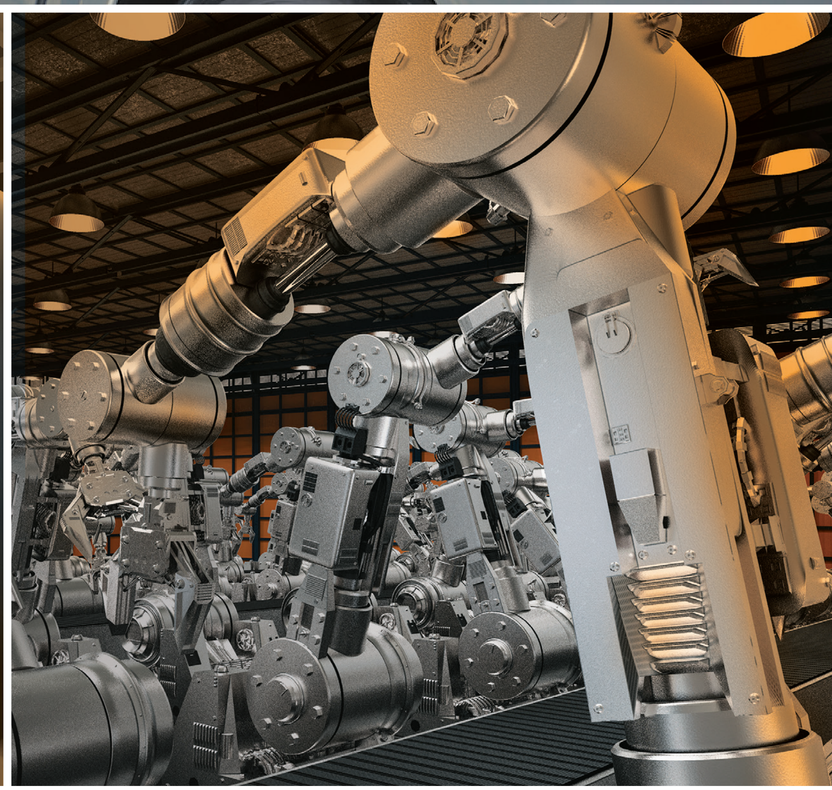
TE connectivity

2017 ANNUAL REPORT



CORPORATE DATA

REGISTERED & PRINCIPAL EXECUTIVE OFFICE
TE Connectivity Ltd.
Rheinstrasse 20
CH-8200 Schaffhausen
Switzerland
+41.0.52.633.66.61

INDEPENDENT AUDITORS
Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103
Deloitte AG
General Guisan-Quai 38
CH-8022 Zurich
Switzerland

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 that ended September 29, 2017 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.

www.te.com

001-AR-FY2017

TE CONNECTIVITY LTD.
ANNUAL REPORT
TABLE OF CONTENTS

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Annual Report 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, divestitures, 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. Investors should not place 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 29, 2017 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 and manufacturing leader creating a safer, sustainable, productive, and connected future. Our connectivity and sensor solutions, proven in the harshest environments, have enabled advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

We became an independent, publicly traded company in 2007; however, through our predecessor companies, we trace our foundations in the connectivity business back to 1941. 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.

We have a 52- or 53-week fiscal year that ends on the last Friday of September. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks. Fiscal 2017, 2016, and 2015 ended on September 29, 2017, September 30, 2016, and September 25, 2015, respectively. Fiscal 2017 and 2015 were 52 weeks in length. Fiscal 2016 was a 53-week year.

Segments

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. We believe our segments serve a combined market of approximately $180 billion.

Our net sales by segment as a percentage of our total net sales were as follows:

	Fiscal		
	2017	2016	2015
Transportation Solutions	53%	53%	52%
Industrial Solutions	27	26	26
Communications Solutions	20	21	22
Total	100%	100%	100%

Below is a description of our reportable segments and the primary products, markets, and competitors of each segment. See Notes 1 and 21 to the Consolidated Financial Statements for additional information regarding our segments.

Transportation Solutions

The Transportation Solutions segment is a leader in connectivity and sensor technologies. The primary products sold by the Transportation Solutions segment include terminals and connector systems and components; sensors; relays; application tooling; and wire and heat shrink tubing. The Transportation Solutions segment's products, which must withstand harsh conditions, are used in the following end markets:

- *Automotive (74% of segment's net sales).* We are one of the leading providers of advanced automobile connectivity solutions. The automotive industry uses our products in automotive technologies for body and chassis systems, convenience applications, driver information, infotainment solutions, miniaturization solutions, motor and powertrain applications, and safety and security systems. Hybrid and electronic mobility solutions include in-vehicle technologies, battery technologies, and charging solutions.

- *Commercial transportation (14% of segment's net sales).* We deliver reliable connectivity products designed to withstand harsh environmental conditions for on- and off-highway vehicles and recreational transportation, including heavy trucks, construction, agriculture, buses, and other vehicles.
- *Sensors (12% of segment's net sales).* We offer a portfolio of intelligent, efficient, and high-performing sensor solutions that are used by customers across multiple industries, including automotive, industrial equipment, commercial transportation, medical solutions, aerospace and defense, and consumer applications.

The Transportation Solutions segment's major competitors include Yazaki, Delphi, Sumitomo, Sensata, Honeywell, Molex, and Amphenol.

Industrial Solutions

The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. The primary products sold by the Industrial Solutions segment include terminals and connector systems and components; heat shrink tubing; relays; and wire and cable. The Industrial Solutions segment's products are used in the following markets:

- *Industrial equipment (50% of segment's net sales).* 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. Also, our products are used by the solar industry. The medical industry uses our products in imaging, diagnostic, therapeutic, surgical, tubing, and minimally invasive interventional applications.
- *Aerospace, defense, oil, and gas (31% of segment's net sales).* 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.
- *Energy (19% of segment's net sales).* Our products are used by OEMs and utility companies in the electrical power industry and include a wide range of solutions for the electrical power generation, transmission, distribution, and industrial markets.

The Industrial Solutions segment competes primarily against Amphenol, Belden, Hubbell, Carlisle Companies, 3M, Integer Holdings, Esterline, Molex, and Phoenix Contact.

Communications Solutions

The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets. We are also a leader in developing, manufacturing, installing, and maintaining some of the world's most advanced subsea fiber optic communications systems. The primary products sold by the Communications Solutions segment include terminals and connector systems and components; undersea telecommunication systems; relays; heat shrink tubing; and antennas. The Communications Solutions segment's products are used in the following markets:

- *Data and devices (38% of segment's net sales).* We deliver products and solutions that are used in a variety of equipment architectures within the networking equipment, data center equipment, and wireless infrastructure industries. Additionally, we deliver a range of connectivity solutions for the Internet of Things, smart phones, tablet computers, notebooks, and virtual reality applications to help our customers meet their current challenges and future innovations.

- *Subsea communications (36% of segment's net sales).* 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.
- *Appliances (26% of segment's net sales).* We provide solutions to meet the daily demands of home appliances. Our products are used in many household appliances, including washers, dryers, refrigerators, air conditioners, dishwashers, cooking appliances, water heaters, and microwaves. Our expansive range of standard products is supplemented by an array of custom-designed solutions.

The Communications Solutions segment's major competitors include Amphenol, Molex, JST, and Korea Electric Terminal (KET). Also, the Subsea Communications business competes against Nokia (Alcatel-Lucent Submarine Networks) and NEC.

Customers

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 can identify and act on trends and leverage knowledge about next-generation technology across our products.

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 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 cyclicality in our results and distinguishes us from our competitors.

No single customer accounted for a significant amount of our net sales in fiscal 2017, 2016, or 2015.

Sales and Distribution

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		
	2017	2016	2015
Americas[(2)]	34%	34%	34%
Europe/Middle East/Africa ("EMEA")	34	34	33
Asia–Pacific	32	32	33
Total	100%	100%	100%

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

(2) The Americas region includes our Subsea Communications business.

See Note 21 to the Consolidated Financial Statements for additional geographic information relating to our business.

We sell our products into approximately 150 countries primarily through direct selling efforts to manufacturers. We also sell our products indirectly via third-party distributors. In fiscal 2017, our direct sales represented approximately 80% of total net sales.

We maintain distribution centers around the world. 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.

Products are generally delivered to distribution centers by our manufacturing facilities and then subsequently delivered to the customer. In some instances, however, products are 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

We experience a slight seasonal pattern to our business. Overall, the third and fourth fiscal quarters are typically the strongest quarters of our fiscal year, whereas the first fiscal quarter is negatively affected by holidays and the second fiscal quarter may 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 energy market typically increase in the third and fourth fiscal quarters as customer activity increases.

Customer orders typically fluctuate from quarter to quarter based upon business conditions and cancellation of unfilled orders prior to shipment of goods. Backlog by reportable segment was as follows:

	Fiscal Year End	
	2017	2016
	(in millions)	
Transportation Solutions	$1,681	$1,343
Industrial Solutions	1,032	875
Communications Solutions(1)	1,157	1,387
Total	$3,870	$3,605

(1) Includes our Subsea Communications business' backlog of $739 million and $1,047 million at fiscal year end 2017 and 2016, respectively. Subsea Communications is a project-based business; its backlog may fluctuate as a result of program timing.

We expect that the majority of our backlog at fiscal year end 2017 will be filled during fiscal 2018.

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 based on breadth of product offering, product innovation, price, quality, delivery, and service. Our markets have generally been growing but with downward pressure on prices.

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		
	2017	2016	2015
	(in millions)		
Transportation Solutions	$344	$312	$262
Industrial Solutions	137	136	128
Communications Solutions	114	118	150
Total	$595	$566	$540

Our capital spending and investment in product and process engineering and development enable us to consistently provide innovative, high-quality products with efficient manufacturing methods. In fiscal 2017, we derived approximately 20% of our net sales from new products, including product extensions, introduced within the previous three fiscal years.

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.

Management Team and Employees

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 over 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.

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

We have employees located throughout the world. As of fiscal year end 2017, we employed approximately 78,000 people worldwide, of whom 24,000 were in the Americas region, 29,000 were in the EMEA region, and 25,000 were in the Asia–Pacific region. Of our total employees, approximately 49,000 were employed in manufacturing.

Government Regulation and Supervision

The import and export of products are subject to regulation by the various jurisdictions where we conduct business. 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, and chemical usage. 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 also have a program for compliance with the European Union ("EU") Restriction of Hazardous Substances and Waste Electrical and Electronic Equipment Directives, the China Restriction of Hazardous Substances law, the EU Registration, Evaluation, Authorization, and Restriction of Chemicals ("REACH") 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 may increase our costs for energy and certain materials and products. We also have projects underway at a number of current and former manufacturing sites to investigate and remediate environmental contamination resulting from past operations. Based upon our experience, available information, and applicable laws, as of fiscal year end 2017, we concluded that it was probable that we would incur investigation and remediation costs at these sites in the range of $15 million to $43 million, and that the best estimate within this range was $19 million. We do not anticipate any material capital expenditures during fiscal 2018 for environmental control facilities or other costs of compliance with laws or regulations relating to greenhouse gas emissions.

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 information on our website is not incorporated by reference in this Annual Report on Form 10-K.

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 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 of fiscal 2017 and 2016:

	Market Price Range			
	Fiscal			
	2017		2016	
	High	Low	High	Low
First Quarter	$71.60	$61.03	$67.61	$56.85
Second Quarter	76.53	67.31	65.75	52.27
Third Quarter	80.03	71.93	63.69	57.32
Fourth Quarter	83.22	77.61	64.54	54.83

The number of registered holders of our common shares at November 9, 2017 was 21,658.

Dividends

The following table sets forth the dividends paid on our common shares during the quarterly periods of fiscal 2017 and 2016:

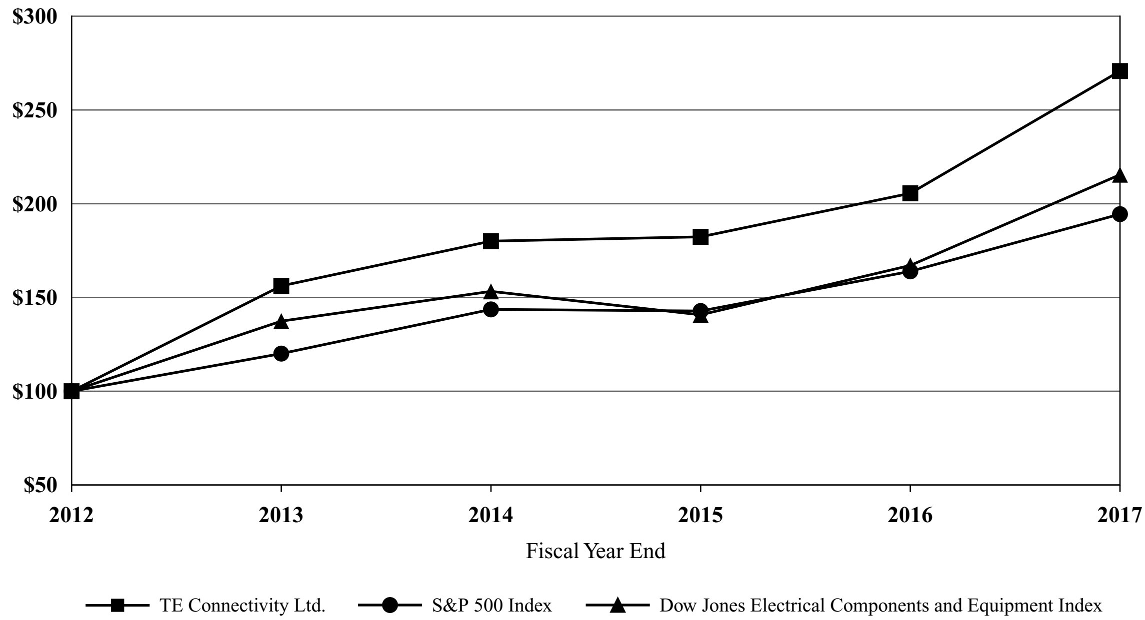
	Fiscal	
	2017	2016
First Quarter	$0.37	$0.33
Second Quarter	0.37	0.33
Third Quarter	0.40	0.37
Fourth Quarter	0.40	0.37

Future dividends on our common shares, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends 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.

Performance Graph

The following graph compares 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 at fiscal year end 2012 and assumes the reinvestment of all dividends and distributions. The graph shows the cumulative total return for the last five fiscal years. The comparisons in the graph 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 Year End					
	2012[(1)]	2013	2014	2015	2016	2017
TE Connectivity Ltd.	$100.00	$156.17	$180.06	$182.33	$205.56	$270.74
S&P 500 Index	100.00	120.06	143.64	142.79	163.93	194.44
Dow Jones Electrical Components and Equipment Index	100.00	137.38	153.26	140.75	167.09	215.47

(1) $100 invested on September 28, 2012 in TE Connectivity Ltd.'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 29, 2017:

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)]
July 1–July 28, 2017	798,930	$80.67	796,800	$651,293,669
July 29–September 1, 2017	1,396,676	79.06	1,396,371	540,894,749
September 2–September 29, 2017	760,955	81.11	745,037	480,479,256
Total	2,956,561	$80.02	2,938,208	

(1) These columns include the following transactions which occurred during the quarter ended September 29, 2017:

(i) the acquisition of 18,353 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 2,938,208 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007.

(2) 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 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				
	2017	2016(1)	2015	2014	2013
	(in millions, except per share data)				
Statement of Operations Data					
Net sales	$13,113	$12,238	$12,233	$11,973	$11,390
Acquisition and integration costs	6	22	55	31	14
Restructuring and other charges, net(2)	148	2	152	19	222
Other income (expense), net(3)	(9)	(632)	(55)	63	(183)
Income tax (expense) benefit(3)	(255)	779	(337)	(146)	75
Amounts attributable to TE Connectivity Ltd.:					
Income from continuing operations	1,673	1,941	1,238	1,614	1,154
Income from discontinued operations, net of income taxes(4)	10	68	1,182	167	122
Net income	$ 1,683	$ 2,009	$ 2,420	$ 1,781	$ 1,276
Per Share Data					
Basic earnings per share attributable to TE Connectivity Ltd.:					
Income from continuing operations	$ 4.71	$ 5.30	$ 3.06	$ 3.94	$ 2.76
Net income	4.74	5.49	5.98	4.34	3.05
Diluted earnings per share attributable to TE Connectivity Ltd.:					
Income from continuing operations	$ 4.67	$ 5.26	$ 3.01	$ 3.87	$ 2.73
Net income	4.70	5.44	5.89	4.27	3.02
Dividends and cash distributions paid per common share	$ 1.54	$ 1.40	$ 1.24	$ 1.08	$ 0.92
Balance Sheet Data					
Total assets	$19,403	$17,608	$20,589	$20,132	$18,446
Long-term liabilities	5,805	6,057	7,429	7,128	6,000
Total shareholders' equity	$ 9,751	$ 8,485	$ 9,585	$ 9,007	$ 8,380

(1) Fiscal 2016 was a 53-week year.

(2) Fiscal 2016 included a pre-tax gain of $144 million on the sale of our Circuit Protection Devices business. See Note 3 to the Consolidated Financial Statements for additional information.

(3) For fiscal 2017, 2016, and 2015, see Notes 15 and 16 to the Consolidated Financial Statements for additional information. Fiscal 2014 income tax (expense) benefit included a $282 million income tax benefit recognized in connection with a reduction in the valuation allowance associated with certain tax loss carryforwards relating to ADC Telecommunications, Inc. Fiscal 2013 income tax (expense) benefit and net other income (expense) included a $331 million income tax benefit associated with the effective settlement of all undisputed tax matters for the years 1997 through 2000 and the related impact of $231 million to other expense pursuant to the Tax Sharing Agreement with Tyco International plc and Covidien plc, respectively.

(4) Fiscal 2015 included the gain on the sale of our Broadband Network Solutions business. See Note 4 to the Consolidated Financial Statements for additional information.

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" of our Annual Report on Form 10-K for the fiscal year ended September 29, 2017 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 which is a non-GAAP financial measure. See "Non-GAAP Financial Measure" for additional information regarding this measure.

Overview

We are a global technology and manufacturing leader creating a safer, sustainable, productive, and connected future. For more than 75 years, our connectivity and sensor solutions, proven in the harshest environments, have enabled advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

Fiscal 2017 highlights included the following:

- Our fiscal 2017 net sales increased 7.1% over fiscal 2016 levels due to growth in the Transportation Solutions and Industrial Solutions segments and, to a lesser degree, the Communications Solutions segment. On an organic basis, our net sales increased 6.0% in fiscal 2017 as compared to fiscal 2016.
- Our net sales by segment were as follows:
  - *Transportation Solutions*—Our net sales increased 8.2% as a result of increased sales in the automotive and commercial transportation end markets and, to a lesser degree, the sensors end market.
  - *Industrial Solutions*—Our net sales increased 9.1% due to increased sales in the industrial equipment end market where we benefitted from sales contributions from recent acquisitions, partially offset by decreased sales in the aerospace, defense, oil, and gas and the energy end markets.
  - *Communications Solutions*—Our net sales increased 1.9% due primarily to sales increases in the appliances and subsea communications end markets, partially offset by sales declines in the data and devices end market resulting from the divestiture of our Circuit Protection Devices ("CPD") business in fiscal 2016.
- During fiscal 2017, our shareholders approved a dividend payment to shareholders of $1.60 per share, payable in four equal quarterly installments of $0.40 beginning in the third quarter of fiscal 2017 and ending in the second quarter of fiscal 2018.
- Net cash provided by continuing operating activities was $2,322 million in fiscal 2017.

Outlook

In the first quarter of fiscal 2018, we expect our net sales to be between $3.35 billion and $3.45 billion as compared to $3,063 million in the first quarter of fiscal 2017. We expect our net sales to be between $13.7 billion and $14.1 billion in fiscal 2018 as compared to $13,113 million in fiscal 2017. These increases reflect sales growth in the Transportation Solutions and Industrial Solutions segments, and to a lesser degree, the Communications Solutions segment relative to the same periods of fiscal 2017.

Additional information regarding expectations for our reportable segments for the first quarter of fiscal 2018 as compared to the same period of fiscal 2017 and for fiscal 2018 compared to fiscal 2017 is as follows:

- *Transportation Solutions*—We expect our net sales to increase in the automotive end market due primarily to increased content per vehicle and sales contributions from a recent acquisition. We expect global automotive production to be flat in the first quarter of fiscal 2018 and to increase approximately 1% in fiscal 2018. We also expect continued growth in the commercial transportation and sensors end markets.
- *Industrial Solutions*—We expect our net sales to increase in the industrial equipment end market due primarily to continued growth in the factory automation and controls market and the medical market.
- *Communications Solutions*—We expect our net sales growth in the appliances and the data and devices end markets to be partially offset by sales declines in the subsea communications end market.

In the first quarter of fiscal 2018, we expect diluted earnings per share from continuing operations to be in the range of $1.12 to $1.16 per share. We expect diluted earnings per share from continuing operations to be in the range of $4.78 to $4.98 per share in fiscal 2018.

The above outlook is based on foreign currency 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. We continue to closely manage our costs in line with economic conditions. Additionally, we 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

During fiscal 2017, we acquired two businesses for a combined cash purchase price of $250 million, net of cash acquired.

We acquired four businesses, including the Creganna Medical group ("Creganna"), for a combined cash purchase price of $1.3 billion, net of cash acquired, during fiscal 2016.

During fiscal 2015, we acquired Measurement Specialties, Inc. ("Measurement Specialties"), a leading global designer and manufacturer of sensors and sensor-based systems. The total value paid was approximately $1.7 billion, net of cash acquired, and included $225 million for the repayment of Measurement Specialties' debt and accrued interest. Also during fiscal 2015, we acquired three additional businesses for $241 million in cash, net of cash acquired.

See Note 5 to the Consolidated Financial Statements for additional information regarding acquisitions.

