68	M
TE Connectivity HK Limited.	Hong Kong	Indirect	\$380	S
TE Connectivity Holding International II S.a r.l.	Luxembourg	Indirect	\$—	F
TE Connectivity Networks, Inc.	United States	Indirect	\$—	S
TE Connectivity Solutions GmbH	Switzerland	Indirect	CHF—	S
Tyco Electronics (Shanghai) Co., Ltd.	China	Indirect	CNY 6	M
Tyco Electronics AMP GmbH	Germany	Indirect	EUR 78	M
Tyco Electronics AMP Korea Limited	South Korea	Indirect	KRW 6,000	M
Tyco Electronics Brasil Ltda.	Brazil	Indirect	BRL 63	M
Tyco Electronics Corporation	United States	Indirect	\$625	M
Tyco Electronics Japan G.K.	Japan	Indirect	JPY 21,776	M
Tyco Electronics Czech s.r.o.	Czech Republic	Indirect	CZK 268	M
Tyco Electronics Singapore Pte Ltd.	Singapore	Indirect	\$183	M
Tyco Electronics Subsea Communications LLC	United States	Indirect	\$—	M
Tyco Electronics UK Ltd.	United Kingdom	Indirect	GBP 245	M

(1) Nominal capital is presented in millions for the currencies noted as of September 26, 2014. Nominal capital denoted with a “—” is insignificant.

(2) “F” denotes the primary purpose as a holding or financing company; “M” denotes the primary purpose as manufacturing and production; “S” denotes the primary purpose as sales and distribution.

TE CONNECTIVITY LTD.
NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS (Continued)

11. Expected Impact of Adopting New Swiss Company Law

Based on our current understanding of the changes in Swiss company law, which we intend to adopt effective September 27, 2014, we believe that adoption will have the following impact to our opening balance sheet as of September 27, 2014:

	<u>As reported at September 26, 2014</u>	<u>Adjustment</u> (USD Millions)	<u>Impact of adoption as of September 27, 2014</u>
Assets			
Shares held in treasury ⁽¹⁾	\$ 164	\$(164)	\$ —
All other assets	<u>10,570</u>	<u>—</u>	<u>10,570</u>
Total assets	<u>\$10,734</u>	<u>\$(164)</u>	<u>\$10,570</u>
Liabilities and Shareholders' Equity			
Total liabilities	\$ 568	\$ —	\$ 568
Shares held in treasury ⁽¹⁾	—	(164)	(164)
Reserve for treasury shares ⁽²⁾	644	(164)	480
Unappropriated accumulated earnings	1,315	164	1,479
All other equity	<u>8,207</u>	<u>—</u>	<u>8,207</u>
Total shareholders' equity	<u>10,166</u>	<u>(164)</u>	<u>10,002</u>
Total liabilities and shareholders' equity	<u>\$10,734</u>	<u>\$(164)</u>	<u>\$10,570</u>

- (1) On adoption, shares held in treasury of \$164 million will be reduced to zero with a corresponding reduction in total shareholders' equity via the creation of shares held in treasury.
- (2) Reserves for treasury shares will be reduced by \$164 million associated with shares held directly by us via an increase in unappropriated accumulated earnings, consistent with how we currently create reserves for treasury shares. This caption will be renamed Reserve for treasury shares held by a subsidiary in the fiscal 2015 Swiss statutory financial statements.

Proposed Appropriation of Available Earnings

Our board of directors will propose, in conjunction with our annual general meeting, that we carry forward unappropriated accumulated earnings of CHF 659 million as included in our balance sheet as of September 26, 2014.

**REPORT OF THE STATUTORY AUDITOR ON THE SWISS STATUTORY
FINANCIAL STATEMENTS OF TE CONNECTIVITY LTD.**

To the General meeting of
TE CONNECTIVITY LTD., SCHAFFHAUSEN

Report of the Statutory Auditor on the financial statements

As Statutory Auditor, we have audited the accompanying financial statements of TE Connectivity Ltd. (the “Company”), which comprise the balance sheet as of September 26, 2014, and the statement of operations and notes (pages 125-142) for the year then ended.

Board of Directors’ Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company’s articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended September 26, 2014 comply with Swiss law and the Company’s articles of association.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (“AOA”) and independence (Article 728, CO, and Article 11, AOA) and that there are no circumstances incompatible with our independence.

In accordance with Article 728a, paragraph 1, item 3, CO, and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of accumulated earnings complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

Deloitte AG

/s/ Martin Welsler
Licensed Audit Expert
Auditor in charge

/s/ Matthias Gschwend
Licensed Audit Expert

Zurich, November 12, 2014

EVERY CONNECTION COUNTS



CORPORATE DATA

REGISTERED & PRINCIPAL EXECUTIVE OFFICE

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STOCK EXCHANGE

The company's common shares are traded on the New York Stock Exchange (NYSE) under the ticker symbol TEL.

FORM 10-K

Copies of the company's Annual Report on Form 10-K for the fiscal year ended September 26, 2014 may be obtained by shareholders without charge upon written request to TE Connectivity Ltd., Rheinstrasse 20, CH-8200 Schaffhausen, Switzerland. The Annual Report on Form 10-K is also available on the company's website at www.te.com

SHAREHOLDER SERVICES

Registered shareholders (shares held in your own name with our transfer agent) with requests such as change of address or dividend checks should contact TE Connectivity's transfer agent at:

Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100
866.258.4745

www.shareowneronline.com

Beneficial shareholders (shares held with a bank or broker) should contact the bank or brokerage holding their shares with their requests.

Other shareholder inquiries may be directed to TE Connectivity Shareholder Services at the company's registered and principal executive office above.

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001-AR-2014

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