Divestiture

During fiscal 2016, we sold our CPD business for net cash proceeds of $333 million. We recognized a pre-tax gain of $144 million on the transaction. The CPD business was reported as part of the Data and Devices business within our Communications Solutions segment.

Results of Operations

Net Sales

The following table presents our net sales and the percentage of total net sales by segment:

	Fiscal					
	2017		2016		2015	
	($ in millions)					
Transportation Solutions	$ 7,039	53%	$ 6,503	53%	$ 6,351	52%
Industrial Solutions	3,507	27	3,215	26	3,179	26
Communications Solutions	2,567	20	2,520	21	2,703	22
Total	$13,113	100%	$12,238	100%	$12,233	100%

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

	Fiscal											
	2017						2016					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestiture)	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestiture)
	($ in millions)											
Transportation Solutions	$536	8.2%	$553	8.5%	$(47)	$ 30	$ 152	2.4%	$310	4.9%	$(174)	$ 16
Industrial Solutions	292	9.1	50	1.6	(20)	262	36	1.1	(89)	(2.8)	(63)	188
Communications Solutions	47	1.9	133	5.4	(16)	(70)	(183)	(6.8)	(43)	(1.6)	(17)	(123)
Total	$875	7.1%	$736	6.0%	$(83)	$222	$ 5	—%	$178	1.5%	$(254)	$ 81

Net sales increased $875 million, or 7.1%, in fiscal 2017 as compared to fiscal 2016. The increase in net sales resulted from organic net sales growth of 6.0% and net sales contributions from acquisitions and a divestiture of 1.8%, partially offset by the negative impact of foreign currency translation of 0.7% due to the weakening of certain foreign currencies. Organic net sales were adversely affected by price erosion of $218 million in fiscal 2017. Fiscal 2016 included an additional week which contributed $238 million in net sales. The impact of the additional week was estimated using an average weekly sales figure for the last month of the fiscal year.

Net sales were flat in fiscal 2016 as compared to fiscal 2015. Organic net sales growth of 1.5% and net sales contributions from acquisitions and a divestiture of 0.6% were offset by the negative impact of foreign currency translation of 2.1% due to the weakening of certain foreign currencies. Organic net sales were adversely affected by price erosion of $188 million in fiscal 2016. As discussed above, the additional week contributed $238 million in net sales in fiscal 2016.

See further discussion of net sales below under "Segment Results."

Net Sales by Geographic Region. Our business operates in three geographic regions—the Americas, EMEA, and Asia–Pacific—and 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. We sell our products into approximately 150 countries, and approximately 55% of our net sales were invoiced in currencies other than the U.S. dollar in fiscal 2017. The percentage of net sales in fiscal 2017 by major currencies invoiced was as follows:

Currencies	Percentage
U.S. dollar	45%
Euro	28
Chinese renminbi	12
Japanese yen	6
All others	9
Total	100%

The following table presents our net sales and the percentage of total net sales by geographic region:

	Fiscal					
	2017		2016		2015	
	($ in millions)					
Americas	$ 4,401	34%	$ 4,199	34%	$ 4,138	34%
EMEA	4,401	34	4,116	34	3,992	33
Asia–Pacific	4,311	32	3,923	32	4,103	33
Total	$13,113	100%	$12,238	100%	$12,233	100%

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

	Fiscal											
	2017						2016					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestiture)	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestiture)
	($ in millions)											
Americas	$202	4.8%	$100	2.4%	$ 6	$ 96	$ 61	1.5%	$ 15	0.4%	$ (58)	$104
EMEA	285	6.9	139	3.4	(23)	169	124	3.1	194	4.9	(141)	71
Asia–Pacific	388	9.9	497	12.7	(66)	(43)	(180)	(4.4)	(31)	(0.7)	(55)	(94)
Total	$875	7.1%	$736	6.0%	$(83)	$222	$ 5	—%	$178	1.5%	$(254)	$ 81

Cost of Sales and Gross Margin

The following table presents cost of sales and gross margin information:

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	($ in millions)				
Cost of sales	$8,663	$8,205	$8,146	$458	$ 59
As a percentage of net sales	66.1%	67.0%	66.6%	(0.9)%	0.4%
Gross margin	$4,450	$4,033[1]	$4,087	$417	$ (54)
As a percentage of net sales	33.9%	33.0%	33.4%	0.9%	(0.4)%

(1) Fiscal 2016 included an additional week which contributed $89 million in gross margin.

Gross margin increased $417 million in fiscal 2017 as compared to fiscal 2016 due primarily to higher volume and lower material costs, partially offset by price erosion. In fiscal 2016, gross margin decreased $54 million as compared to fiscal 2015. In fiscal 2016, gross margin included charges of $10 million from the amortization of acquisition-related fair value adjustments to acquired inventories and customer order backlog associated primarily with Creganna. In fiscal 2015, gross margin included charges of $36 million from the amortization of acquisition-related fair value adjustments to acquired inventories and customer order backlog associated primarily with Measurement Specialties. Excluding these charges, gross margin decreased in fiscal 2016 due primarily to unfavorable product mix and price erosion, partially offset by lower material costs.

Cost of sales and gross margin are subject to variability in raw material prices which continue to fluctuate for many of the raw materials used in the manufacture of our products. In fiscal 2017, we purchased approximately 188 million pounds of copper, 122,000 troy ounces of gold, and 2.6 million troy ounces of silver. The following table presents the average prices incurred related to copper, gold, and silver.

	Measure	Fiscal 2017	Fiscal 2016	Fiscal 2015
Copper	Lb.	$ 2.44	$ 2.49	$ 3.06
Gold	Troy oz.	1,229	1,212	1,267
Silver	Troy oz.	16.75	16.08	18.51

In fiscal 2018, we expect to purchase approximately 200 million pounds of copper, 130,000 troy ounces of gold, and 2.6 million troy ounces of silver.

Operating Expenses

The following table presents operating expense information:

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	($ in millions)				
Selling, general, and administrative expenses	$1,591	$1,463	$1,504	$128	$ (41)
As a percentage of net sales	12.1%	12.0%	12.3%	0.1%	(0.3)%
Research, development, and engineering expenses	$ 658	$ 644	$ 627	$ 14	$ 17
Acquisition and integration costs	6	22	55	(16)	(33)
Restructuring and other charges, net	148	2	152	146	(150)

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased $128 million in fiscal 2017 as compared to fiscal 2016 primarily as a result of increased incentive compensation costs, increased selling expenses to support higher sales levels, and increased costs associated with long-term expense reduction initiatives. In fiscal 2016, selling, general, and administrative expenses decreased $41 million as compared to fiscal 2015 due primarily to cost control measures and savings attributable to restructuring actions.

Acquisition and Integration Costs. We incurred acquisition and integration costs of $6 million, $22 million, and $55 million during fiscal 2017, 2016, and 2015, respectively. In fiscal 2016, acquisition and integration costs related primarily to the acquisitions of Creganna and Measurement Specialties. In fiscal 2015, acquisition and integration costs related primarily to the acquisitions of Measurement Specialties and the SEACON Group.

Restructuring and Other Charges, Net. We are committed to continuous productivity improvements, and we 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.

During fiscal 2017, we initiated a restructuring program associated with footprint consolidation related to recent acquisitions and structural improvements impacting all segments. During fiscal 2016, we initiated a restructuring program associated with headcount reductions impacting all segments and product line closures in the Communications Solutions segment. During fiscal 2015, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments.

In connection with these initiatives, we recorded net restructuring charges of $147 million, $125 million, and $93 million in fiscal 2017, 2016, and 2015, respectively. Annualized cost savings related to actions initiated in fiscal 2017 are expected to be approximately $125 million and are expected to be realized by the end of fiscal 2019. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses. During fiscal 2018, we expect net restructuring charges to be similar to fiscal 2017 levels, and we expect total spending, which will be funded with cash from operations, to be approximately $130 million.

During fiscal 2016, we recognized a pre-tax gain of $144 million on the sale of our CPD business.

During fiscal 2017, 2016, and 2015, we incurred net other charges of $1 million, $21 million, and $59 million, respectively, primarily in connection with the divestiture of certain businesses.

See Note 3 to the Consolidated Financial Statements for additional information regarding net restructuring and other charges.

Operating Income

The following table presents operating income and operating margin information:

	Fiscal			Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	2017	2016	2015		
	($ in millions)				
Operating income	$2,047	$1,902[(1)]	$1,749	$145	$153
Operating margin	15.6%	15.5%	14.3%	0.1%	1.2%

(1) Fiscal 2016 included an additional week which contributed $55 million in operating income.

Operating income included the following:

	Fiscal		
	2017	2016	2015
	(in millions)		
Acquisition related charges:			
Acquisition and integration costs	$ 6	$22	$ 55
Charges associated with the amortization of acquisition-related fair value adjustments	5	10	36
Restructuring charges related to acquisitions	—	—	3
	11	32	94
Restructuring and other charges, net	148	2	149
Total	$159	$34	$243

See discussion of operating income below under "Segment Results."

Non-Operating Items

The following table presents select non-operating information:

	Fiscal			Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	2017	2016	2015		
	($ in millions)				
Other expense, net	$ 9	$ 632	$ 55	$ (623)	$ 577
Income tax expense (benefit)	255	(779)	337	1,034	(1,116)
Effective tax rate	13.2%	(67.0)%	21.4%	80.2%	(88.4)%
Income from discontinued operations, net of income taxes	$ 10	$ 68	$1,182	$ (58)	$(1,114)

Other Expense, Net. In fiscal 2017, 2016, and 2015, we recorded net other expense primarily pursuant to the Tax Sharing Agreement with Tyco International plc ("Tyco International") and Covidien plc ("Covidien"). See Note 16 to the Consolidated Financial Statements for further information regarding net other expense.

Income Taxes. See Note 15 to the Consolidated Financial Statements for information regarding items impacting income tax expense (benefit) and the effective tax rate for fiscal 2017, 2016, and 2015.

The valuation allowance for deferred tax assets was $3,627 million and $3,096 million at fiscal year end 2017 and 2016, respectively. See Note 15 to the Consolidated Financial Statements for further information regarding the valuation allowance for deferred tax assets.

As of fiscal year end 2017, certain subsidiaries had approximately $22 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. See Note 15 to the Consolidated Financial Statements for additional information regarding undistributed earnings.

Income from Discontinued Operations, Net of Income Taxes. During fiscal 2015, we sold our Broadband Network Solutions ("BNS") business for $3.0 billion in cash and recognized a pre-tax gain of $1.1 billion on the transaction. During fiscal 2016, we recognized an additional pre-tax gain of $29 million on the divestiture, related primarily to pension and net working capital adjustments.

In fiscal 2006, the former shareholders of Com-Net initiated a lawsuit related to our fiscal 2001 acquisition of Com-Net. In connection with the Com-Net case, we recorded a reserve and pre-tax charges of $127 million during fiscal 2015. During fiscal 2016, we recorded pre-tax credits of $30 million, representing a release of excess reserves. These amounts were reflected in income from discontinued operations on the Consolidated Statements of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

The BNS and Wireless Systems businesses met the discontinued operations criteria and were reported as such in all periods presented on the Consolidated Financial Statements. Prior to reclassification to discontinued operations, the BNS and Wireless Systems businesses were included in the former Network Solutions and Wireless Systems segments, respectively. See Note 4 to the Consolidated Financial Statements for additional information regarding discontinued operations.

Segment Results

Transportation Solutions

Net Sales. The following table presents the Transportation Solutions segment's net sales and the percentage of total net sales by primary industry end market(1):

	Fiscal					
	2017		2016		2015	
	($ in millions)					
Automotive	$5,228	74%	$4,912	75%	$4,780	75%
Commercial transportation	997	14	825	13	820	13
Sensors	814	12	766	12	751	12
Total	$7,039	100%	$6,503	100%	$6,351	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 Transportation Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal											
	2017						2016					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisition	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisition
	($ in millions)											
Automotive	$316	6.4%	$349	7.1%	$(33)	$—	$132	2.8%	$266	5.6%	$(134)	$—
Commercial transportation	172	20.8	181	21.9	(9)	—	5	0.6	21	2.6	(16)	—
Sensors	48	6.3	23	3.0	(5)	30	15	2.0	23	3.1	(24)	16
Total	$536	8.2%	$553	8.5%	$(47)	$30	$152	2.4%	$310	4.9%	$(174)	$16

Net sales in the Transportation Solutions segment increased $536 million, or 8.2%, in fiscal 2017 from fiscal 2016 primarily as a result of organic net sales growth of 8.5%. Fiscal 2016 included an additional week which contributed $130 million in net sales. Our organic net sales by primary industry end market were as follows:

- *Automotive*—Our organic net sales increased 7.1% in fiscal 2017. The increase resulted from growth of 11.1% in the Asia–Pacific region, 5.6% in the EMEA region, and 1.4% in the Americas region. Our growth in the Asia–Pacific region was driven by increased demand in China resulting from a tax incentive program, market share gains, and increased electronification. In the EMEA region, our organic net sales growth was driven by market growth, electronification, and new model launches. Our growth in the Americas region resulted from continued market recovery in South America.

- *Commercial transportation*—Our organic net sales increased 21.9% in fiscal 2017 primarily as a result of growth in the heavy truck market in all regions and content gains in China.
- *Sensors*—Our organic net sales increased 3.0% in fiscal 2017 due primarily to growth in the industrial equipment and commercial transportation markets, partially offset by declines in the data and devices market.

In fiscal 2016, net sales in the Transportation Solutions segment increased $152 million, or 2.4%, from fiscal 2015 due primarily to organic net sales growth of 4.9%, partially offset by the negative impact of foreign currency translation of 2.7%. As discussed above, the additional week contributed $130 million in net sales in fiscal 2016. Our organic net sales by primary industry end market were as follows:

- *Automotive*—Our organic net sales increased 5.6% in fiscal 2016. The increase was due primarily to growth of 8.4% in the Asia–Pacific region and 5.9% in the EMEA region, partially offset by a decrease of 0.9% in the Americas region. In the Asia–Pacific region, our growth was driven by increased electronification and market share gains in China. In the EMEA region, our organic net sales increased due to electronification and new model launches. The Americas region was adversely impacted by market weakness in North America and macroeconomic conditions in South America.
- *Commercial transportation*—Our organic net sales increased 2.6% in fiscal 2016 due primarily to growth in the heavy truck market in the EMEA region and China.
- *Sensors*—Our organic net sales increased 3.1% in fiscal 2016 primarily as a result of increased sales in the automotive, aerospace and defense, and industrial equipment markets.

Operating Income. The following table presents the Transportation Solutions segment's operating income and operating margin information:

	Fiscal			Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	2017	2016	2015		
	($ in millions)				
Operating income	$1,299	$1,191	$1,193	$108	$ (2)
Operating margin	18.5%	18.3%	18.8%	0.2%	(0.5)%

In fiscal 2017, operating income in the Transportation Solutions segment increased $108 million from fiscal 2016. Operating income in the Transportation Solutions segment was flat in fiscal 2016 as compared to fiscal 2015. The Transportation Solutions segment's operating income included the following:

	Fiscal		
	2017	2016	2015
	(in millions)		
Acquisition related charges:			
Acquisition and integration costs	$ 3	$ 9	$ 28
Charges associated with the amortization of acquisition-related fair value adjustments	—	—	30
Restructuring charges related to acquisitions	—	—	3
	3	9	61
Restructuring and other charges, net	67	46	39
Total	$70	$55	$100

Excluding these items, operating income increased in fiscal 2017 primarily as a result of higher volume, partially offset by price erosion. In fiscal 2016, excluding these items, operating income decreased primarily as a result of price erosion and the negative impact of changes in foreign currency exchange rates, partially offset by lower material costs.

Industrial Solutions

Net Sales. The following table presents the Industrial Solutions segment's net sales and the percentage of total net sales by primary industry end market[(1)]:

	Fiscal					
	2017		2016		2015	
	($ in millions)					
Industrial equipment	$1,747	50%	$1,419	44%	$1,323	42%
Aerospace, defense, oil, and gas	1,075	31	1,100	34	1,151	36
Energy	685	19	696	22	705	22
Total	$3,507	100%	$3,215	100%	$3,179	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											
	2017						2016					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions
	($ in millions)											
Industrial equipment	$328	23.1%	$ 77	5.5%	$(10)	$261	$ 96	7.3%	$(69)	(5.2)%	$(14)	$179
Aerospace, defense, oil, and gas	(25)	(2.3)	(19)	(1.7)	(7)	1	(51)	(4.4)	(45)	(3.8)	(15)	9
Energy	(11)	(1.6)	(8)	(1.0)	(3)	—	(9)	(1.3)	25	3.6	(34)	—
Total	$292	9.1%	$ 50	1.6%	$(20)	$262	$ 36	1.1%	$(89)	(2.8)%	$(63)	$188

In the Industrial Solutions segment, net sales increased $292 million, or 9.1%, in fiscal 2017 from fiscal 2016 due to sales contributions from acquisitions of 8.1% and organic net sales growth of 1.6%, partially offset by the negative impact of foreign currency translation of 0.6%. Fiscal 2016 included an additional week which contributed $65 million in net sales. Our organic net sales by primary industry end market were as follows:

- *Industrial equipment*—Our organic net sales increased 5.5% in fiscal 2017 due primarily to growth in the factory automation and controls market and the medical market.
- *Aerospace, defense, oil, and gas*—Our organic net sales decreased 1.7% in fiscal 2017 due to continued weakness in the oil and gas market and declines in our sales into the commercial aerospace market, partially offset by growth in the defense market.
- *Energy*—Our organic net sales decreased 1.0% in fiscal 2017 due to declines in the EMEA and Americas regions, partially offset by growth in the Asia–Pacific region.

Net sales in the Industrial Solutions segment increased $36 million, or 1.1%, in fiscal 2016 as compared to fiscal 2015 due to sales contributions from acquisitions of 5.9%, partially offset by organic net sales declines of 2.8% and the negative impact of foreign currency translation of 2.0%. As discussed above, the additional week contributed $65 million in net sales in fiscal 2016. Our organic net sales by primary industry end market were as follows:

- *Industrial equipment*—Our organic net sales decreased 5.2% in fiscal 2016 as a result of weakness in industrial markets, particularly in the Americas and Asia–Pacific regions.
- *Aerospace, defense, oil, and gas*—Our organic net sales decreased 3.8% in fiscal 2016. The decrease was attributable to declines in the oil and gas market, partially offset by growth in the commercial aerospace market and, to a lesser degree, the defense market. In the oil and gas market, our organic net sales decrease was due to continued market weakness resulting from declines in oil prices. In the commercial aerospace market, our organic net sales increased due primarily to customer growth and market share gains.
- *Energy*—Our organic net sales increased 3.6% in fiscal 2016 primarily as a result of growth in the Americas and EMEA regions.

Operating Income. The following table presents the Industrial Solutions segment's operating income and operating margin information:

	Fiscal			Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	2017	2016	2015		
	($ in millions)				
Operating income	$ 364	$ 343	$ 352	$ 21	$ (9)
Operating margin	10.4%	10.7%	11.1%	(0.3)%	(0.4)%

Operating income in the Industrial Solutions segment increased $21 million in fiscal 2017 as compared to fiscal 2016 and decreased $9 million in fiscal 2016 as compared to fiscal 2015. The Industrial Solutions segment's operating income included the following:

	Fiscal		
	2017	2016	2015
	(in millions)		
Acquisition related charges:			
Acquisition and integration costs	$ 3	$13	$27
Charges associated with the amortization of acquisition-related fair value adjustments	5	10	6
	8	23	33
Restructuring and other charges, net	73	31	44
Total	$81	$54	$77

Excluding these items, operating income increased in fiscal 2017 primarily as a result of higher volume, partially offset by price erosion. In fiscal 2016, excluding these items, operating income decreased due primarily to unfavorable product mix and price erosion, partially offset by lower material costs.

Communications Solutions

Net Sales. The following table presents the Communications Solutions segment's net sales and the percentage of total net sales by primary industry end market(1):

	Fiscal					
	2017		2016		2015	
	($ in millions)					
Data and devices	$ 963	38%	$1,020	40%	$1,357	50%
Subsea communications	928	36	885	35	709	26
Appliances	676	26	615	25	637	24
Total	$2,567	100%	$2,520	100%	$2,703	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 Communications Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal											
	2017						2016					
	Change in Net Sales versus Prior Fiscal Year						Change in Net Sales versus Prior Fiscal Year					
	Net Sales Growth		Organic Net Sales Growth		Translation	Divestiture	Net Sales Growth		Organic Net Sales Growth		Translation	Divestiture
	($ in millions)											
Data and devices	$(57)	(5.6)%	$ 23	2.3%	$(10)	$(70)	$(337)	(24.8)%	$(208)	(17.8)%	$ (6)	$(123)
Subsea communications	43	4.9	43	4.9	—	—	176	24.8	176	24.8	—	—
Appliances	61	9.9	67	10.8	(6)	—	(22)	(3.5)	(11)	(1.8)	(11)	—
Total	$ 47	1.9%	$133	5.4%	$(16)	$(70)	$(183)	(6.8)%	$ (43)	(1.6)%	$(17)	$(123)

Net sales in the Communications Solutions segment increased $47 million, or 1.9%, in fiscal 2017 as compared to fiscal 2016 as a result of organic net sales growth of 5.4%, partially offset by sales declines resulting from a divestiture of 2.8% and the negative impact of foreign currency translation of

0.7%. Fiscal 2016 included an additional week which contributed $43 million in net sales. Our organic net sales by primary industry end market were as follows:

- *Data and devices*—Our organic net sales increased 2.3% in fiscal 2017 primarily as a result of increased sales to cloud infrastructure customers, partially offset by sales declines resulting from weakness in the wireless market.
- *Subsea communications*—Our organic net sales increased 4.9% in fiscal 2017 as a result of increased project activity.
- *Appliances*—Our organic net sales increased 10.8% in fiscal 2017 due primarily to growth in the Asia–Pacific region as a result of increased market demand and share gains.

In fiscal 2016, net sales in the Communications Solutions segment decreased $183 million, or 6.8%, as compared to fiscal 2015 due to sales declines resulting from a divestiture of 4.6%, organic net sales declines of 1.6%, and the negative impact of foreign currency translation of 0.6%. As discussed above, the additional week contributed $43 million in net sales in fiscal 2016. Our organic net sales by primary industry end market were as follows:

- *Data and devices*—Our organic net sales decreased 17.8% in fiscal 2016 as a result of the strategic exit of certain low margin product lines and market weakness in all regions.
- *Subsea communications*—Our organic net sales increased 24.8% in fiscal 2016 due to increased project activity.
- *Appliances*—Our organic net sales decreased 1.8% in fiscal 2016 due primarily to high inventory levels at distributors in the first half of the year and lower demand in the Asia–Pacific and Americas regions, partially offset by growth in the EMEA region.

Operating Income. The following table presents the Communications Solutions segment's operating income and operating margin information:

	Fiscal			Fiscal 2017 versus 2016	Fiscal 2016 versus 2015
	2017	2016	2015		
	($ in millions)				
Operating income	$ 384	$ 368	$204	$ 16	$164
Operating margin	15.0%	14.6%	7.5%	0.4%	7.1%

In the Communications Solutions segment, operating income increased $16 million in fiscal 2017 as compared to fiscal 2016 and increased $164 million in fiscal 2016 as compared to fiscal 2015. The Communications Solutions segment's operating income included the following:

	Fiscal		
	2017	2016	2015
	(in millions)		
Restructuring and other charges (credits), net	$8	$(75)(1)	$66

(1) Includes pre-tax gain of $144 million on the sale of our CPD business during fiscal 2016.

Excluding these items, operating income increased in fiscal 2017 due primarily to higher volume and improved manufacturing productivity, partially offset by price erosion. In fiscal 2016, excluding these items, operating income increased as a result of lower material costs and savings attributable to restructuring actions, partially offset by the impact of unfavorable product mix, lower volume, and price erosion.

Liquidity and Capital Resources

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. We may use excess cash to purchase a portion of our common shares pursuant to our authorized share repurchase program, to acquire strategic businesses or product lines, to pay dividends on our common shares, or to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law. Payment of our $708 million of 6.55% senior notes due in October 2017 was made after fiscal year end 2017. 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 fiscal year end 2017, 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 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; however, the repatriation of these amounts could subject us to additional tax expense. We provide for tax liabilities on the 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 fiscal year end 2017, we had approximately $6.3 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA and TE Connectivity Ltd. but we consider to be permanently reinvested. We estimate that approximately $1.2 billion of tax expense would be recognized on the 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 $278 million to $2,322 million in fiscal 2017 as compared to $2,044 million in fiscal 2016. The increase resulted primarily from higher pre-tax income levels, an increase in accrued and other current liabilities related to employee compensation, and a decrease in net payments related to pre-separation tax matters, partially offset by the impact of increased sales on accounts receivable levels.

Net cash provided by continuing operating activities was $2,044 million in fiscal 2016 as compared to $1,636 million in fiscal 2015. The increase resulted primarily from the favorable effects of changes in accounts receivable and inventory levels, partially offset by an increase in net payments related to pre-separation tax matters.

The amount of income taxes paid, net of refunds, during fiscal 2017, 2016, and 2015 was $323 million, $806 million, and $350 million, respectively. In fiscal 2017, 2016, and 2015, these amounts included refunds of $23 million, payments of $471 million, and payments of $47 million, respectively, related to pre-separation tax matters. During fiscal 2016 and 2015, we received net reimbursements of $321 million and $7 million, respectively, from Tyco International and Covidien pursuant to their indemnifications for pre-separation tax matters.

See Note 12 to the Consolidated Financial Statements for further information regarding the Tax Sharing Agreement associated with pre-separation tax matters. For additional information regarding payments related to pre-separation tax matters, see Note 15 to the Consolidated Financial Statements.

Pension contributions in fiscal 2017, 2016, and 2015 were $48 million, $67 million, and $66 million, respectively. We expect pension contributions to be $62 million in fiscal 2018, before consideration of any voluntary contributions. There were no voluntary pension contributions in fiscal 2017, 2016, or 2015.

Cash Flows from Investing Activities

Capital expenditures were $702 million, $628 million, and $600 million in fiscal 2017, 2016, and 2015, respectively. We expect fiscal 2018 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.

We acquired two businesses during fiscal 2017 for a combined cash purchase price of $250 million, net of cash acquired. During fiscal 2016, we acquired four businesses, including Creganna, for a combined cash purchase price of $1.3 billion, net of cash acquired. During fiscal 2015, we acquired Measurement Specialties. The total value paid for the transaction was approximately $1.7 billion, net of cash acquired, and included $225 million for the repayment of Measurement Specialties' debt and accrued interest. Also during fiscal 2015, we acquired three additional businesses for $241 million in cash, net of cash acquired. See Note 5 to the Consolidated Financial Statements for additional information regarding acquisitions.

During fiscal 2016, we received net cash proceeds of $333 million related to the sale of our CPD business. See Note 3 to the Consolidated Financial Statements for further information. We received net cash proceeds of $3.0 billion related to the sale of our BNS business during fiscal 2015. See Note 4 to the Consolidated Financial Statements for further information.

Cash Flows from Financing Activities and Capitalization

Total debt at fiscal year end 2017 and 2016 was $4,344 million and $4,070 million, respectively. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

During August 2017, TEGSA, our 100%-owned subsidiary, issued $400 million aggregate principal amount of 3.125% senior notes due August 2027 and $100 million aggregate principal amount of 3.45% senior notes due August 2024. The 3.45% senior notes were issued under an existing indenture under which TEGSA had previously issued $250 million aggregate principal amount. The notes 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.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with a maturity date of December 2020 and total commitments of $1,500 million. TEGSA had no borrowings under the Credit Facility at fiscal year end 2017 or 2016.

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 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 fiscal year end 2017, 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.

Payments of common share dividends to shareholders were $546 million, $509 million, and $502 million in fiscal 2017, 2016, and 2015, respectively. See Note 18 to the Consolidated Financial Statements for additional information regarding dividends on our common shares.

Future dividends on our common shares, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends 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 2016 and 2015, our board of directors authorized increases of $1.0 billion and $3.0 billion, respectively, in the share repurchase program. We repurchased approximately 8 million of our common shares for $621 million, 43 million of our common shares for $2,610 million, and 18 million of our common shares for $1,163 million under the share repurchase program during fiscal 2017, 2016, and 2015, respectively. At fiscal year end 2017, we had $480 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 2017:

		Payments Due by Fiscal Year					
	Total	2018	2019	2020	2021	2022	Thereafter
			(in millions)				
Debt(1)	$4,356	$ 710	$580	$ —	$250	$500	$2,316
Interest payments on debt(2)	1,239	146	119	109	103	88	674
Operating leases	454	110	85	62	51	42	104
Purchase obligations(3)	485	460	12	10	—	—	3
Total contractual cash obligations(4)(5)(6)	$6,534	$1,426	$796	$181	$404	$630	$3,097

(1) Debt represents principal payments. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

(2) Interest payments exclude the impact of our interest rate swaps.

(3) Purchase obligations consist primarily of commitments for purchases of goods and services.

(4) The above table does not reflect unrecognized income tax benefits of $501 million and related accrued interest and penalties of $60 million, the timing of which is uncertain. See Note 15 to the Consolidated Financial Statements for additional information regarding unrecognized income tax benefits, interest, and penalties.

(5) The above table does not reflect pension obligations to certain employees and former employees. We are obligated to make contributions to our pension 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 $62 million to pension plans in fiscal 2018, before consideration of any voluntary contributions. See Note 14 to the

Consolidated Financial Statements for additional information regarding these plans and our estimates of future contributions and benefit payments.

(6) Other long-term liabilities of $482 million are excluded from the above table as we are unable to estimate the timing of payment for these items.

Legal Proceedings

In the normal 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.

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 2018 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 fiscal year end 2017, we had outstanding letters of credit, letters of guarantee, and surety bonds of $298 million.

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. We believe the following accounting policies are 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 Accounting Standards Codification ("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. 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 Communications 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 unbilled receivables on construction related projects are recorded as reductions of revenue in the period in which they first become determinable.

Goodwill and Other Intangible Assets

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with determinable lives primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, and customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. Evaluations of the remaining useful lives of determinable-lived intangible assets are performed on a periodic basis and when events and circumstances warrant.

We test for goodwill impairment at the reporting unit level. 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 2017, we had six reporting units, five of which contained goodwill. There were two reporting units in each of our three 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. 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.

Goodwill impairment is evaluated 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 impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing 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 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 2017 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 taxable income. In estimating future taxable income, we develop assumptions including the amount of pre-tax operating income in various tax jurisdictions, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of 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.

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, *Income Taxes*, we recognize liabilities for tax and related interest for issues in 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. These tax liabilities and related interest are recorded in income taxes and accrued and other current liabilities on the Consolidated Balance Sheets.

Pension Liabilities

Our defined benefit pension plan expense and obligations are developed from actuarial assumptions. The funded status of our plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the projected benefit obligation at the measurement date. The projected benefit obligation represents the actuarial present value of benefits projected to be paid upon retirement factoring in estimated future compensation levels. 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 our defined benefit pension 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 2017, a 25-basis point decrease in the discount rate would have increased the present value of our pension obligations by $134 million; a 25-basis point increase would have decreased the present value of our pension obligations by $120 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 2017 pension expense by $11 million.

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status. We expect to reach our target allocation when the funded status of the plans exceeds 105%. Based on the funded status of the plans as of fiscal year end 2017, our target asset allocation is 45% equity and 55% fixed income.

Accounting Pronouncements

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

Non-GAAP Financial Measure

Organic Net Sales Growth

We present organic net sales growth as we believe it is appropriate for investors to consider this adjusted financial measure in addition to results in accordance with GAAP. Organic net sales growth represents net sales growth (the most comparable GAAP financial measure) excluding the impact of foreign currency exchange rates, and acquisitions and divestitures that occurred in the preceding twelve months, if any. Organic net sales growth is a useful measure of our performance because 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.

Organic net sales growth provides useful information about our results and the trends of our business. Management uses organic net sales growth to monitor and evaluate performance. Also, management uses organic net sales growth together with GAAP financial measures in its decision-making processes related to the operations of our reportable segments and our overall company. It is also a significant component in our incentive compensation plans. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The tables presented in "Results of Operations" and "Segment Results" provide reconciliations of organic net sales growth to net sales growth calculated in accordance with GAAP.

Organic net sales growth is a non-GAAP financial measure and should not be considered a replacement for results in accordance with GAAP. This non-GAAP financial measure may not be comparable to similarly-titled measures reported by other companies. The primary 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 organic net sales growth in combination with net sales growth in order to better understand the amounts, character, and impact of any increase or decrease in reported amounts.

Forward-Looking Information

Certain statements in this Annual 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, divestitures, 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. Investors should not place 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 29, 2017 filed with the SEC and elsewhere in this Annual Report, 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 our 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;
- 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 foreign 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 cross-currency swap contracts, foreign currency forward contracts, and foreign currency 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 cross-currency swap contracts, foreign currency forward contracts, or foreign currency swap contracts from the fiscal year end 2017 market rates would have changed the unrealized value of our contracts by $122 million. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts, foreign currency forward contracts, or foreign currency swap contracts from the fiscal year end 2016 market rates would have changed the unrealized value of our contracts by $112 million. Such gains or losses on these contracts would generally be offset by the losses or gains 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.

Based on our floating rate debt balances at fiscal year end 2017 and 2016, 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 immaterial increase in interest expense in both fiscal 2017 and 2016.

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 to hedge a portion of usage requirements over that period. At fiscal year end 2017, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net gain position of $20 million and had a notional value of $314 million. At fiscal year end 2016, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net gain position of $11 million and had a notional value of $232 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 fiscal year end 2017 prices would have changed the unrealized value of our forward contracts by $33 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 fiscal year end 2016 prices would have changed the unrealized value of our forward contracts by $24 million.

See Note 13 to the Consolidated Financial Statements for additional information regarding 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 29, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 29, 2017.

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* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded our internal control over financial reporting was effective as of September 29, 2017.

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 29, 2017, which is included in this Annual Report.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 29, 2017, 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.

(This page has been left blank intentionally.)

TE CONNECTIVITY LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 29, 2017 and September 30, 2016, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three fiscal years in the period ended September 29, 2017. 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 29, 2017 and September 30, 2016, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 29, 2017, 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 29, 2017, based on the criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 14, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 14, 2017

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 29, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) 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 29, 2017, based on the criteria established in *Internal Control—Integrated Framework* (2013) 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 29, 2017, and our report dated November 14, 2017 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 14, 2017

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended September 29, 2017, September 30, 2016, and September 25, 2015

	Fiscal		
	2017	2016	2015
	(in millions, except per share data)		
Net sales	$13,113	$12,238	$12,233
Cost of sales	8,663	8,205	8,146
Gross margin	4,450	4,033	4,087
Selling, general, and administrative expenses	1,591	1,463	1,504
Research, development, and engineering expenses	658	644	627
Acquisition and integration costs	6	22	55
Restructuring and other charges, net	148	2	152
Operating income	2,047	1,902	1,749
Interest income	20	19	17
Interest expense	(130)	(127)	(136)
Other expense, net	(9)	(632)	(55)
Income from continuing operations before income taxes	1,928	1,162	1,575
Income tax (expense) benefit	(255)	779	(337)
Income from continuing operations	1,673	1,941	1,238
Income from discontinued operations, net of income taxes	10	68	1,182
Net income	$ 1,683	$ 2,009	$ 2,420
Basic earnings per share:			
Income from continuing operations	$ 4.71	$ 5.30	$ 3.06
Income from discontinued operations	0.03	0.19	2.92
Net income	4.74	5.49	5.98
Diluted earnings per share:			
Income from continuing operations	$ 4.67	$ 5.26	$ 3.01
Income from discontinued operations	0.03	0.18	2.88
Net income	4.70	5.44	5.89
Dividends paid per common share	$ 1.54	$ 1.40	$ 1.24
Weighted-average number of shares outstanding:			
Basic	355	366	405
Diluted	358	369	411

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended September 29, 2017, September 30, 2016, and September 25, 2015

	Fiscal		
	2017	2016	2015
		(in millions)	
Net income	$1,683	$2,009	$2,420
Other comprehensive income (loss):			
Currency translation	37	(92)	(312)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	330	(88)	(46)
Gains on cash flow hedges, net of income taxes	15	11	2
Other comprehensive income (loss)	382	(169)	(356)
Comprehensive income	$2,065	$1,840	$2,064

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED BALANCE SHEETS

As of September 29, 2017 and September 30, 2016

	Fiscal Year End	
	2017	2016
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 1,218	$ 647
Accounts receivable, net of allowance for doubtful accounts of $21 and $17, respectively	2,290	2,046
Inventories	1,813	1,596
Prepaid expenses and other current assets	605	486
Total current assets	5,926	4,775
Property, plant, and equipment, net	3,400	3,052
Goodwill	5,651	5,492
Intangible assets, net	1,841	1,879
Deferred income taxes	2,141	2,111
Other assets	444	299
Total Assets	$19,403	$17,608
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 710	$ 331
Accounts payable	1,436	1,090
Accrued and other current liabilities	1,626	1,437
Deferred revenue	75	208
Total current liabilities	3,847	3,066
Long-term debt	3,634	3,739
Long-term pension and postretirement liabilities	1,160	1,502
Deferred income taxes	236	207
Income taxes	293	247
Other liabilities	482	362
Total Liabilities	9,652	9,123
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Common shares, CHF 0.57 par value, 357,069,981 shares authorized and issued, and 382,835,381 shares authorized and issued, respectively	157	168
Contributed surplus	—	1,801
Accumulated earnings	10,175	8,682
Treasury shares, at cost, 5,356,369 and 27,554,005 shares, respectively	(421)	(1,624)
Accumulated other comprehensive loss	(160)	(542)
Total Shareholders' Equity	9,751	8,485
Total Liabilities and Shareholders' Equity	$19,403	$17,608

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fiscal Years Ended September 29, 2017, September 30, 2016, and September 25, 2015

	Common Shares: Shares	Common Shares: Amount	Treasury Shares: Shares	Treasury Shares: Amount	Contributed Surplus	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	(in millions)							
Balance at September 26, 2014	419	$184	(11)	$ (644)	$ 5,231	$ 4,253	$ (17)	$ 9,007
Net income	—	—	—	—	—	2,420	—	2,420
Other comprehensive loss	—	—	—	—	—	—	(356)	(356)
Share-based compensation expense	—	—	—	—	95	—	—	95
Dividends approved	—	—	—	—	(526)	—	—	(526)
Exercise of share options	—	—	3	103	—	—	—	103
Restricted share award vestings and other activity	—	—	1	143	(138)	—	—	5
Repurchase of common shares	—	—	(18)	(1,163)	—	—	—	(1,163)
Cancellation of treasury shares	(5)	(2)	5	305	(303)	—	—	—
Balance at September 25, 2015	414	$182	(20)	$(1,256)	$ 4,359	$ 6,673	$(373)	$ 9,585
Net income	—	—	—	—	—	2,009	—	2,009
Other comprehensive loss	—	—	—	—	—	—	(169)	(169)
Share-based compensation expense	—	—	—	—	91	—	—	91
Dividends approved	—	—	—	—	(512)	—	—	(512)
Exercise of share options	—	—	2	90	—	—	—	90
Restricted share award vestings and other activity	—	—	2	146	(145)	—	—	1
Repurchase of common shares	—	—	(43)	(2,610)	—	—	—	(2,610)
Cancellation of treasury shares	(31)	(14)	31	2,006	(1,992)	—	—	—
Balance at September 30, 2016	383	$168	(28)	$(1,624)	$ 1,801	$ 8,682	$(542)	$ 8,485
Adoption of ASU No. 2016-09	—	—	—	—	—	165	—	165
Net income	—	—	—	—	—	1,683	—	1,683
Other comprehensive income	—	—	—	—	—	—	382	382
Share-based compensation expense	—	—	—	—	99	—	—	99
Dividends approved	—	—	—	—	(564)	—	—	(564)
Exercise of share options	—	—	3	117	—	—	—	117
Restricted share award vestings and other activity	—	—	2	195	(184)	(6)	—	5
Repurchase of common shares	—	—	(8)	(621)	—	—	—	(621)
Cancellation of treasury shares	(26)	(11)	26	1,512	(1,152)	(349)	—	—
Balance at September 29, 2017	357	$157	(5)	$ (421)	$ —	$10,175	$(160)	$ 9,751

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended September 29, 2017, September 30, 2016, and September 25, 2015

	Fiscal		
	2017	2016	2015
	(in millions)		
Cash Flows From Operating Activities:			
Net income	$1,683	$ 2,009	$ 2,420
Income from discontinued operations, net of income taxes	(10)	(68)	(1,182)
Income from continuing operations	1,673	1,941	1,238
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	635	585	616
Deferred income taxes	(75)	178	40
Provision for losses on accounts receivable and inventories	19	17	36
Tax sharing expense	8	632	52
Share-based compensation expense	99	91	89
Gain on divestiture	—	(144)	—
Other	10	102	126
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	(253)	116	(210)
Inventories	(211)	16	(220)
Prepaid expenses and other current assets	(72)	282	36
Accounts payable	308	(75)	(5)
Accrued and other current liabilities	225	(4)	(155)
Deferred revenue	(137)	26	12
Income taxes	7	(1,764)	(52)
Other	86	45	33
Net cash provided by continuing operating activities	2,322	2,044	1,636
Net cash provided by (used in) discontinued operating activities	(1)	(97)	294
Net cash provided by operating activities	2,321	1,947	1,930
Cash Flows From Investing Activities:			
Capital expenditures	(702)	(628)	(600)
Proceeds from sale of property, plant, and equipment	19	8	17
Acquisition of businesses, net of cash acquired	(250)	(1,336)	(1,725)
Proceeds from divestiture of business, net of cash retained by sold business	4	333	—
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	—	(19)	2,957
Other	(3)	61	12
Net cash provided by (used in) continuing investing activities	(932)	(1,581)	661
Net cash used in discontinued investing activities	—	—	(25)
Net cash provided by (used in) investing activities	(932)	(1,581)	636
Cash Flows From Financing Activities:			
Net increase (decrease) in commercial paper	(330)	330	(328)
Proceeds from issuance of debt	589	352	617
Repayment of debt	—	(501)	(473)
Proceeds from exercise of share options	117	90	103
Repurchase of common shares	(614)	(2,787)	(1,023)
Payment of common share dividends to shareholders	(546)	(509)	(502)
Transfers (to) from discontinued operations	(1)	(97)	269
Other	(30)	(30)	(17)
Net cash used in continuing financing activities	(815)	(3,152)	(1,354)
Net cash provided by (used in) discontinued financing activities	1	97	(269)
Net cash used in financing activities	(814)	(3,055)	(1,623)
Effect of currency translation on cash	(4)	7	(71)
Net increase (decrease) in cash and cash equivalents	571	(2,682)	872
Cash and cash equivalents at beginning of fiscal year	647	3,329	2,457
Cash and cash equivalents at end of fiscal year	$1,218	$ 647	$ 3,329
Supplemental Cash Flow Information:			
Interest paid	$ 128	$ 117	$ 128
Income taxes paid, net of refunds	323	806	350

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 and manufacturing leader creating a safer, sustainable, productive, and connected future. For more than 75 years, our connectivity and sensor solutions, proven in the harshest environments, have enabled advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

We operate through three reportable segments:

- *Transportation Solutions.* The Transportation Solutions segment is a leader in connectivity and sensor technologies. Our products, which must withstand harsh conditions, are used in the automotive, commercial transportation, and sensors markets.
- *Industrial Solutions.* The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. Our products are used in the industrial equipment; aerospace, defense, oil, and gas; and energy markets.
- *Communications Solutions.* The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets. We are also a leader in developing, manufacturing, installing, and maintaining some of the world's most advanced subsea fiber optic communications systems.

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 benefit cost. Actual results could differ materially from these estimates.

Fiscal Year

We have a 52- or 53-week fiscal year that ends on the last Friday of September. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks. Fiscal 2017, 2016, and 2015 ended on September 29, 2017, September 30, 2016, and September 25, 2015, respectively. Fiscal 2017 and 2015 were 52 weeks in length. Fiscal 2016 was a 53-week year.

2. Summary of Significant Accounting Policies

Principles of Consolidation

We consolidate entities in which we own or control more than 50% 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.

Contract revenues for construction related projects, which are generated in the Communications 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 unbilled receivables on 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. Generally, 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 Communications 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.

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 an agreed-upon, fixed percentage of sales to distributors 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.

2. Summary of Significant Accounting Policies (Continued)

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 Communications Solutions segment.

Property, Plant, and Equipment, Net

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 property, plant, and equipment and other long-lived 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 is recognized whenever anticipated future undiscounted cash flow estimates are less than the carrying value of the asset. 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.

Goodwill and Other Intangible Assets

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with determinable lives primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, and customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. Evaluations of the remaining useful lives of determinable-lived intangible assets are performed on a periodic basis and when events and circumstances warrant.

At fiscal year end 2017, we had six reporting units, five of which contained goodwill. There were two reporting units in each of our three 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.

Goodwill impairment is evaluated 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 impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing 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

2. Summary of Significant Accounting Policies (Continued)

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 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 on the Consolidated Statements of Operations. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed in fiscal 2017, 2016, and 2015 were $595 million, $566 million, and $540 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.

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 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.

2. Summary of Significant Accounting Policies (Continued)

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 the 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 fiscal year end 2017, 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 and exchange cash collateral with the counterparties to our cross-currency swap contracts. The likelihood of performance on the 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.

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.

2. Summary of Significant Accounting Policies (Continued)

- *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.

Derivative financial instruments measured at fair value on a recurring basis are generally valued using level 2 inputs.

Financial instruments other than derivative instruments include cash and cash equivalents, accounts receivable, accounts payable, and debt. These instruments are recorded on the 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).
- *Debt.* The fair value of 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 Liabilities

The funded status of our defined benefit pension plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the projected benefit obligation at the measurement date. The projected benefit obligation represents the actuarial present value of benefits projected to be paid upon retirement factoring in estimated future compensation levels. 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 our defined benefit pension 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.

2. Summary of Significant Accounting Policies (Continued)

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

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 2017, 2016, and 2015.

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.

2. Summary of Significant Accounting Policies (Continued)

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 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 October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-16, an update to ASC 740, *Income Taxes*. This new guidance requires the recognition of the income tax consequences of intra-entity transfers of assets other than inventory in the period in which the transfer occurs. The update, which we will adopt on a modified retrospective basis, is effective for us in the first quarter of fiscal 2019. Based on amounts recorded as of September 29, 2017, adoption would result in approximately a $120 million cumulative-effect adjustment to beginning accumulated earnings and a $120 million decrease in total assets, primarily in other assets. Future transactions prior to adoption of this update could significantly change the impact at adoption.

In February 2016, the FASB issued ASU No. 2016-02 which codified ASC 842, *Leases*. This guidance, which requires lessees to recognize a lease liability and a right-of-use asset for most leases, is effective for us in the first quarter of fiscal 2020. We will adopt the new standard using a modified retrospective transition approach which requires application of the new guidance for all periods presented. We are currently assessing the impact that adoption will have on our financial position.

In May 2014, the FASB issued ASU No. 2014-09 which codified ASC topic 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, as amended, is effective for us in the first quarter of fiscal 2019 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. Based on the initial evaluation of our current

2. Summary of Significant Accounting Policies (Continued)

contracts and revenue streams, we do not expect that adoption will have a material impact on our results of operations or financial position and plan to adopt the new standard using the modified retrospective approach. We are in the process of identifying necessary changes to accounting policies, processes, financial statement disclosures, internal controls, and systems to enable compliance with this new standard. We believe we are following an appropriate timeline to allow for the proper recognition, reporting, and disclosure of revenue upon adoption of ASC 606 at the beginning of fiscal 2019.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, an update to ASC 718, *Compensation—Stock Compensation*, to simplify various aspects of accounting for share-based payments to employees. We elected to early adopt this update in fiscal 2017. The provisions of the update addressing the accounting for excess tax benefits and deficiencies were adopted using a modified retrospective transition approach, with a cumulative-effect adjustment to beginning accumulated earnings and a corresponding increase in deferred tax assets of $165 million. The provision of the update addressing the presentation on the statement of cash flows of employee taxes paid via the withholding of shares was applied retrospectively and did not have a material impact on our Consolidated Financial Statements. Adoption of other provisions, which were applied prospectively, also did not have a material impact on our Consolidated Financial Statements.

3. Restructuring and Other Charges, Net

Net restructuring and other charges consisted of the following:

	Fiscal		
	2017	2016	2015
	(in millions)		
Restructuring charges, net	$147	$ 125	$ 93
Gain on divestiture	—	(144)	—
Other charges, net	1	21	59
	$148	$ 2	$152

Restructuring Charges, Net

Net restructuring charges by segment were as follows:

	Fiscal		
	2017	2016	2015
	(in millions)		
Transportation Solutions	$ 67	$ 39	$ 6
Industrial Solutions	72	28	29
Communications Solutions	8	58	58
Restructuring charges, net	$147	$125	$93

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 and Other	Balance at End of Fiscal Year
				(in millions)			
Fiscal 2017 Activity:							
Fiscal 2017 Actions:							
Employee severance	$ —	$143	$ (5)	$(40)	$ —	$ 5	$103
Facility and other exit costs	—	2	—	(1)	—	—	1
Property, plant, and equipment	—	9	—	—	(9)	—	—
Total	—	154	(5)	(41)	(9)	5	104
Fiscal 2016 Actions:							
Employee severance	54	8	(9)	(27)	—	—	26
Facility and other exit costs	—	3	—	(3)	—	—	—
Total	54	11	(9)	(30)	—	—	26
Fiscal 2015 Actions:							
Employee severance	13	—	(2)	(4)	—	(1)	6
Pre-Fiscal 2015 Actions:							
Employee severance	12	—	(3)	(3)	—	(2)	4
Facility and other exit costs	12	1	—	(4)	—	—	9
Total	24	1	(3)	(7)	—	(2)	13
Total fiscal 2017 activity	$ 91	$166	$(19)	$(82)	$ (9)	$ 2	$149
Fiscal 2016 Activity:							
Fiscal 2016 Actions:							
Employee severance	$ —	$ 86	$ —	$(32)	$ —	$ —	$ 54
Facility and other exit costs	—	3	—	(3)	—	—	—
Property, plant, and equipment	—	41	—	—	(41)	—	—
Total	—	130	—	(35)	(41)	—	54
Fiscal 2015 Actions:							
Employee severance	45	3	(4)	(31)	—	—	13
Facility and other exit costs	1	—	—	(1)	—	—	—
Total	46	3	(4)	(32)	—	—	13
Pre-Fiscal 2015 Actions:							
Employee severance	24	—	(6)	(8)	—	2	12
Facility and other exit costs	14	2	—	(4)	—	—	12
Total	38	2	(6)	(12)	—	2	24
Total fiscal 2016 activity	$ 84	$135	$(10)	$(79)	$(41)	$ 2	$ 91

3. Restructuring and Other Charges, Net (Continued)

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation and Other	Balance at End of Fiscal Year
				(in millions)			
Fiscal 2015 Activity:							
Fiscal 2015 Actions:							
Employee severance	$ —	$ 68	$ —	$(23)	$ —	$ —	$ 45
Facility and other exit costs	—	3	—	(2)	—	—	1
Property, plant, and equipment	—	21	—	—	(21)	—	—
Total	—	92	—	(25)	(21)	—	46
Pre-Fiscal 2015 Actions:							
Employee severance	91	2	(4)	(54)	—	(11)	24
Facility and other exit costs	23	3	—	(13)	—	1	14
Total	114	5	(4)	(67)	—	(10)	38
Total fiscal 2015 activity	$114	$ 97	$ (4)	$(92)	$(21)	$(10)	$ 84

Fiscal 2017 Actions

During fiscal 2017, we initiated a restructuring program associated with footprint consolidation related to recent acquisitions and structural improvements impacting all segments. In connection with this program, during fiscal 2017, we recorded net restructuring charges of $149 million. We expect to complete all restructuring actions commenced during fiscal 2017 by the end of fiscal 2019 and to incur total charges of approximately $160 million with remaining charges primarily related to employee severance.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2017 program by segment:

	Total Expected Charges	Cumulative Charges Incurred	Remaining Expected Charges
		(in millions)	
Transportation Solutions	$ 75	$ 72	$ 3
Industrial Solutions	77	75	2
Communications Solutions	8	2	6
Total	$160	$149	$11

Fiscal 2016 Actions

During fiscal 2016, we initiated a restructuring program associated with headcount reductions impacting all segments and product line closures in the Communications Solutions segment. In connection with this program, during fiscal 2017 and 2016, we recorded net restructuring charges of $2 million and $130 million, respectively. We expect to complete all restructuring actions commenced during fiscal 2016 by the end of fiscal 2019 and to incur total charges of approximately $155 million with remaining charges related primarily to employee severance.

3. Restructuring and Other Charges, Net (Continued)

The following table summarizes expected, incurred, and remaining charges for the fiscal 2016 program by segment:

	Total Expected Charges	Cumulative Charges Incurred	Remaining Expected Charges
		(in millions)	
Transportation Solutions	$ 38	$ 37	$ 1
Industrial Solutions	28	28	—
Communications Solutions	89	67	22
Total	$155	$132	$23

Fiscal 2015 Actions

During fiscal 2015, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments. In connection with this program, during fiscal 2017, 2016, and 2015, we recorded net restructuring credits of $2 million, credits of $1 million, and charges of $92 million, respectively. We do not expect to incur any additional charges related to restructuring programs commenced in fiscal 2015.

Pre-Fiscal 2015 Actions

During fiscal 2017, 2016, and 2015, we recorded net restructuring credits of $2 million, credits of $4 million, and charges of $1 million, respectively, related to pre-fiscal 2015 actions. We do not expect to incur any additional charges related to pre-fiscal 2015 actions.

Total Restructuring Reserves

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

	Fiscal Year End	
	2017	2016
	(in millions)	
Accrued and other current liabilities	$130	$64
Other liabilities	19	27
Restructuring reserves	$149	$91

Gain on Divestiture

During fiscal 2016, we sold our Circuit Protection Devices ("CPD") business for net cash proceeds of $333 million. We recognized a pre-tax gain of $144 million on the transaction. The CPD business was reported in our Communications Solutions segment.

Other Charges, Net

During fiscal 2016, we incurred costs of $21 million, associated primarily with the divestiture of certain businesses.

3. Restructuring and Other Charges, Net (Continued)

During fiscal 2015, we incurred costs of $59 million, consisting primarily of $36 million of legal and professional fees and $18 million of charges associated with the exit of a facility. These costs were incurred in connection with the sale of our Broadband Network Solutions ("BNS") business but were not directly related to the business sold and accordingly were recorded in continuing operations. See Note 4 for additional information regarding the divestiture of BNS.

4. Discontinued Operations

The following table presents certain components of income from discontinued operations, net of income taxes:

	Fiscal		
	2017	2016	2015
	(in millions)		
Net sales from discontinued operations	$—	$—	$1,595
Pre-tax income from discontinued operations	$ 3	$30	$ 118
Pre-tax gain on sale of discontinued operations	3	29	1,105
Income tax (expense) benefit	4	9	(41)
Income from discontinued operations, net of income taxes	$10	$68	$1,182

During fiscal 2015, we sold our BNS business for $3.0 billion in cash and recognized a pre-tax gain of $1.1 billion on the transaction. In the U.S., income taxes associated with the gain on the sale of assets were largely offset by income tax benefits realized on the sale of several subsidiaries. In certain non-U.S. jurisdictions, the sale was exempt from income taxes. During fiscal 2016, we recognized an additional pre-tax gain of $29 million on the divestiture, related primarily to pension and net working capital adjustments.

In fiscal 2006, the former shareholders of Com-Net initiated a lawsuit related to our fiscal 2001 acquisition of Com-Net. In October 2015, the Court of Common Pleas in Allegheny County, Pennsylvania entered final judgment in favor of the sellers and against us for $127 million plus costs. Consequently, we recorded a reserve and pre-tax charges of $127 million during fiscal 2015. During fiscal 2016, we settled all matters in dispute and paid the sellers an aggregate amount of $96 million. In connection with the settlements, we recorded pre-tax credits of $30 million, representing a release of excess reserves, during fiscal 2016. These amounts were reflected in income from discontinued operations on the Consolidated Statements of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

The BNS and Wireless Systems businesses met the discontinued operations criteria and were reported as such in all periods presented on the Consolidated Financial Statements. Prior to reclassification to discontinued operations, the BNS and Wireless Systems businesses were included in the former Network Solutions and Wireless Systems segments, respectively.

5. Acquisitions

Fiscal 2017 Acquisitions

During fiscal 2017, we acquired two businesses for a combined cash purchase price of $250 million, net of cash acquired. The acquisitions were reported as part of our Transportation Solutions and Industrial Solutions segments from the date of acquisition.

Fiscal 2016 Acquisitions

In fiscal 2016, we acquired four businesses, including the Creganna Medical group, for a combined cash purchase price of $1.3 billion, net of cash acquired. The acquisitions were reported as part of our Industrial Solutions and Transportation Solutions segments from the date of acquisition.

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:

	(in millions)
Cash and cash equivalents	$ 77
Other current assets	97
Goodwill	802
Intangible assets	530
Other non-current assets	73
Total assets acquired	1,579
Current liabilities	46
Deferred income taxes	100
Other non-current liabilities	20
Total liabilities assumed	166
Net assets acquired	1,413
Cash and cash equivalents acquired	(77)
Net cash paid	$1,336

The fair values assigned to intangible assets were determined using 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. 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.

5. Acquisitions (Continued)

Acquired intangible assets consisted of the following:

	Amount	Weighted-Average Amortization Period
	(in millions)	(in years)
Customer relationships	$300	18
Developed technology	170	11
Trade names and trademarks	45	25
Customer order backlog	15	3
Total	$530	16

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

Goodwill of $802 million was recognized in these transactions, 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 Industrial Solutions and Transportation Solutions segments and is not deductible for tax purposes. However, prior to being acquired by us, one of the fiscal 2016 acquisitions completed certain acquisitions that resulted in goodwill with an estimated value of $15 million that is deductible primarily for U.S. tax purposes, which we will deduct through 2025.

Fiscal 2016 acquisitions contributed net sales of $167 million and operating income of $8 million to our Consolidated Statement of Operations during fiscal 2016. The operating income included $10 million of acquisition costs, $7 million associated with the amortization of acquisition-related fair value adjustments related to acquired inventories and customer order backlog, and $2 million of integration costs.

Fiscal 2015 Acquisitions

In October 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 $86.00 in cash per share. The total value paid was approximately $1.7 billion, net of cash acquired, and included $225 million for the repayment of Measurement Specialties’ debt and accrued interest. Measurement Specialties offers a broad portfolio of technologies including pressure, vibration, force, temperature, humidity, ultrasonic, position, and fluid sensors, for a wide range of applications and industries. This business has been reported as part of our Transportation Solutions segment from the date of acquisition.

5. Acquisitions (Continued)

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:

	(in millions)
Cash and cash equivalents	$ 37
Accounts receivable	84
Inventories	110
Other current assets	20
Property, plant, and equipment	95
Goodwill	1,064
Intangible assets	547
Other non-current assets	9
Total assets acquired	1,966
Short-term debt	20
Accounts payable	48
Other current liabilities	67
Long-term debt	203
Deferred income taxes	98
Other non-current liabilities	9
Total liabilities assumed	445
Net assets acquired	1,521
Cash and cash equivalents acquired	(37)
Net cash paid	$1,484

The fair values assigned to intangible assets were determined using the income approach, specifically the relief from royalty and the multi-period excess earnings methods. The valuation of tangible assets was derived using a combination of the income, market, and cost approaches. 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.

Acquired intangible assets consisted of the following:

	Amount	Weighted-Average Amortization Period
	(in millions)	(in years)
Customer relationships	$370	18
Developed technology	161	9
Trade names and trademarks	4	1
Customer order backlog	12	< 1
Total	$547	15

5. Acquisitions (Continued)

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

Goodwill of $1,064 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 segment and is not deductible for tax purposes. However, prior to its merger with us, Measurement Specialties completed certain acquisitions that resulted in goodwill with an estimated value of $23 million that is deductible primarily for U.S. tax purposes, which we will deduct through 2030.

During fiscal 2015, Measurement Specialties contributed net sales of $548 million to our Consolidated Statement of Operations. Due to the commingled nature of our operations, it is not practicable to separately identify operating income of Measurement Specialties on a stand-alone basis.

During fiscal 2015, we acquired three additional businesses for $241 million in cash, net of cash acquired.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects our consolidated results of operations had the fiscal 2016 acquisitions occurred at the beginning of fiscal 2015 and the Measurement Specialties acquisition occurred at the beginning of fiscal 2014:

	Pro Forma for Fiscal	
	2016	2015
	(in millions, except per share data)	
Net sales	$12,471	$12,613
Net income	2,038	2,448
Diluted earnings per share	$ 5.52	$ 5.96

The pro forma adjustments, which were not significant, included interest expense based on pro forma changes in our combined capital structure, charges related to acquired customer order backlog, charges related to the amortization of the fair value of acquired intangible assets, charges related to the fair value adjustment to acquisition-date inventories, and acquisition and other costs, and the related tax effects.

Pro forma results do not include any anticipated synergies or other anticipated benefits of these acquisitions. 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 these acquisitions occurred at the beginning of the preceding fiscal years.

6. Inventories

Inventories consisted of the following:

	Fiscal Year End 2017	Fiscal Year End 2016
	(in millions)	
Raw materials	$ 306	$ 241
Work in progress	580	504
Finished goods	810	669
Inventoried costs on long-term contracts	117	182
Inventories	$1,813	$1,596

7. Property, Plant, and Equipment, Net

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

	Fiscal Year End 2017	Fiscal Year End 2016
	(in millions)	
Land and improvements	$ 178	$ 159
Buildings and improvements	1,399	1,272
Machinery and equipment	7,306	6,890
Construction in process	697	567
Gross property, plant, and equipment	9,580	8,888
Accumulated depreciation	(6,180)	(5,836)
Property, plant, and equipment, net	$ 3,400	$ 3,052

Depreciation expense was $466 million, $436 million, and $463 million in fiscal 2017, 2016, and 2015, respectively.

8. Goodwill

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

	Transportation Solutions	Industrial Solutions	Communications Solutions	Total
	(in millions)			
Fiscal year end 2015[(1)]	$1,863	$2,253	$ 708	$4,824
Acquisitions	60	776	—	836
Divestiture of business	—	—	(117)	(117)
Currency translation	(20)	(24)	(7)	(51)
Fiscal year end 2016[(1)]	1,903	3,005	584	5,492
Acquisitions	82	14	—	96
Currency translation	26	28	9	63
Fiscal year end 2017[(1)]	$2,011	$3,047	$ 593	$5,651

(1) At fiscal year end 2017, 2016, and 2015, accumulated impairment losses for the Transportation Solutions and Industrial Solutions segments were $2,191 million and $669 million, respectively. Accumulated impairment

8. Goodwill (Continued)

losses for the Communications Solutions segment were $1,514 million at fiscal year end 2017 and 2016 and $1,626 million at fiscal year end 2015.

During fiscal 2017, we acquired two businesses and recognized goodwill of $130 million, which benefitted the Transportation Solutions and Industrial Solutions segments. During fiscal 2016, we acquired four businesses and recognized goodwill of $836 million, which benefited the Industrial Solutions and Transportation Solutions segments. In fiscal 2017, we finalized the purchase price allocation of our fiscal 2016 acquisitions, and the associated goodwill was reduced to $802 million. This reduction, which was primarily within the Industrial Solutions segment, is reflected in fiscal 2017 acquisitions in the above table. See Note 5 for additional information regarding acquisitions.

During fiscal 2016, net goodwill of $117 million was written-off in connection with the sale of our CPD business. See Note 3 for additional information regarding the divestiture of CPD.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2017 and determined that no impairment existed.

9. Intangible Assets, Net

Intangible assets consisted of the following:

	Fiscal Year End					
	2017			2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Customer relationships	$1,433	$(300)	$1,133	$1,332	$(212)	$1,120
Intellectual property	1,263	(575)	688	1,300	(563)	737
Other	36	(16)	20	36	(14)	22
Total	$2,732	$(891)	$1,841	$2,668	$(789)	$1,879

Intangible asset amortization expense was $169 million, $149 million, and $153 million for fiscal 2017, 2016, and 2015, respectively. The aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Fiscal 2018	$ 184
Fiscal 2019	181
Fiscal 2020	174
Fiscal 2021	171
Fiscal 2022	170
Thereafter	961
Total	$1,841

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	Fiscal Year End	
	2017	2016
	(in millions)	
Accrued payroll and employee benefits	$ 596	$ 431
Dividends payable to shareholders	281	263
Income taxes payable	121	149
Restructuring reserves	130	64
Interest payable	58	56
Other	440	474
Accrued and other current liabilities	$1,626	$1,437

11. Debt

Debt was as follows:

	Fiscal Year End	
	2017	2016
	(in millions)	
Commercial paper, at a weighted-average interest rate of 0.69% at fiscal year end 2016	$ —	$ 330
6.55% senior notes due 2017	708	708
2.375% senior notes due 2018	325	325
2.35% senior notes due 2019	250	250
4.875% senior notes due 2021	250	250
3.50% senior notes due 2022	500	500
1.10% euro-denominated senior notes due 2023	650	618
3.45% senior notes due 2024	350	250
3.70% senior notes due 2026	350	350
3.125% senior notes due 2027	400	—
7.125% senior notes due 2037	477	477
Other	96	3
Total principal debt	4,356	4,061
Unamortized discounts and debt issuance costs	(26)	(26)
Effects of fair value hedge-designated interest rate swaps	14	35
Total debt	$4,344	$4,070

During August 2017, Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, issued $400 million aggregate principal amount of 3.125% senior notes due August 2027 and $100 million aggregate principal amount of 3.45% senior notes due August 2024. The 3.45% senior notes were issued under an existing indenture under which TEGSA had previously issued $250 million aggregate principal amount. The notes 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.

11. Debt (Continued)

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with a maturity date of December 2020 and total commitments of $1,500 million. TEGSA had no borrowings under the Credit Facility at fiscal year end 2017 or 2016.

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) Bank of America, N.A.'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 5.0 to 12.5 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 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.

Principal payments required for debt are as follows:

	(in millions)
Fiscal 2018	$ 710
Fiscal 2019	580
Fiscal 2020	—
Fiscal 2021	250
Fiscal 2022	500
Thereafter	2,316
Total	$4,356

The fair value of our debt, based on indicative valuations, was approximately $4,622 million and $4,424 million at fiscal year end 2017 and 2016, respectively.

12. Commitments and Contingencies

Legal Proceedings

In the normal 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.

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 2017, we concluded that it was probable that we would incur investigation and remediation costs at these sites in the range of $15 million to $43 million, and that the best estimate within this range was $19 million. 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.

Leases

We have facility, land, vehicle, and equipment leases that expire at various dates. Rental expense under these operating leases was $153 million, $143 million, and $141 million for fiscal 2017, 2016, and 2015, respectively. At fiscal year end 2017, future minimum lease payments under non-cancelable operating lease obligations were as follows:

	(in millions)
Fiscal 2018	$110
Fiscal 2019	85
Fiscal 2020	62
Fiscal 2021	51
Fiscal 2022	42
Thereafter	104
Total	$454

Guarantees

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.

12. Commitments and Contingencies (Continued)

At fiscal year end 2017, we had outstanding letters of credit, letters of guarantee, and surety bonds of $298 million.

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 based primarily on historical experience and actual warranty claims. Amounts accrued for warranty claims were $50 million and $48 million at fiscal year end 2017 and 2016, respectively.

Tax Sharing Agreement

In fiscal 2007, we became an independent, publicly traded company owning the former electronics businesses of Tyco International plc ("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"). As a result of subsequent transactions, Tyco International and Covidien now operate as part of Johnson Controls International plc and Medtronic plc, respectively.

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 income tax liabilities that arise from adjustments made by tax authorities to our, Tyco International's, and Covidien's income tax returns. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. We have substantially settled all U.S. federal income tax matters with the Internal Revenue Service ("IRS") for periods covered under the Tax Sharing Agreement. Certain shared U.S. state and non-U.S. income tax matters remain open. We do not expect these matters will have a material effect on our results of operations, financial position, or cash flows.

13. 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 2017, 2016, and 2015.

Foreign Exchange Risks and Hedges of Net Investment

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts, foreign currency forward contracts, and foreign currency 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 Statement of Operations within the next twelve months.

During fiscal 2015, we entered into cross-currency swap contracts with an aggregate notional value of €1,000 million to reduce our exposure to foreign currency exchange risk associated with certain

13. Financial Instruments and Fair Value Measurements (Continued)

intercompany loans. Under the terms of these contracts, which have been designated as cash flow hedges, we make quarterly interest payments in euros at 3.50% per annum and receive interest in U.S. dollars at a weighted-average rate of 5.33% per annum. Upon the maturities of these contracts in fiscal 2022, we will pay the principal amount of the loans in euros and receive U.S. dollars from our counterparties.

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 $3,110 million and $3,480 million at fiscal year end 2017 and 2016, respectively. The impacts of our hedging program were as follows:

	Fiscal		
	2017	2016	2015
	(in millions)		
Foreign exchange gains (losses)	$(74)	$(45)	$353

These foreign exchange gains and losses were recorded as currency translation, a component of accumulated other comprehensive income (loss), offsetting foreign exchange losses and gains attributable to the translation of the net investment. See Note 19 for additional information.

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.

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 fiscal year end 2017 and 2016, our commodity hedges had notional values of $314 million and $232 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 Statement 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 fiscal year end 2017 and 2016.

14. 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		
	2017	2016	2015	2017	2016	2015
	($ in millions)					
Service cost	$ 12	$ 9	$ 9	$ 50	$ 48	$ 45
Interest cost	43	50	48	35	52	58
Expected return on plan assets	(53)	(59)	(67)	(68)	(68)	(72)
Amortization of net actuarial loss	40	40	25	41	36	33
Other	—	—	—	(4)	(6)	(5)
Net periodic pension benefit cost	$ 42	$ 40	$ 15	$ 54	$ 62	$ 59
Weighted-average assumptions used to determine net pension benefit cost during the fiscal year:						
Discount rate	3.58%	4.38%	4.34%	1.44%	2.50%	2.77%
Expected return on plan assets	5.93%	6.97%	7.20%	5.21%	5.98%	6.46%
Rate of compensation increase	—%	—%	—%	2.52%	2.81%	2.86%

14. 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	
	2017	2016	2017	2016
	($ in millions)			
Change in benefit obligation:				
Benefit obligation at beginning of fiscal year	$1,250	$1,170	$2,535	$ 2,188
Service cost	12	9	50	48
Interest cost	43	50	35	52
Actuarial loss	(34)	102	(301)	368
Benefits and administrative expenses paid	(82)	(81)	(69)	(85)
Currency translation	—	—	29	(63)
Other	2	—	13	27
Benefit obligation at end of fiscal year	1,191	1,250	2,292	2,535
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	929	879	1,371	1,167
Actual return on plan assets	115	130	49	261
Employer contributions	1	1	47	66
Benefits and administrative expenses paid	(82)	(81)	(69)	(85)
Currency translation	—	—	(2)	(59)
Other	—	—	6	21
Fair value of plan assets at end of fiscal year	963	929	1,402	1,371
Funded status	$ (228)	$ (321)	$ (890)	$(1,164)
Amounts recognized on the Consolidated Balance Sheets:				
Other assets	$ —	$ —	$ 50	$ —
Accrued and other current liabilities	(5)	(5)	(22)	(20)
Long-term pension and postretirement liabilities	(223)	(316)	(918)	(1,144)
Net amount recognized	$ (228)	$ (321)	$ (890)	$(1,164)
Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:				
Discount rate	3.77%	3.58%	1.87%	1.44%
Rate of compensation increase	—%	—%	2.53%	2.52%

14. 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	
	2017	2016	2017	2016
	(in millions)			
Change in net loss:				
Unrecognized net loss at beginning of fiscal year	$428	$436	$ 839	$711
Current year change recorded in accumulated other comprehensive income (loss)	(96)	32	(285)	164
Amortization reclassified to earnings	(40)	(40)	(41)	(36)
Unrecognized net loss at end of fiscal year	$292	$428	$ 513	$839
Change in prior service credit:				
Unrecognized prior service credit at beginning of fiscal year	$ —	$ —	$ (70)	$(66)
Current year change recorded in accumulated other comprehensive income (loss)	2	—	5	(10)
Amortization reclassified to earnings[(1)]	—	—	6	6
Unrecognized prior service credit at end of fiscal year	$ 2	$ —	$ (59)	$(70)

(1) Amortization of prior service credit is included in other in the above table summarizing the components of net periodic pension benefit cost.

In fiscal 2017, unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) were primarily the result of higher discount rates and favorable asset performance for both U.S. and non-U.S. defined benefit pension plans as compared to fiscal 2016. In fiscal 2016, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) were primarily the result of lower discount rates partially offset by favorable asset performance for both U.S. and non-U.S. defined benefit pension plans as compared to fiscal 2015.

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 2018 is expected to be $22 million and $24 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 2018 is expected to be $6 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 strategies for U.S. and 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 allocation, expected long-term returns, and forward-looking estimates of active portfolio and investment management.

14. Retirement Plans (Continued)

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status. We expect to reach our target allocation when the funded status of the plans exceeds 105%. Based on the funded status of the plans as of fiscal year end 2017, our target asset allocation is 45% equity and 55% 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	Fiscal Year End 2017	Fiscal Year End 2016	Target	Fiscal Year End 2017	Fiscal Year End 2016
Asset category:						
Equity securities	45%	50%	45%	27%	30%	41%
Fixed income	55	50	55	52	49	33
Insurance contracts and other investments	—	—	—	19	19	24
Real estate investments	—	—	—	2	2	2
Total	100%	100%	100%	100%	100%	100%

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 expect to make the minimum required contributions of $6 million and $56 million to our U.S. and non-U.S. pension plans, respectively, in fiscal 2018. We may also make voluntary contributions at our discretion.

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

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Fiscal 2018	$ 75	$ 71
Fiscal 2019	71	76
Fiscal 2020	72	77
Fiscal 2021	73	79
Fiscal 2022	74	85
Fiscal 2023-2027	371	485

14. Retirement Plans (Continued)

Presented 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.S. Plans		Non-U.S. Plans	
	Fiscal Year End		Fiscal Year End	
	2017	2016	2017	2016
	(in millions)			
Accumulated benefit obligation	$1,191	$1,250	$2,167	$2,389
Pension plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	1,191	1,250	1,402	2,380
Fair value of plan assets	963	929	581	1,361
Pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	1,191	1,250	1,524	2,534
Fair value of plan assets	963	929	583	1,371

We value our pension assets based on the fair value hierarchy of ASC 820, *Fair Value Measurements and Disclosures*. 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:

	Fiscal Year End 2017							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Equity:								
U.S. equity securities(1)	$250	$ —	$—	$250	$—	$ —	$ —	$ —
Non-U.S. equity securities(1)	227	—	—	227	—	—	—	—
Commingled equity funds(2)	—	—	—	—	—	418	—	418
Fixed income:								
Government bonds(3)	—	59	—	59	—	219	—	219
Corporate bonds(4)	—	351	—	351	—	8	—	8
Commingled bond funds(5)	—	48	—	48	—	455	—	455
Other(6)	—	16	—	16	—	180	117	297
Subtotal	$477	$474	$—	951	$—	$1,280	$117	1,397
Items to reconcile to fair value of plan assets(7)				12				5
Fair value of plan assets				$963				$1,402

14. Retirement Plans (Continued)

	Fiscal Year End 2016							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
				(in millions)				
Equity:								
U.S. equity securities(1)	$248	$ —	$—	$248	$ 64	$ —	$—	$ 64
Non-U.S. equity securities(1)	190	—	—	190	62	—	—	62
Commingled equity funds(2)	—	—	—	—	—	456	—	456
Fixed income:								
Government bonds(3)	—	67	—	67	—	226	—	226
Corporate bonds(4)	—	397	—	397	—	13	—	13
Commingled bond funds(5)	—	—	—	—	—	262	—	262
Other(6)	—	11	—	11	—	177	91	268
Subtotal	$438	$475	$—	913	$126	$1,134	$91	1,351
Items to reconcile to fair value of plan assets(7)				16				20
Fair value of plan assets				$929				$1,371

(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.

(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), as 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 and are valued at 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.

14. Retirement Plans (Continued)

Changes in Level 3 assets in non-U.S. plans were primarily the result of purchases in fiscal 2017 and 2016.

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 $68 million, $59 million, and $60 million for fiscal 2017, 2016, and 2015, respectively.

Deferred Compensation Plans

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 $157 million and $132 million at fiscal year end 2017 and 2016, respectively. See Note 13 for additional information regarding our risk management strategy related to deferred compensation liabilities.

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. The accumulated postretirement benefit obligation was $20 million and $45 million at fiscal year end 2017 and 2016, respectively, and the underfunded status of the postretirement benefit plans was included primarily in long-term pension and postretirement liabilities on the Consolidated Balance Sheets. The decrease in the accumulated postretirement benefit obligation during fiscal 2017 was primarily attributable to a plan curtailment that was recognized on the Consolidated Statement of Operations; activity during fiscal 2016 and 2015 was not significant.

15. Income Taxes

Income Tax Expense (Benefit)

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

	Fiscal 2017	Fiscal 2016	Fiscal 2015
	(in millions)		
Current income tax expense (benefit):			
U.S.:			
Federal	$ (2)	$(1,115)	$(67)
State	9	(163)	12
Non-U.S.	323	321	352
	330	(957)	297
Deferred income tax expense (benefit):			
U.S.:			
Federal	(58)	173	87
State	(9)	20	5
Non-U.S.	(8)	(15)	(52)
	(75)	178	40
Income tax expense (benefit)	$255	$ (779)	$337

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

	Fiscal 2017	Fiscal 2016	Fiscal 2015
	(in millions)		
U.S.	$ (75)	$ (115)	$ (31)
Non-U.S.	2,003	1,277	1,606
Income from continuing operations before income taxes	$1,928	$1,162	$1,575

15. Income Taxes (Continued)

The reconciliation between U.S. federal income taxes at the statutory rate and income tax expense (benefit) was as follows:

	Fiscal 2017	Fiscal 2016	Fiscal 2015
	(in millions)		
Notional U.S. federal income tax expense at the statutory rate	$ 675	$ 407	$ 551
Adjustments to reconcile to the income tax expense (benefit):			
U.S. state income tax expense (benefit), net	—	(93)	11
Other expense—Tax Sharing Agreement[1]	3	221	18
Tax law changes	7	(3)	10
Tax credits	(9)	(10)	(9)
Non-U.S. net earnings[2]	(355)	(342)	(275)
Change in accrued income tax liabilities	24	(1,056)	(183)
Valuation allowance	(1)	97	(3)
Legal entity restructuring and intercompany transactions	(40)	39	211
Divestitures	—	(31)	—
Excess tax benefits from share-based payments	(40)	—	—
Other	(9)	(8)	6
Income tax expense (benefit)	$ 255	$ (779)	$ 337

(1) Net other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien is not taxable or deductible.

(2) Excludes items which are separately presented.

The income tax expense for fiscal 2017 included a $52 million income tax benefit associated with the tax impacts of certain intercompany transactions and the corresponding reduction in the valuation allowance for U.S. tax loss carryforwards, a $40 million income tax benefit related to share-based payments and the adoption of ASU No. 2016-09, and a $14 million income tax benefit associated with pre-separation tax matters. See Note 2 for additional information regarding recently adopted accounting pronouncements.

The income tax benefit for fiscal 2016 included a $1,135 million income tax benefit related to the effective settlement of tax matters for the years 1997 through 2000 which resolved all aspects of the disputed debt matter with the IRS through the year 2007, partially offset by a $91 million income tax charge related to an increase to the valuation allowance for certain U.S. deferred tax assets. Additionally, the tax benefit for fiscal 2016 included an $83 million net income tax benefit related to tax settlements in certain other tax jurisdictions, partially offset by an income tax charge related to certain legal entity restructurings.

In fiscal 2016, the increase to the valuation allowance for deferred tax assets primarily related to certain U.S. federal and state tax loss and credit carryforwards. Based on our forecast of taxable income for certain U.S. tax reporting groups, U.S. tax loss and credit carryforwards finalized as a result of settlement of the disputed debt matter with the IRS, and certain tax planning actions and strategies, we believed it was more likely than not that a portion of our deferred tax assets would not be realized.

15. Income Taxes (Continued)

The income tax expense for fiscal 2015 included a $264 million income tax benefit related to the effective settlement of all undisputed tax matters for the years 2001 through 2010, partially offset by a $216 million income tax charge associated with the tax impacts of certain intercompany legal entity restructurings made in connection with our integration of Measurement Specialties. Also, income tax expense for fiscal 2015 included an income tax charge of $29 million associated with the tax impacts of certain intercompany dividends related to the restructuring and sale of our BNS business.

See "IRS Audits" below for additional information regarding settlements with the IRS.

Deferred Tax Assets and Liabilities

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	
	2017	2016
	(in millions)	
Deferred tax assets:		
Accrued liabilities and reserves	$ 356	$ 286
Tax loss and credit carryforwards	5,265	4,656
Inventories	48	46
Pension and postretirement benefits	231	349
Deferred revenue	8	11
Interest	366	470
Unrecognized income tax benefits	10	10
Other	22	32
	6,306	5,860
Deferred tax liabilities:		
Intangible assets	(653)	(761)
Property, plant, and equipment	(22)	(15)
Other	(99)	(84)
	(774)	(860)
Net deferred tax asset before valuation allowance	5,532	5,000
Valuation allowance	(3,627)	(3,096)
Net deferred tax asset	$ 1,905	$ 1,904

15. Income Taxes (Continued)

Our tax loss and credit carryforwards (tax effected) at fiscal year end 2017 were as follows:

	Expiration Period			
	Through Fiscal 2022	Fiscal 2023 Through Fiscal 2037	No Expiration	Total
	(in millions)			
U.S. Federal:				
Net operating loss carryforwards	$143	$1,171	$ —	$1,314
Tax credit carryforwards	24	119	57	200
Capital loss carryforwards	10	—	—	10
U.S. State:				
Net operating loss carryforwards.	52	49	—	101
Tax credit carryforwards	9	15	7	31
Non-U.S.:				
Net operating loss carryforwards	11	998	2,568	3,577
Tax credit carryforwards	—	1	2	3
Capital loss carryforwards	—	—	29	29
Total tax loss and credit carryforwards	$249	$2,353	$2,663	$5,265

The valuation allowance for deferred tax assets of $3,627 million and $3,096 million at fiscal year end 2017 and 2016, respectively, related principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. During fiscal 2017, tax loss and credit carryforwards increased due primarily to tax losses of $709 million (tax effected) generated in connection with the net write-down of investments in subsidiaries in certain jurisdictions, offset by the impacts of a statutory rate reduction in the same jurisdictions. The valuation allowance was increased by a corresponding amount due to the uncertainty of future realization of these tax losses. Additionally, the valuation allowance decreased by $165 million in connection with the adoption of ASU No. 2016-09 related to share-based payments. See Note 2 for additional information regarding recently adopted accounting pronouncements. 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 the Consolidated Balance Sheet.

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 fiscal year end 2017, certain subsidiaries had approximately $22 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

15. Income Taxes (Continued)

investments in subsidiaries. As of fiscal year end 2017, we had approximately $6.3 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 approximately $1.2 billion of tax expense would be recognized on the 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.

Uncertain Tax Positions

As of fiscal year end 2017, we had total unrecognized income tax benefits of $501 million. If recognized in future years, $431 million of these currently unrecognized income tax benefits would impact income tax expense (benefit) and the effective tax rate. As of fiscal year end 2016, we had total unrecognized income tax benefits of $490 million. If recognized in future years, $370 million of these currently unrecognized income tax benefits would impact income tax expense (benefit) and the effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

	Fiscal		
	2017	2016	2015
		(in millions)	
Balance at beginning of fiscal year	$490	$1,368	$1,595
Additions related to prior years tax positions	40	75	24
Reductions related to prior years tax positions	(9)	(817)	(291)
Additions related to current year tax positions	70	124	97
Acquisitions	—	4	—
Settlements	(4)	(205)	(29)
Reductions due to lapse of applicable statute of limitations	(86)	(59)	(28)
Balance at end of fiscal year	$501	$ 490	$1,368

We record accrued interest and penalties related to uncertain tax positions as part of income tax expense (benefit). As of fiscal year end 2017 and 2016, we had $60 million and $54 million, respectively, of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheets, recorded primarily in income taxes. During fiscal 2017, 2016, and 2015, we recognized income tax benefits of $5 million, benefits of $765 million, and expense of $7 million, respectively, related to interest and penalties on the Consolidated Statements of Operations.

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.

15. Income Taxes (Continued)

As of fiscal year end 2017, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

Jurisdiction	Open Years
China	2007 through 2017
Czech Republic	2014 through 2017
Germany	2013 through 2017
Hong Kong	2011 through 2017
Ireland	2012 through 2017
Italy	2013 through 2017
Japan	2011 through 2017
Korea	2012 through 2017
Luxembourg	2012 through 2017
Netherlands	2012 through 2017
Singapore	2012 through 2017
Spain	2013 through 2017
Switzerland	2012 through 2017
United Kingdom	2015 through 2017
U.S.—federal	2014 through 2017

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 approximately $40 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 fiscal year end 2017.

IRS Audits

1997-2000 Audit Years

As previously disclosed, in fiscal 2013, the IRS effectively settled its audit of all tax matters for the years 1997 through 2000, excluding one issue involving the tax treatment of certain intercompany debt transactions. In fiscal 2016, the U.S. Tax Court resolved all aspects of the disputed debt matter for the 1997 to 2000 audit cycle and the Appeals Division of the IRS effectively settled the intercompany debt issues on appeal for subsequent audit cycles (years 2001 to 2007). In connection with these developments, in fiscal 2016, we recognized an income tax benefit of $1,135 million, representing a reduction in tax reserves, and other expense of $604 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 for further information regarding the Tax Sharing Agreement.

During fiscal 2016, in connection with the disputed debt matter, we made a payment to the IRS of $443 million for tax deficiencies for which we were the primary obligor. Concurrent with remitting this

15. Income Taxes (Continued)

payment, we received net reimbursements of $303 million from Tyco International and Covidien pursuant to their indemnifications for pre-separation tax matters.

2001-2007 Audit Years

In fiscal 2015, the IRS effectively settled its audit of tax matters for the years 2001 through 2007, excluding the disputed debt matter which was subsequently resolved during fiscal 2016 as discussed above. Consequently, in fiscal 2015, we recognized an income tax benefit of $201 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of $84 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

2008-2010 Audit Years

In fiscal 2015, the IRS effectively settled its audit of tax matters for the years 2008 through 2010, excluding the disputed debt matter which was subsequently resolved consistent with the terms of the disputed debt settlement discussed above. Consequently, in fiscal 2015, we recognized an income tax benefit of $63 million, representing a reduction in tax reserves for the matters that were effectively settled.

16. Other Expense, Net

In fiscal 2017, 2016, and 2015, we recorded net other expense of $9 million, $632 million, and $55 million, respectively, primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The net other expense in fiscal 2016 included $604 million related to the effective settlement of tax matters for the years 1997 through 2000 which resolved all aspects of the disputed debt matter with the IRS through the year 2007 and $46 million related to a tax settlement in another tax jurisdiction. The net other expense in fiscal 2015 included $84 million related to the effective settlement of undisputed tax matters for the years 2001 through 2007. See Notes 12 and 15 for further information regarding the Tax Sharing Agreement and settlements, respectively.

17. Earnings Per Share

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

	Fiscal		
	2017	2016	2015
	(in millions)		
Basic	355	366	405
Dilutive impact of share-based compensation arrangements	3	3	6
Diluted	358	369	411

There were one million, three million, and one million share options that were not included in the computation of diluted earnings per share for fiscal 2017, 2016, and 2015, respectively, because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive.

18. Shareholders' 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 the Consolidated Financial Statements.

Subject to certain conditions specified in our articles of association, we are authorized to increase our conditional share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. In March 2016, our shareholders approved for a period of two years ending on March 2, 2018, our board of directors' authorization to issue additional new shares, subject to certain conditions specified in the articles of association, in aggregate not exceeding 50% of the amount of our authorized shares.

Common Shares Held in Treasury

At fiscal year end 2017, approximately 5 million common shares were held in treasury and owned by one of our subsidiaries. At fiscal year end 2016, approximately 28 million common shares were held in treasury, of which 2 million were owned by one of our subsidiaries. Shares held both directly by us and by our subsidiary are presented as treasury shares on the Consolidated Balance Sheets.

In fiscal 2017, 2016, and 2015, our shareholders approved the cancellation of 26 million, 31 million, and 5 million shares, respectively, purchased under our share repurchase program. These capital reductions by cancellation of shares were subject to a notice period and filing with the commercial register in Switzerland.

Contributed Surplus

During fiscal 2017, cumulative equity transactions, including dividend activity and treasury share cancellations, reduced our contributed surplus balance to zero with residual activity recorded against accumulated earnings as reflected on the Consolidated Statement of Shareholders' Equity. To the extent that the contributed surplus balance continues to be zero, the impact of future transactions that normally would have been recorded as a reduction of contributed surplus will be recorded in accumulated earnings. Contributed surplus established for Swiss tax and statutory purposes ("Swiss Contributed Surplus"), is not impacted by our GAAP treatment.

Swiss Contributed Surplus, subject to certain conditions, is a freely distributable reserve. As of fiscal year end 2017 and 2016, Swiss Contributed Surplus was CHF 7,300 million and CHF 7,878 million, respectively (equivalent to $6,420 million and $6,992 million, respectively).

Dividends

Under Swiss law, subject to certain conditions, dividends paid from reserves from capital contributions (equivalent to Swiss Contributed Surplus) are exempt from Swiss withholding tax. Dividends on our shares must be approved by our shareholders.

18. Shareholders' Equity (Continued)

Our shareholders approved the following dividends on our common shares:

Approval Date	Annual Payment Per Share	Payment Dates
March 2014	CHF 1.04 (equivalent to $1.16), payable in four quarterly installments of $0.29	Third quarter of fiscal 2014 Fourth quarter of fiscal 2014 First quarter of fiscal 2015 Second quarter of fiscal 2015
March 2015	$1.32 (equivalent to CHF 1.27), payable in four quarterly installments of $0.33	Third quarter of fiscal 2015 Fourth quarter of fiscal 2015 First quarter of fiscal 2016 Second quarter of fiscal 2016
March 2016	$1.48 (equivalent to CHF 1.48), payable in four quarterly installments of $0.37	Third quarter of fiscal 2016 Fourth quarter of fiscal 2016 First quarter of fiscal 2017 Second quarter of fiscal 2017
March 2017	$1.60 (equivalent to CHF 1.62), payable in four quarterly installments of $0.40	Third quarter of fiscal 2017 Fourth quarter of fiscal 2017 First quarter of fiscal 2018 Second quarter of fiscal 2018

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to shareholders' equity. At fiscal year end 2017 and 2016, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled $281 million and $263 million, respectively.

Share Repurchase Program

During fiscal 2016 and 2015, our board of directors authorized increases of $1.0 billion and $3.0 billion, respectively, in the share repurchase program. Common shares repurchased under the share repurchase program were as follows:

	Fiscal		
	2017	2016	2015
	(in millions)		
Number of common shares repurchased	8	43	18
Repurchase value	$621	$2,610	$1,163

At fiscal year end 2017, we had $480 million of availability remaining under our share repurchase authorization.

19. 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 fiscal year end 2014	$ 720	$(692)	$(45)	$ (17)
Other comprehensive loss before reclassifications	(536)	(147)	(44)	(727)
Amounts reclassified from accumulated other comprehensive income (loss)	224(2)	75	45	344
Income tax benefit	—	26	1	27
Net other comprehensive income (loss), net of tax	(312)	(46)	2	(356)
Balance at fiscal year end 2015	408	(738)	(43)	(373)
Other comprehensive loss before reclassifications	(69)	(190)	(14)	(273)
Amounts reclassified from accumulated other comprehensive income (loss)	(23)	70	32	79
Income tax (expense) benefit	—	32	(7)	25
Net other comprehensive income (loss), net of tax	(92)	(88)	11	(169)
Balance at fiscal year end 2016	316	(826)	(32)	(542)
Other comprehensive income before reclassifications	38	378	32	448
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	74	(14)	59
Income tax expense	—	(122)	(3)	(125)
Net other comprehensive income, net of tax	37	330	15	382
Balance at fiscal year end 2017	$ 353	$(496)	$(17)	$(160)

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

(2) Represents net currency translation reclassified as a result of the sale of our BNS business. This net loss is included in income from discontinued operations on the Consolidated Statement of Operations. See Note 4 for additional information regarding the divestiture of BNS.

20. Share Plans

Our equity compensation plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of March 8, 2017 (the "2017 Plan"), is the primary plan, provide for the award of annual performance bonuses and long-term performance awards, including share options; restricted, performance, and deferred share 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. In March 2017, our shareholders approved an increase of 10 million shares in the number of shares available for awards under the 2017 Plan. As of fiscal year end 2017, our plans provided for a maximum of 77 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 fiscal year end 2017.

Share-Based Compensation Expense

Share-based compensation expense, which was included in selling, general, and administrative expenses on the Consolidated Statements of Operations, was as follows:

	Fiscal		
	2017	2016	2015
	(in millions)		
Share-based compensation expense	$99	$91	$89

We recognized a related tax benefit associated with our share-based compensation arrangements of $32 million, $29 million, and $29 million in fiscal 2017, 2016, and 2015, 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 share 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.

Restricted share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at fiscal year end 2016	2,287,004	$58.47
Granted	821,016	67.72
Vested	(937,917)	52.89
Forfeited	(179,319)	63.12
Nonvested at fiscal year end 2017	1,990,784	$64.40

20. Share Plans (Continued)

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2017, 2016, and 2015 was $67.72, $64.88, and $62.45, respectively.

The total fair value of restricted share awards that vested during fiscal 2017, 2016, and 2015 was $50 million, $51 million, and $58 million, respectively.

As of fiscal year end 2017, there was $74 million of unrecognized compensation cost related to nonvested restricted share awards. The cost is expected to be recognized over a weighted-average period of 1.7 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. 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.

Performance share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at fiscal year end 2016	626,625	$60.56
Granted	376,380	62.88
Vested	(281,417)	51.61
Forfeited	(18,181)	65.12
Outstanding at fiscal year end 2017	703,407	$65.13

The weighted-average grant-date fair value of performance share awards granted during fiscal 2017, 2016, and 2015 was $62.88, $55.15, and $61.65, respectively.

The total fair value of performance share awards that vested during both fiscal 2017 and 2016 was $15 million. The total fair value of performance share awards that vested in fiscal 2015 was insignificant.

As of fiscal year end 2017, there was $28 million of unrecognized compensation cost related to nonvested performance share awards. The cost is expected to be recognized over a weighted-average period of 1.2 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,

20. Share Plans (Continued)

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.

Share option award activity was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	(in millions)
Outstanding at fiscal year end 2016	9,104,380	$45.79		
Granted	2,076,300	66.76		
Exercised	(3,313,145)	34.96		
Expired	(2,307)	45.08		
Forfeited	(180,135)	63.24		
Outstanding at fiscal year end 2017	7,685,093	$55.70	7.0	$210
Vested and expected to vest at fiscal year end 2017	7,228,213	$55.14	7.0	$202
Exercisable at fiscal year end 2017	3,482,445	$44.91	5.4	$133

The weighted-average exercise price of share option awards granted during fiscal 2017, 2016, and 2015 was $66.76, $65.70, and $61.70, respectively.

The total intrinsic value of options exercised during fiscal 2017, 2016, and 2015 was $130 million, $67 million, and $107 million, respectively. We received cash related to the exercise of options of $117 million, $90 million, and $103 million in fiscal 2017, 2016, and 2015, respectively.

As of fiscal year end 2017, there was $37 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 1.9 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. We 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 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.

20. 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		
	2017	2016	2015
Weighted-average grant-date fair value	$12.80	$14.26	$18.77
Assumptions:			
Expected share price volatility	24%	26%	36%
Risk free interest rate	1.9%	2.0%	2.0%
Expected annual dividend per share	$ 1.48	$ 1.32	$ 1.16
Expected life of options (in years)	5.6	5.7	6.0

21. Segment and Geographic Data

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications 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.

Net sales and operating income by segment were as follows:

	Net Sales			Operating Income		
	Fiscal			Fiscal		
	2017	2016	2015	2017	2016	2015
			(in millions)			
Transportation Solutions	$ 7,039	$ 6,503	$ 6,351	$1,299	$1,191	$1,193
Industrial Solutions	3,507	3,215	3,179	364	343	352
Communications Solutions	2,567	2,520	2,703	384	368[(1)]	204
Total	$13,113	$12,238	$12,233	$2,047	$1,902	$1,749

(1) Includes pre-tax gain of $144 million on the sale of our CPD business during fiscal 2016.

No single customer accounted for a significant amount of our net sales in fiscal 2017, 2016, or 2015.

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

21. Segment and Geographic Data (Continued)

Depreciation and amortization and capital expenditures were as follows:

	Depreciation and Amortization			Capital Expenditures		
	Fiscal			Fiscal		
	2017	2016	2015	2017	2016	2015
	(in millions)					
Transportation Solutions	$359	$337	$347	$471	$429	$400
Industrial Solutions	165	131	123	122	107	104
Communications Solutions	111	117	146	109	92	96
Total	$635	$585	$616	$702	$628	$600

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

	Segment Assets		
	Fiscal Year End		
	2017	2016	2015
	(in millions)		
Transportation Solutions	$ 4,072	$ 3,501	$ 3,310
Industrial Solutions	1,905	1,720	1,720
Communications Solutions	1,526	1,473	1,625
Total segment assets(1)	7,503	6,694	6,655
Other current assets	1,823	1,133	4,150
Other non-current assets	10,077	9,781	9,784
Total assets	$19,403	$17,608	$20,589

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

21. Segment and Geographic Data (Continued)

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		
	2017	2016	2015	2017	2016	2015
	(in millions)					
Americas:						
U.S.	$ 4,063	$ 3,901	$ 3,817	$ 980	$ 922	$ 887
Other Americas	338	298	321	100	93	87
Total Americas	4,401	4,199	4,138	1,080	1,015	974
Europe/Middle East/Africa:						
Switzerland	3,016	2,979	2,992	80	62	55
Germany	235	127	117	412	334	313
Other Europe/Middle East/Africa	1,150	1,010	883	742	630	588
Total Europe/Middle East/Africa	4,401	4,116	3,992	1,234	1,026	956
Asia–Pacific:						
China	2,414	2,165	2,367	555	491	529
Other Asia–Pacific	1,897	1,758	1,736	531	520	461
Total Asia–Pacific	4,311	3,923	4,103	1,086	1,011	990
Total	$13,113	$12,238	$12,233	$3,400	$3,052	$2,920

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

22. Quarterly Financial Data (unaudited)

Summarized quarterly financial data was as follows:

	Fiscal							
	2017				2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter(1)	Third Quarter(2)	Fourth Quarter(3)
	(in millions, except per share data)							
Net sales	$3,063	$3,227	$3,367	$3,456	$2,833	$2,952	$3,121	$3,332
Gross margin	1,065	1,108	1,138	1,139	945	962	1,022	1,104
Acquisition and integration costs	2	2	1	1	5	3	11	3
Restructuring and other charges (credits), net	47	59	19	23	40	(99)	31	30
Income from continuing operations	406	406	432	429	324	389	791	437
Income (loss) from discontinued operations, net of income taxes	3	(1)	3	5	29	(9)	48	—
Net income	$ 409	$ 405	$ 435	$ 434	$ 353	$ 380	$ 839	$ 437
Basic earnings per share:								
Income from continuing operations	$ 1.14	$ 1.14	$ 1.22	$ 1.22	$ 0.84	$ 1.07	$ 2.22	$ 1.23
Net income	1.15	1.14	1.23	1.23	0.92	1.04	2.35	1.23
Diluted earnings per share:								
Income from continuing operations	$ 1.13	$ 1.13	$ 1.21	$ 1.21	$ 0.83	$ 1.06	$ 2.19	$ 1.22
Net income	1.14	1.13	1.22	1.22	0.91	1.03	2.32	1.22

(1) Results for the second quarter of fiscal 2016 included a pre-tax gain of $146 million on the sale of our CPD business.

(2) Results for the third quarter of fiscal 2016 included a $1,135 million income tax benefit associated with the effective settlement of tax matters for the years 1997 through 2000 which resolved all aspects of the disputed debt matter with the IRS through the year 2007 and the related impact of $604 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien. In addition, results for the third quarter of fiscal 2016 included a $91 million income tax charge related to an increase to the valuation allowance for certain U.S. deferred tax assets, and an $83 million net income tax benefit related to tax settlements in certain other tax jurisdictions and the related impact of $46 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

(3) Results for the fourth quarter of fiscal 2016 included an additional week. See Note 1 for additional information regarding our fiscal year end.

23. 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.

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 29, 2017

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$ —	$ —	$13,113	$ —	$13,113
Cost of sales	—	—	8,663	—	8,663
Gross margin	—	—	4,450	—	4,450
Selling, general, and administrative expenses, net[1]	184	1,911	(504)	—	1,591
Research, development, and engineering expenses	—	—	658	—	658
Acquisition and integration costs	—	—	6	—	6
Restructuring and other charges, net	—	—	148	—	148
Operating income (loss)	(184)	(1,911)	4,142	—	2,047
Interest income	—	—	20	—	20
Interest expense	—	(129)	(1)	—	(130)
Other expense, net	—	—	(9)	—	(9)
Equity in net income of subsidiaries	1,889	3,819	—	(5,708)	—
Equity in net income of subsidiaries of discontinued operations	10	23	—	(33)	—
Intercompany interest income (expense), net	(32)	110	(78)	—	—
Income from continuing operations before income taxes	1,683	1,912	4,074	(5,741)	1,928
Income tax expense	—	—	(255)	—	(255)
Income from continuing operations	1,683	1,912	3,819	(5,741)	1,673
Income (loss) from discontinued operations, net of income taxes[2]	—	(13)	23	—	10
Net income	1,683	1,899	3,842	(5,741)	1,683
Other comprehensive income	382	382	375	(757)	382
Comprehensive income	$2,065	$ 2,281	$ 4,217	$(6,498)	$ 2,065

(1) TEGSA selling, general and administrative expenses include losses of $1,965 million related to intercompany transactions. These losses are offset by corresponding gains recorded by other subsidiaries.

(2) Includes the internal allocation of gains and losses associated with the divestiture of our BNS business.

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

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 30, 2016

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$ —	$ —	$12,238	$ —	$12,238
Cost of sales	—	—	8,205	—	8,205
Gross margin	—	—	4,033	—	4,033
Selling, general, and administrative expenses, net(1)	168	95	1,200	—	1,463
Research, development, and engineering expenses	—	—	644	—	644
Acquisition and integration costs	—	—	22	—	22
Restructuring and other charges (credits), net	2	(1)	1	—	2
Operating income (loss)	(170)	(94)	2,166	—	1,902
Interest income	—	—	19	—	19
Interest expense	—	(126)	(1)	—	(127)
Other expense, net	—	—	(632)	—	(632)
Equity in net income of subsidiaries	2,139	2,261	—	(4,400)	—
Equity in net income of subsidiaries of discontinued operations	67	168	—	(235)	—
Intercompany interest income (expense), net	(28)	98	(70)	—	—
Income from continuing operations before income taxes	2,008	2,307	1,482	(4,635)	1,162
Income tax benefit	—	—	779	—	779
Income from continuing operations	2,008	2,307	2,261	(4,635)	1,941
Income (loss) from discontinued operations, net of income taxes(2)	1	(101)	168	—	68
Net income	2,009	2,206	2,429	(4,635)	2,009
Other comprehensive loss	(169)	(169)	(143)	312	(169)
Comprehensive income	$1,840	$2,037	$ 2,286	$(4,323)	$ 1,840

(1) TEGSA selling, general, and administrative expenses include losses of $80 million related to intercompany transactions. These losses are offset by corresponding gains recorded by other subsidiaries.

(2) Includes the internal allocation of gains and losses associated with the divestiture of our BNS business.

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

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 25, 2015

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$ —	$ —	$12,233	$ —	$12,233
Cost of sales	—	—	8,146	—	8,146
Gross margin	—	—	4,087	—	4,087
Selling, general, and administrative expenses, net(1)	163	835	506	—	1,504
Research, development, and engineering expenses	—	—	627	—	627
Acquisition and integration costs	—	—	55	—	55
Restructuring and other charges, net	—	—	152	—	152
Operating income (loss)	(163)	(835)	2,747	—	1,749
Interest income	—	—	17	—	17
Interest expense	—	(135)	(1)	—	(136)
Other expense, net	—	—	(55)	—	(55)
Equity in net income of subsidiaries	1,398	2,318	—	(3,716)	—
Equity in net income of subsidiaries of discontinued operations	1,182	365	—	(1,547)	—
Intercompany interest income (expense), net	3	50	(53)	—	—
Income from continuing operations before income taxes	2,420	1,763	2,655	(5,263)	1,575
Income tax expense	—	—	(337)	—	(337)
Income from continuing operations	2,420	1,763	2,318	(5,263)	1,238
Income from discontinued operations, net of income taxes	—	817	365	—	1,182
Net income	2,420	2,580	2,683	(5,263)	2,420
Other comprehensive loss	(356)	(356)	(368)	724	(356)
Comprehensive income	$2,064	$2,224	$ 2,315	$(4,539)	$ 2,064

(1) TEGSA selling, general, and administrative expenses include losses of $846 million related to intercompany transactions. These losses are offset by corresponding gains recorded by other subsidiaries.

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

Condensed Consolidating Balance Sheet
As of September 29, 2017

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 1,218	$ —	$ 1,218
Accounts receivable, net	—	—	2,290	—	2,290
Inventories	—	—	1,813	—	1,813
Intercompany receivables	49	1,914	60	(2,023)	—
Prepaid expenses and other current assets	4	96	505	—	605
Total current assets	53	2,010	5,886	(2,023)	5,926
Property, plant, and equipment, net	—	—	3,400	—	3,400
Goodwill	—	—	5,651	—	5,651
Intangible assets, net	—	—	1,841	—	1,841
Deferred income taxes	—	—	2,141	—	2,141
Investment in subsidiaries	11,960	20,109	—	(32,069)	—
Intercompany loans receivable	—	4,027	9,700	(13,727)	—
Other assets	—	6	438	—	444
Total Assets	$12,013	$26,152	$29,057	$(47,819)	$19,403
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term debt	$ —	$ 708	$ 2	$ —	$ 710
Accounts payable	2	—	1,434	—	1,436
Accrued and other current liabilities	286	59	1,281	—	1,626
Deferred revenue	—	—	75	—	75
Intercompany payables	1,974	—	49	(2,023)	—
Total current liabilities	2,262	767	2,841	(2,023)	3,847
Long-term debt	—	3,629	5	—	3,634
Intercompany loans payable	—	9,700	4,027	(13,727)	—
Long-term pension and postretirement liabilities	—	—	1,160	—	1,160
Deferred income taxes	—	—	236	—	236
Income taxes	—	—	293	—	293
Other liabilities	—	96	386	—	482
Total Liabilities	2,262	14,192	8,948	(15,750)	9,652
Total Shareholders' Equity	9,751	11,960	20,109	(32,069)	9,751
Total Liabilities and Shareholders' Equity	$12,013	$26,152	$29,057	$(47,819)	$19,403

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

Condensed Consolidating Balance Sheet
As of September 30, 2016

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 647	$ —	$ 647
Accounts receivable, net	—	—	2,046	—	2,046
Inventories	—	—	1,596	—	1,596
Intercompany receivables	37	1,314	48	(1,399)	—
Prepaid expenses and other current assets	3	17	466	—	486
Total current assets	40	1,331	4,803	(1,399)	4,775
Property, plant, and equipment, net	—	—	3,052	—	3,052
Goodwill	—	—	5,492	—	5,492
Intangible assets, net	—	—	1,879	—	1,879
Deferred income taxes	—	—	2,111	—	2,111
Investment in subsidiaries	10,053	19,425	—	(29,478)	—
Intercompany loans receivable	22	3,739	10,313	(14,074)	—
Other assets	—	14	285	—	299
Total Assets	$10,115	$24,509	$27,935	$(44,951)	$17,608
Liabilities and Shareholders' Equity					
Current liabilities:					
Short-term debt	$ —	$ 330	$ 1	$ —	$ 331
Accounts payable	1	—	1,089	—	1,090
Accrued and other current liabilities	266	57	1,114	—	1,437
Deferred revenue	—	—	208	—	208
Intercompany payables	1,363	—	36	(1,399)	—
Total current liabilities	1,630	387	2,448	(1,399)	3,066
Long-term debt	—	3,737	2	—	3,739
Intercompany loans payable	—	10,314	3,760	(14,074)	—
Long-term pension and postretirement liabilities	—	—	1,502	—	1,502
Deferred income taxes	—	—	207	—	207
Income taxes	—	—	247	—	247
Other liabilities	—	18	344	—	362
Total Liabilities	1,630	14,456	8,510	(15,473)	9,123
Total Shareholders' Equity	8,485	10,053	19,425	(29,478)	8,485
Total Liabilities and Shareholders' Equity	$10,115	$24,509	$27,935	$(44,951)	$17,608

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

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 29, 2017

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities[1]	$(180)	$ 102	$ 2,630	$ (230)	$2,322
Net cash used in discontinued operating activities	—	—	(1)	—	(1)
Net cash provided by (used in) operating activities	(180)	102	2,629	(230)	2,321
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(702)	—	(702)
Proceeds from sale of property, plant, and equipment	—	—	19	—	19
Acquisition of businesses, net of cash acquired	—	—	(250)	—	(250)
Proceeds from divestiture of business, net of cash retained by sold business	—	—	4	—	4
Intercompany distribution receipts[1]	—	516	—	(516)	—
Change in intercompany loans	—	(1,369)	—	1,369	—
Other	—	(12)	9	—	(3)
Net cash used in investing activities	—	(865)	(920)	853	(932)
Cash Flows From Financing Activities:					
Changes in parent company equity[2]	97	559	(656)	—	—
Net decrease in commercial paper	—	(330)	—	—	(330)
Proceeds from issuance of debt	—	589	—	—	589
Proceeds from exercise of share options	—	—	117	—	117
Repurchase of common shares	—	—	(614)	—	(614)
Payment of common share dividends to shareholders	(550)	—	4	—	(546)
Intercompany distributions[1]	—	(50)	(696)	746	—
Loan activity with parent	633	—	736	(1,369)	—
Transfers to discontinued operations	—	—	(1)	—	(1)
Other	—	(5)	(25)	—	(30)
Net cash provided by (used in) continuing financing activities	180	763	(1,135)	(623)	(815)
Net cash provided by discontinued financing activities	—	—	1	—	1
Net cash provided by (used in) financing activities	180	763	(1,134)	(623)	(814)
Effect of currency translation on cash	—	—	(4)	—	(4)
Net increase in cash and cash equivalents	—	—	571	—	571
Cash and cash equivalents at beginning of fiscal year	—	—	647	—	647
Cash and cash equivalents at end of fiscal year	$ —	$ —	$ 1,218	$ —	$1,218

(1) During fiscal 2017, other subsidiaries made distributions to TEGSA in the amount of $696 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of $50 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.

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

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2016

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities[1]	$ (37)	$ 211	$ 2,206	$ (336)	$ 2,044
Net cash used in discontinued operating activities	—	—	(97)	—	(97)
Net cash provided by (used in) operating activities	(37)	211	2,109	(336)	1,947
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(628)	—	(628)
Proceeds from sale of property, plant, and equipment	—	—	8	—	8
Acquisition of businesses, net of cash acquired	—	—	(1,336)	—	(1,336)
Proceeds from divestiture of business, net of cash retained by sold business	—	199	134	—	333
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations[2]	—	(120)	101	—	(19)
Intercompany distribution receipts[1]	1,082	1,729	—	(2,811)	—
Change in intercompany loans	—	(1,244)	—	1,244	—
Other	—	—	61	—	61
Net cash provided by (used in) investing activities	1,082	564	(1,660)	(1,567)	(1,581)
Cash Flows From Financing Activities:					
Changes in parent company equity[3]	410	300	(710)	—	—
Net increase in commercial paper	—	330	—	—	330
Proceeds from issuance of debt	—	349	3	—	352
Repayment of debt	—	(500)	(1)	—	(501)
Proceeds from exercise of share options	—	—	90	—	90
Repurchase of common shares	(2,780)	—	(7)	—	(2,787)
Payment of common share dividends to shareholders	(513)	—	4	—	(509)
Intercompany distributions[1]	—	(1,250)	(1,897)	3,147	—
Loan activity with parent	1,838	—	(594)	(1,244)	—
Transfers to discontinued operations	—	—	(97)	—	(97)
Other	—	(4)	(26)	—	(30)
Net cash used in continuing financing activities	(1,045)	(775)	(3,235)	1,903	(3,152)
Net cash provided by discontinued financing activities	—	—	97	—	97
Net cash used in financing activities	(1,045)	(775)	(3,138)	1,903	(3,055)
Effect of currency translation on cash	—	—	7	—	7
Net decrease in cash and cash equivalents	—	—	(2,682)	—	(2,682)
Cash and cash equivalents at beginning of fiscal year	—	—	3,329	—	3,329
Cash and cash equivalents at end of fiscal year	$ —	$ —	$ 647	$ —	$ 647

(1) During fiscal 2016, other subsidiaries made distributions to TEGSA in the amount of $1,897 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of $1,250 million. Cash flows are presented based upon the nature of the distributions.

(2) Includes the internal allocation of proceeds between TEGSA and other subsidiaries associated with the divestiture of our BNS business.

(3) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 25, 2015

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by continuing operating activities[1]	$ 1,186	$ 1,270	$ 1,841	$(2,661)	$ 1,636
Net cash provided by discontinued operating activities	—	—	294	—	294
Net cash provided by operating activities	1,186	1,270	2,135	(2,661)	1,930
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(600)	—	(600)
Proceeds from sale of property, plant, and equipment	—	—	17	—	17
Acquisition of businesses, net of cash acquired	—	—	(1,725)	—	(1,725)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	—	709	2,248	—	2,957
Change in intercompany loans	—	(1,304)	—	1,304	—
Other	—	—	12	—	12
Net cash provided by (used in) continuing investing activities	—	(595)	(48)	1,304	661
Net cash used in discontinued investing activities	—	—	(25)	—	(25)
Net cash provided by (used in) investing activities	—	(595)	(73)	1,304	636
Cash Flows From Financing Activities:					
Changes in parent company equity[2]	80	624	(704)	—	—
Net decrease in commercial paper	—	(328)	—	—	(328)
Proceeds from issuance of debt	—	617	—	—	617
Repayment of debt	—	(250)	(223)	—	(473)
Proceeds from exercise of share options	—	—	103	—	103
Repurchase of common shares	(916)	—	(107)	—	(1,023)
Payment of common share dividends to shareholders	(515)	—	13	—	(502)
Intercompany distributions[1]	—	(1,335)	(1,326)	2,661	—
Loan activity with parent	165	—	1,139	(1,304)	—
Transfers from discontinued operations	—	—	269	—	269
Other	—	(4)	(13)	—	(17)
Net cash used in continuing financing activities	(1,186)	(676)	(849)	1,357	(1,354)
Net cash used in discontinued financing activities	—	—	(269)	—	(269)
Net cash used in financing activities	(1,186)	(676)	(1,118)	1,357	(1,623)
Effect of currency translation on cash	—	—	(71)	—	(71)
Net increase (decrease) in cash and cash equivalents	—	(1)	873	—	872
Cash and cash equivalents at beginning of fiscal year	—	1	2,456	—	2,457
Cash and cash equivalents at end of fiscal year	$ —	$ —	$ 3,329	$ —	$ 3,329

(1) During fiscal 2015, other subsidiaries made distributions to TEGSA in the amount of $1,326 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of $1,335 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.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 29, 2017, September 30, 2016, and September 25, 2015

Description	Balance at Beginning of Fiscal Year	Additions Charged to Costs and Expenses	Acquisitions, Divestitures, and Other	Deductions	Balance at End of Fiscal Year
			(in millions)		
Fiscal 2017:					
Allowance for doubtful accounts receivable	$ 17	$ 8	$—	$ (4)	$ 21
Valuation allowance on deferred tax assets	3,096	1,072	—	(541)	3,627
Fiscal 2016:					
Allowance for doubtful accounts receivable	$ 18	$ —	$ 1	$ (2)	$ 17
Valuation allowance on deferred tax assets	3,237	283	1	(425)	3,096
Fiscal 2015:					
Allowance for doubtful accounts receivable	$ 14	$ 2	$ 3	$ (1)	$ 18
Valuation allowance on deferred tax assets	1,706	1,627	1	(97)	3,237

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 29, 2017, and the consolidated statement of operations, statement of comprehensive income, statement of shareholders' equity, statement of cash flows and notes 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter (KAM):	How the scope of our audit responded to the key audit matters:
Goodwill Reporting Unit Fair Value Estimates The Company reviews the carrying amount of its reporting units annually as of the first day of the fourth quarter or more frequently if impairment indicators are present. The impairment assessment involves a comparison of the estimated fair value of each reporting unit to its carrying amount. This annual impairment test was significant to our audit because the goodwill balance of $5,651 million as of September 29, 2017 is significant to the financial statements representing 29% of the total assets. In addition, we note that management's assessment process is assumption based, complex and subject to highly judgmental estimates. 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. This approach incorporates 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. See Note 2 to these consolidated financial statements for TE Connectivity's description of the accounting policy for Goodwill and Other Intangible Assets.	We obtained an understanding of the process for how management develops forecasts of financial information, evaluated the design of, and performed tests of controls in this area. Our procedures included a review of the valuations prepared by management and related supporting third-party evidence for the fair values of each goodwill reporting unit. We also evaluated management's ability to accurately forecast financial results through retrospective analysis and sensitivity analysis. Additionally, we evaluated the accounting conclusion on the identification and aggregation of reporting units using industry information and historical objectively verifiable evidence. We involved our Deloitte internal fair value specialists, who assisted us in auditing the valuation assumptions within the Company's fair value estimates, including discount rates and long-term growth rates in addition to valuation methodology.
Income Taxes (Recoverability of Deferred Tax Assets) Significant judgment is involved in determining the recoverability of deferred tax amounts and therefore, the corresponding valuation allowance recorded. The assessment is complex, since the Company operates in multiple tax jurisdictions. Furthermore, the Company is required to record both deferred tax assets and liabilities and estimates the recoverability of its deferred tax asset position related to temporary differences and the amount of tax loss carryforwards that can be applied to future taxable income. Key assumptions applied by the Company regarding recoverability of deferred tax assets relate to managements budgets and forecasts including applicable tax rates whether enacted or substantially enacted. Due to the significance of the income tax balances and the judgment involved in determining these, this matter was considered significant to our audit. See Note 2 to these consolidated financial statements for TE Connectivity's description of the accounting policy for Income Taxes.	We obtained an understanding of the process for how management reviews the valuation allowance, including the Company's estimate of projected taxable income and tax planning strategies. We will also evaluated management's estimate as to projected taxable income by comparing such projections to the Company's strategic plan and objectively verifiable information about the prior periods. We also evaluated the key assumptions with assistance of our tax specialists, including any tax planning strategies, used by management in their analysis to conclude that the increase in the valuation allowance recorded during the fiscal year and that the total valuation allowance at year-end is appropriate.

Opinion

In our opinion, the consolidated financial statements for the year ended September 29, 2017 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 Code of Obligations ("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/ Matthias Gschwend
Licensed Audit Expert
Auditor in charge

/s/ Dominik Voegtli
Licensed Audit Expert

Zurich, November 14, 2017

TE CONNECTIVITY LTD.

INDEX TO SWISS STATUTORY FINANCIAL STATEMENTS

TE CONNECTIVITY LTD.

SWISS STATUTORY FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS

Fiscal Years Ended September 29, 2017 and September 30, 2016

	September 29, 2017		September 30, 2016	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
	(in millions)			
Income				
Income from distributions made by subsidiaries (Note 8)	$ 58	CHF 56	$1,250	CHF 1,209
Pre-separation tax settlement income, net (Note 3)	—	—	317	311
Insurance premiums charged to subsidiaries	11	11	10	10
Total income	69	67	1,577	1,530
Expenses				
Salary and social costs	5	5	4	4
General and administrative costs	5	5	4	4
Legal and consulting costs	8	8	7	7
Insurance premiums	13	12	12	12
Expenses for services provided by subsidiaries	48	47	45	44
Remeasurement loss on foreign currency transactions	16	16	15	15
Intercompany interest expense	32	32	28	27
Total expenses	127	125	115	113
Net income (loss)	$ (58)	CHF (58)	$1,462	CHF 1,417

See Notes to Swiss Statutory Financial Statements.

TE CONNECTIVITY LTD.
SWISS STATUTORY FINANCIAL STATEMENTS
BALANCE SHEETS
As of September 29, 2017 and September 30, 2016

	September 29, 2017		September 30, 2016	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
	(in millions, except share data)			
Assets				
Current assets:				
Accounts receivable from subsidiaries (Note 3)	$ 56	CHF 54	$ 41	CHF 40
Prepaid expenses and other current assets	5	4	4	3
Total current assets	61	58	45	43
Investments in subsidiaries (Notes 2 and 8)	9,635	10,430	9,644	10,439
Total Assets	$9,696	CHF 10,488	$ 9,689	CHF 10,482
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$ 1	CHF 1	$ 1	CHF 1
Accounts payable to subsidiaries	65	63	47	46
Loans from subsidiaries (Note 3)	1,917	1,856	1,318	1,279
Accrued and other current liabilities	7	6	9	9
Approved but unpaid distributions to shareholders (Note 4)	286	289	264	264
Total current liabilities	2,276	2,215	1,639	1,599
Unrealized translation gains (Note 2)	—	671	—	645
Total Liabilities	2,276	2,886	1,639	2,244
Commitments, contingencies, and guarantees (Note 3)				
Shareholders' equity (Note 4):				
Share capital, 357,069,981 and 382,835,381 shares authorized and issued, CHF 0.57 par value	157	204	168	218
Statutory reserves:				
General reserve from earnings	38	49	38	49
Free reserves:				
Reserves from capital contributions (Note 4)	6,420	7,300	6,992	7,878
Allocated reserves for the acquisition of treasury shares by a subsidiary (Note 2)	(421)	(409)	(111)	(110)
Unappropriated accumulated earnings	805	49	2,364	1,594
Own shares held in treasury	—	—	(1,512)	(1,501)
Reserves for treasury shares (Note 2)	421	409	111	110
Total Shareholders' Equity	7,420	7,602	8,050	8,238
Total Liabilities and Shareholders' Equity	$9,696	CHF 10,488	$ 9,689	CHF 10,482

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"), incorporated in Schaffhausen, Switzerland, is the ultimate holding company of TE Connectivity Ltd. and its subsidiaries (the "TE Group") with a listing on the New York Stock Exchange. We employed less than 10 full time positions during the fiscal years ended September 29, 2017 and September 30, 2016. For additional information on the TE Group, see our annual report on Form 10-K filed with the United States ("U.S.") Securities and Exchange Commission ("SEC") for the fiscal year ended September 29, 2017.

The accompanying statements of operations reflect the results of operations for the fiscal years ended September 29, 2017 and September 30, 2016, 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.

Fiscal Year

Unless otherwise indicated, references in the financial statements to fiscal 2017 and fiscal 2016 are to our fiscal years ended September 29, 2017 and September 30, 2016. We have a 52- or 53-week fiscal year that ends on the last Friday of September. Fiscal 2017 was a 52-week year and fiscal 2016 was a 53-week year.

2. Summary of Significant Accounting Policies

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 (for investments in subsidiaries, shares held in treasury, approved but unpaid distributions to shareholders payable, and equity accounts) and current foreign exchange rates (for all other assets and liabilities; at fiscal year end 2017 and 2016, exchange rates were CHF 0.9681:$1 and CHF 0.9694:$1, respectively). Revenue and expenses, excluding income from distributions made by a subsidiary, are translated using the average exchange rates in effect for the period presented (exchange rates were CHF 0.9880:$1 and CHF 0.9823:$1 for fiscal 2017 and 2016, respectively). 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 to be realized.

Own Shares Held in Treasury and Allocated Reserves for the Acquisition of Treasury Shares by a Subsidiary

Shares held in treasury that are directly owned by us are recorded at historical cost and presented as reductions to equity on our balance sheets. Our reserves for treasury shares reflects all treasury shares held by a subsidiary and is recorded at historical cost.

As management deems appropriate, we can establish reserves for treasury shares by charging either accumulated earnings or allocated reserves for the acquisition of treasury shares by a subsidiary.

2. Summary of Significant Accounting Policies (Continued)

During fiscal 2017 and 2016, allocated reserves for the acquisition of treasury shares by a subsidiary were charged to establish reserves. As shares acquired by a subsidiary are re-issued for use in share-based compensation arrangements, we credit the same account impacted by initial acquisition.

Investments in Subsidiaries and Income from Distributions Made by a Subsidiary

Investments in subsidiaries are equity interests held on a long-term basis for the purpose of our business activities. Investments in subsidiaries are carried at a value no higher than cost less adjustments for impairment.

Salaries and Social Costs

Salaries and social costs include cash and equity compensation paid to our directors.

3. Commitments, Contingencies, and Guarantees

Affiliated Debt and Loans Receivable

We utilize a cash pooling relationship with a wholly-owned subsidiary (the “Cash Pool”). The Cash Pool does not have an expiration date and accrues interest based on LIBOR. At September 29, 2017, we had a Cash Pool asset and Cash Pool liability of CHF 3 million (equivalent to $3 million) and CHF 1,547 million (equivalent to $1,598 million), respectively, that were included in accounts receivable from subsidiaries and loans from subsidiaries, respectively, on our balance sheet. At September 30, 2016, we had a Cash Pool asset and Cash Pool liability of CHF 3 million (equivalent to $3 million) and CHF 1,001 million (equivalent to $1,033 million), respectively, that were included in accounts receivable from subsidiaries and loans from subsidiaries, respectively, on our balance sheet.

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 29, 2017 and September 30, 2016, the borrowing totaled CHF 309 million (equivalent to $319 million) and CHF 278 million (equivalent to $287 million), respectively, and was reflected as loans from subsidiaries on our balance sheets. At September 29, 2017 and September 30, 2016, the related loan receivable, which approximates the borrowing, was included in the net Cash Pool liability reflected in loans from subsidiaries on our balance sheets.

We have fully and unconditionally guaranteed the debt of a subsidiary, Tyco Electronics Group S.A., totaling CHF 4,173 million (equivalent to $4,356 million) and CHF 3,961 million (equivalent to $4,086 million) at September 29, 2017 and September 30, 2016, respectively. As of September 29, 2017, 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 plc (“Tyco International,” which now operates as part of Johnson Controls International plc) and Covidien plc (“Covidien,” which now operates as part of Medtronic plc), 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%,

3. Commitments, Contingencies, and Guarantees (Continued)

and 42%, respectively, of income tax liabilities that arose from adjustments made by tax authorities to our, Tyco International's, and Covidien's income tax returns.

During fiscal 2016, we recorded net income of CHF 311 million (equivalent to $317 million) related to the TSA and tax settlements involving Tyco International, Covidien, and us. These amounts are presented in pre-separation tax settlement income, net in our statement of operations.

Performance Guarantees

From time to time, we provide performance guarantees and surety bonds in favor of our subsidiaries. At both September 29, 2017 and September 30, 2016, these performance guarantees totaled CHF 81 million (equivalent to $84 million). 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 responsibilities 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 VAT Group.

4. Equity

Changes in Equity Accounts

The following table presents activity related to our equity accounts during fiscal 2017 and 2016 in Swiss francs.

	Share Capital	General Reserve from Earnings	Reserves from Capital Contributions	Allocated Reserves for the Acquisition of Treasury Shares by a Subsidiary	Unappropriated Accumulated Earnings	Own Shares Held in Treasury	Reserves for Treasury Shares held by a Subsidiary	Total Shareholders' Equity
					(in CHF millions)			
September 25, 2015	CHF 236	CHF 49	CHF 8,392	CHF (166)	CHF 1,968	CHF (875)	CHF 314	CHF 9,918
Approved dividends	—	—	(514)	—	—	—	—	(514)
Retirement of treasury shares	(18)	—	—	—	(1,939)	1,957	—	—
Acquisition of treasury shares	—	—	—	—	—	(2,583)	—	(2,583)
Transfer of reserves for treasury shares and other	—	—	—	56	148	—	(204)	—
Net income	—	—	—	—	1,417	—	—	1,417
September 30, 2016	218	49	7,878	(110)	1,594	(1,501)	110	8,238
Approved dividends	—	—	(578)	—	—	—	—	(578)
Retirement of treasury shares	(14)	—	—	—	(1,487)	1,501	—	—
Transfer of reserves for treasury shares and other	—	—	—	(299)	—	—	299	—
Net loss	—	—	—	—	(58)	—	—	(58)
September 29, 2017	CHF 204	CHF 49	CHF 7,300	CHF (409)	CHF 49	CHF —	CHF 409	CHF 7,602

4. Equity (Continued)

The following table presents activity related to our equity accounts during fiscal 2017 and 2016 in U.S. dollars.

	Share Capital	General Reserve from Earnings	Reserves from Capital Contributions	Allocated Reserves for the Acquisition of Treasury Shares by a Subsidiary	Unappropriated Accumulated Earnings	Own Shares Held in Treasury	Reserves for Treasury Shares held by a Subsidiary	Total Shareholders' Equity
					(in USD millions)			
September 25, 2015	$182	$38	$7,505	$(175)	$ 2,728	$ (915)	$ 341	$ 9,704
Approved dividends	—	—	(513)	—	—	—	—	(513)
Retirement of treasury shares	(14)	—	—	—	(1,992)	2,006	—	—
Acquisition of treasury shares	—	—	—	—	—	(2,603)	—	(2,603)
Transfer of reserves for treasury shares and other	—	—	—	64	166	—	(230)	—
Net income	—	—	—	—	1,462	—	—	1,462
September 30, 2016	168	38	6,992	(111)	2,364	(1,512)	111	8,050
Approved dividends	—	—	(572)	—	—	—	—	(572)
Retirement of treasury shares	(11)	—	—	—	(1,501)	1,512	—	—
Transfer of reserves for treasury shares and other	—	—	—	(310)	—	—	310	—
Net loss	—	—	—	—	(58)	—	—	(58)
September 29, 2017	$157	$38	$6,420	$(421)	$ 805	$ —	$ 421	$ 7,420

Authorized Share Capital

In March 2016, our shareholders approved and extended through March 2, 2018 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 29, 2017, no additional shares had been issued under this authorization.

Conditional Share Capital

Subject to certain conditions specified in our articles of association, we are authorized to increase our conditional share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. As of September 29, 2017, no conditional shares had been issued.

4. Equity (Continued)

Own Shares Held in Treasury and Treasury Shares Held by a Subsidiary

During the fiscal years ended September 29, 2017 and September 30, 2016, activity related to common shares held in treasury by us and by a subsidiary was as follows:

	Common Shares Held By Us			Common Shares Held By a Subsidiary		
	Number of Shares	Total Cost	Total Cost	Number of Shares	Total Cost	Total Cost
			(in millions)			
Common shares held as of September 25, 2015	14	CHF 875	$ 915	6	CHF 314	$ 341
Repurchases under share repurchase program	43	2,583	2,603	—	6	7
Other additions[1]	—	—	—	—	25	25
Reissuances	—	—	—	(4)	(235)	(262)
Shareholder-approved cancellations	(31)	(1,957)	(2,006)	—	—	—
Common shares held as of September 30, 2016	26	1,501	1,512	2	110	111
Repurchases under share repurchase program	—	—	—	8	610	621
Other additions[1]	—	—	—	—	22	21
Reissuances	—	—	—	(5)	(333)	(332)
Shareholder-approved cancellations	(26)	(1,501)	(1,512)	—	—	—
Common shares held as of September 29, 2017	—	CHF —	$ —	5	CHF 409	$ 421

(1) Other additions include shares withheld to cover employee taxes under share-based compensation arrangements. These additions are not part of the share repurchase program.

In fiscal 2017 and 2016, our shareholders approved the cancellation of 26 million shares and 31 million shares, respectively, purchased under our share repurchase program. These capital reductions by cancellation of shares were subject to a notice period and filing with the commercial register in Switzerland.

During fiscal 2016, our board of directors authorized an increase of $1 billion in the share repurchase program. At September 29, 2017, we had CHF 466 million (equivalent to $480 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 29, 2017 and September 30, 2016, reserves from capital contributions were

4. Equity (Continued)

CHF 7,300 million (equivalent to $6,420 million) and CHF 7,878 million (equivalent to $6,992 million), respectively.

General Reserve from Earnings

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. Our current appropriation of CHF 49 million (equivalent to $38 million) satisfies the requirements of the Swiss Code of Obligations with respect to the general reserve.

Dividends

Under current Swiss tax law, subject to certain conditions, dividends paid from reserves from capital contributions are exempt from Swiss withholding tax.

During the quarters ended December 25, 2015 and March 25, 2016, we paid the third and fourth installments of the dividend approved in March 2015 at a rate of $0.33 per installment.

In March 2016, our shareholders approved a dividend payment to shareholders of $1.48 (equivalent to CHF 1.48, based on the exchange rate on the date of approval) per share out of reserves from capital contributions, payable in four quarterly installments beginning in the third quarter of fiscal 2016 and ending in the second quarter of fiscal 2017. We paid the installments of the dividend at a rate of $0.37 per share during each of the quarters ended June 24, 2016, September 30, 2016, December 30, 2016 and March 31, 2017.

In March 2017, our shareholders approved a dividend payment to shareholders of $1.60 (equivalent to CHF 1.62, based on the exchange rate on the date of approval) per share out of reserves from capital contributions, payable in four quarterly installments beginning in the third quarter of fiscal 2017 and ending in the second quarter of fiscal 2018. We paid the first and second installments of the dividend at a rate of $0.40 per share during each of the quarters ended June 30, 2017 and September 29, 2017. We have reflected a liability related to the unpaid distributions in approved but unpaid distributions to shareholders on our balance sheets.

5. Non-Employee Director and Executive Compensation

For information regarding non-employee director and executive compensation, see our Swiss Statutory Compensation Report.

6. Security Ownership of Board of Directors and Executive Officers

Board of Directors

The following table sets forth the shares, options and share units held as of September 29, 2017 and September 30, 2016 by each member of our board of directors serving on our board at September 29, 2017. The share ownership of Mr. Curtin, our Chief Executive Officer and a member of

6. Security Ownership of Board of Directors and Executive Officers (Continued)

the board of directors, and Mr. Lynch, our Executive Chairman, is set forth in *Executive Management* below.

	Year	Shares Held	DSUs Held[(1)]
Board of Directors:			
Pierre R. Brondeau	2017	24,073	12,876
	2016	21,878	12,618
Carol A. ("John") Davidson	2017	7,052	—
	2016	4,857	—
William A. Jeffrey	2017	13,181	—
	2016	10,986	—
Yong Nam	2017	13,181	—
	2016	10,986	—
Daniel J. Phelan	2017	22,226	12,876
	2016	20,031	12,618
Paula A. Sneed	2017	23,426	15,805
	2016	21,231	15,489
Abhijit Y. Talwalkar[(2)]	2017	1,438	—
Mark C. Trudeau	2017	3,452	—
	2016	1,257	—
John C. Van Scoter[(3)]	2017	27,322	6,896
	2016	25,127	6,758
Laura H. Wright	2017	7,404	—
	2016	5,209	—

(1) Directors hold deferred share units ("DSUs"). The DSUs are vested upon issuance and receive dividend equivalent units. Pursuant to U.S. tax law, the Company expects to settle the DSUs for common shares on a one-for-one basis in December 2017.

(2) Mr. Talwalkar was first elected to our board of directors on March 8, 2017.

(3) Includes 22,627 shares as of September 29, 2017 and September 30, 2016 held by a limited liability company owned by Mr. Van Scoter and his spouse. Also includes 400 shares held by Mr. Van Scoter's spouse as of September 29, 2017 and September 30, 2016.

6. Security Ownership of Board of Directors and Executive Officers (Continued)

Executive Management

The following table sets forth the shares, options and share units held as of September 29, 2017 and September 30, 2016 by each member of our executive management serving in such position as of September 29, 2017.

	Year	Shares Held	Options Held	Options Exercise Price(1)	Fiscal Years of Expiration	RSUs Held(2)	PSUs Held(3)
Executive Management:							
Terrence R. Curtin(4)	2017	40,475	814,350	$34.05 - $72.13	2022 - 2027	7,966	93,783
	2016	40,181	693,700	$33.73 - $72.13	2021 - 2026	16,643	54,439
Thomas J. Lynch(5)	2017	298,851	1,305,150	$34.05 - $66.74	2023 - 2027	23,625	139,262
	2016	384,179	2,852,765	$24.60 - $65.95	2020 - 2026	49,993	152,312
Joseph B. Donahue	2017	42,331	258,525	$51.61 - $66.74	2024 - 2027	6,669	48,656
	2016	38,825	251,688	$34.05 - $65.95	2023 - 2026	29,239	44,228
John S. Jenkins, Jr.	2017	8,823	185,150	$51.61 - $66.74	2024 - 2027	6,788	30,046
	2016	816	140,850	$34.05 - $65.95	2023 - 2026	10,344	25,649
Steven T. Merkt	2017	1,915	220,250	$51.61 - $66.74	2024 - 2027	34,697	41,754
	2016	13,051	246,026	$34.05 - $65.95	2021 - 2026	39,827	34,621
Heath A. Mitts	2017	10,736	79,100	$ 66.74	2027	58,662	15,337
	2016	—	—	—	—	76,650	—
Timothy J. Murphy	2017	4,084	94,600	$33.88 - $66.74	2022 - 2027	1,631	12,541
	2016	4,507	61,300	$33.88 - $65.95	2022 - 2026	3,541	5,961
James O'Toole	2017	—	167,050	$51.61 - $66.74	2024 - 2027	19,146	29,132
	2016	—	138,088	$34.05 - $65.95	2023 - 2026	24,112	28,160
Kevin N. Rock(6)	2017	35,668	202,300	$34.05 - $72.13	2022 - 2027	2,227	23,007
	2016	32,002	156,500	$34.05 - $72.13	2022 - 2026	4,346	16,885
Joan E. Wainwright	2017	39,818	110,050	$51.61 - $66.74	2024 - 2027	2,609	18,047
	2016	33,812	119,888	$34.05 - $65.95	2022 - 2026	5,766	16,814

(1) Each option provides the right to purchase one share at the exercise price. Subject to acceleration upon certain events, the share options are exercisable in equal installments on anniversaries of the grant dates.

(2) Executive management holds restricted share units ("RSUs"). 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.

(3) The performance share unit ("PSU") amounts in the table above assume achievement of target level of performance including target dividend equivalent units through September 29, 2017 and September 30, 2016, respectively. 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 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. Annual PSU awards were granted on November 10, 2014, November 9, 2015 and November 14, 2016. Certain members of executive

6. Security Ownership of Board of Directors and Executive Officers (Continued)

management also received PSU awards on February 2, 2015, March 9, 2015 and January 25, 2016. Year One certification results relating to the November 10, 2014 grant occurred on December 14, 2015 and the following shares were reserved: Mr. Curtin—5,414; Mr. Curtin—1,353 (relating to a March 9, 2015 grant); Mr. Lynch—19,181; Mr. Donahue—5,191; Mr. Jenkins—2,934; Mr. Merkt—4,061; Mr. Murphy—167 (relating to a February 2, 2015 grant); Mr. O'Toole—3,383; Mr. Rock—1,353; Mr. Rock—720 (relating to a March 9, 2015 grant); and Ms. Wainwright—2,030. Year Two certification results relating to the November 10, 2014 grant occurred on December 13, 2016 and the following shares were reserved: Mr. Curtin—6,825; Mr. Curtin—1,706 (relating to a March 9, 2015 grant); Mr. Lynch—24,182; Mr. Donahue—6,545; Mr. Jenkins—3,698; Mr. Merkt—5,119; Mr. Murphy—211 (relating to a February 2, 2015 grant); Mr. O'Toole—4,265; Mr. Rock—1,706; Mr. Rock—907 (relating to a March 9, 2015 grant); and Ms. Wainwright—2,560.

(4) Mr. Curtin is a member of the board of directors and chief executive officer.

(5) Mr. Lynch serves as executive chairman.

(6) Includes 18,676 shares held in a family trust over which Mr. Rock has dispositive power.

For additional information regarding share-based compensation arrangements, see the TE Group's consolidated financial statements and our Swiss Statutory Compensation Report.

7. 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 29, 2017.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Class
Dodge & Cox[(1)] 555 California Street, 40th Floor San Francisco, CA 94104	27,613,637	7.9%
Harris Associates L.P.[(2)] 111 S. Wacker Drive, Suite 4600 Chicago, IL 60606	27,326,054	7.8%
The Vanguard Group[(3)] 100 Vanguard Blvd. Malvern, PA 19355	21,993,700	6.3%
Capital World Investors[(4)] 333 South Hope Street Los Angeles, CA 90071	18,624,571	5.3%

(1) This information is based on a Schedule 13G/A filed with the SEC on March 20, 2017 by Dodge & Cox, which reported sole voting power and sole dispositive power as follows: sole voting power—26,632,113 and sole dispositive power—27,613,637.

7. Significant Shareholders (Continued)

(2) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2017 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—24,619,685 and sole dispositive power—27,326,054. 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.

(3) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2017 by The Vanguard Group, which reported sole voting power, sole dispositive power and shared dispositive power as follows: sole voting power—485,363, sole dispositive power—21,431,800, and shared dispositive power—561,900.

(4) This information is based on a Schedule 13G filed with the SEC on February 13, 2017 by Capital World Investors, which reported sole voting power and sole dispositive power as follows: sole voting power—18,624,571, and sole dispositive power—18,624,571.

8. Subsidiaries

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, were as follows as of September 29, 2017:

Entity Name	Jurisdiction	Direct or Indirect Holding[1]	Nominal Capital (in millions)		Purpose[2]
Tyco Electronics Group S.A.	Luxembourg	Direct	$	1	F
Tyco Electronics Holdings (Bermuda) No. 7 Limited	Bermuda	Direct	$	—	F
TE Connectivity HK Limited.	Hong Kong	Indirect	$	380	S
TE Connectivity Holding International II S.a r.l.	Luxembourg	Indirect	$	—	F
TE Connectivity Solutions GmbH	Switzerland	Indirect	CHF	—	S
Tyco Electronics (Shanghai) Co., Ltd.	China	Indirect	CNY	6	M
TE Connectivity Germany GmbH	Germany	Indirect	EUR	78	M
Tyco Electronics AMP Korea Co., Ltd.	South Korea	Indirect	KRW	6,811	M
TE Connectivity Corporation	United States	Indirect	$	625	M
Tyco Electronics Holding S.a r.l.	Luxembourg	Indirect	$	593	F
Tyco Electronics Japan G.K.	Japan	Indirect	JPY	21,776	M
Tyco Electronics Singapore Pte Ltd.	Singapore	Indirect	$	183	S
Tyco Electronics Subsea Communications LLC	United States	Indirect	$	—	M

(1) All subsidiaries labelled as "direct" are wholly-owned by us. All subsidiaries labelled as "indirect" are wholly-owned indirectly by us.

(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.

8. Subsidiaries (Continued)

During fiscal 2017 and 2016, subsidiaries distributed CHF 56 million (equivalent to $58 million) and CHF 1,209 million (equivalent to $1,250 million), respectively, to us. The distributions are included in income from distributions made by subsidiaries in our statements of operations. Also during fiscal 2017, a subsidiary made a return of capital distribution to us in the amount of CHF 9 million (equivalent to $9 million), reducing our investment in that subsidiary.

9. Subsequent Events

We have evaluated subsequent events through November 14, 2017, the date the Swiss Statutory Financial Statements were issued, and determined that no significant subsequent events have occurred through this date requiring adjustment to the Swiss Statutory Financial Statements or disclosures.

Proposed Appropriation of Accumulated Earnings

Our board of directors will propose, in conjunction with our annual general meeting, that we carry forward unappropriated accumulated earnings of CHF 49 million as included in our balance sheet as of September 29, 2017.

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 29, 2017, and the statement of operations and notes 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 29, 2017 comply with Swiss law and the Company's articles of association.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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 Code of Obligations ("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/ Matthias Gschwend
Licensed Audit Expert
Auditor in charge

/s/ Dominik Voegtli
Licensed Audit Expert

Zurich, November 14, 2017

TE Connectivity Ltd.

Swiss Statutory Compensation Report

September 29, 2017

TE Connectivity Ltd.

Index to Swiss Statutory Compensation Report

A. General

Under the Swiss ordinance against excessive pay in stock exchange listed companies (the "Minder Ordinance") we are required to prepare a separate Swiss Statutory Compensation Report each year that contains specific items in a presentation format determined by these regulations. This report must be included in the materials made available to our shareholders each year.

Our executive management (as defined under Swiss law, hereafter referred to as "Executive Management") for fiscal 2017 consisted of Terrence Curtin, Chief Executive Officer; Thomas Lynch, Executive Chairman; Joseph Donahue, Executive Vice President and Chief Operating Officer; John Jenkins, Jr., Executive Vice President and General Counsel; Heath Mitts, Executive Vice President and Chief Financial Officer ("CFO"); Steven Merkt, President, Transportation Solutions; Timothy Murphy, Senior Vice President and Chief Human Resource Officer; James O'Toole, President, Communications Solutions; Kevin Rock, President, Industrial Solutions; and Joan Wainwright, President, Channel and Customer Experience. Jane Leipold, former Senior Vice President, Global Human Resources, was a former member of Executive Management who continued to receive pay as an employee during fiscal 2017 and is included in this report.

Mario Calastri, Interim Chief Financial Officer for part of fiscal 2016; Robert Shaddock, former Executive Vice President and Chief Technology Officer; and Robert Hau, former Executive Vice President and Chief Financial Officer are included as members of Executive Management for fiscal 2016 but are not included for fiscal 2017.

The following sets forth, for the years ended September 29, 2017 and September 30, 2016, the compensation of the members of the Board of Directors and Executive Management for all the functions that they have performed for TE Connectivity Ltd. (the "Company"). This report contains all elements of compensation paid, granted or promised to the Board of Directors and Executive Management.

For more detailed information about compensation for our Board of Directors and Executive Management, please review our Definitive Proxy Statement for our 2018 Annual Meeting of Shareholders. You may access this report on the Investor Relations section of our website at http://investors.te.com/financial-reports/annual-reports/default.aspx.

B. Compensation of the Board of Directors

Compensation paid for fiscal 2017 to each director who is not our salaried employee or an employee of our subsidiaries was based on the following fee structures:

	Fee Structure	
	Cash	Equity
Annual retainer	$90,000	$185,000
Additional annual fees:		
Lead Independent Director	$40,000	
Audit Committee Chair	$25,000	
Audit Committee Member	$10,000	
Nominating, Governance & Compliance Committee Chair	$15,000	
Management, Development & Compensation Committee Chair	$20,000	
Science Advisory Board Retainer	$10,000	

B. Compensation of the Board of Directors (Continued)

Compensation paid for fiscal 2016 to each director who is not our salaried employee or an employee of our subsidiaries was based on the following fee structures:

	Fee Structure	
	Cash	Equity
Annual retainer	$90,000	$160,000
Additional annual fees:		
Lead Independent Director	$30,000	
Audit Committee Chair	$25,000	
Audit Committee Member	$10,000	
Nominating, Governance & Compliance Committee Chair	$15,000	
Management, Development & Compensation Committee Chair	$20,000	

In addition to the compensation described above, 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. TE Connectivity will also provide Company matching gift contributions on behalf of certain directors under TE Connectivity's matching gift program up to a maximum of $10,000 per year.

Our board members also receive non-compensatory reimbursement 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. Directors who are employees of us or our subsidiaries, including our current 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 received his equity compensation in the form of DSUs.

DSUs awarded to Dr. Gromer vested immediately upon grant, and per the terms of the award were paid in common shares within 30 days following his retirement from the Board of Directors. Dividend equivalents are credited to a non-employee director's DSU account when dividends are paid on our common shares.

The following table discloses the cash and equity awards paid to each of our non-employee directors for fiscal 2017 and 2016.

B. Compensation of the Board of Directors (Continued)

Table 1

Name	Fiscal Year	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2]	Dividend Equivalent Units and Other Compensation ($)[3]	Total ($)[6]
Pierre Brondeau	2017	$145,000	$195,348	$19,594	$359,942
	2016	$135,000	$196,333	$27,393	$358,726
Carol (John) Davidson	2017	$100,000	$195,348	$ 7,996	$303,344
	2016	$ 58,333	$ 99,353	$27,500	$185,186
Juergen Gromer[4]	2017	$ 41,667	$ 97,707	$32,251	$171,625
	2016	$100,000	$165,337	$57,869	$323,206
William Jeffrey	2017	$100,000	$195,348	$ 3,995	$299,343
	2016	$ 90,000	$165,337	$ —	$255,337
Yong Nam	2017	$ 90,000	$195,348	$ —	$285,348
	2016	$ 90,000	$165,337	$64,651	$319,988
Daniel Phelan	2017	$110,000	$195,348	$24,594	$329,942
	2016	$110,000	$165,337	$24,893	$300,230
Paula Sneed	2017	$ 90,000	$195,348	$29,998	$315,346
	2016	$ 90,000	$165,337	$38,204	$293,541
Abhijit Talwalkar[5]	2017	$ 58,333	$106,829	$47,996	$213,158
Mark Trudeau	2017	$100,000	$195,348	$ —	$295,348
	2016	$ 58,333	$ 99,353	$45,000	$202,686
John Van Scoter	2017	$ 90,000	$195,348	$10,482	$295,830
	2016	$ 90,000	$165,337	$ 9,620	$264,957
Laura Wright	2017	$115,000	$195,348	$12,996	$323,344
	2016	$115,000	$165,337	$10,000	$290,337

(1) The amounts shown represent the amount of cash compensation earned in fiscal 2017 and 2016 for Board and committee services. Dr. Brondeau received additional fees for his work as Lead Independent Director for fiscal 2017 and 2016. For fiscal 2017 and 2016, Dr. Brondeau, Mr. Phelan, and Ms. Wright each received additional fees for their role as chairs of the nominating, governance and compliance committee, the management development and compensation committee and the audit committee, respectively. For fiscal 2017 and one month during quarter two and the last two full quarters of fiscal 2016, Mr. Davidson and Mr. Trudeau each received an additional cash retainer for serving on the audit committee. Dr. Gromer received an additional audit committee cash retainer for serving on the committee for quarter one and two months during quarter two of fiscal 2017 and the full year of fiscal 2016. Mr. Talwalkar received an additional cash retainer for serving on the audit committee for one month during quarter two and the last two full quarters of fiscal 2017. For fiscal 2017, Dr. Jeffrey received an additional fee for his role on the Science Advisory board.

(2) On November 14, 2016, Dr. Brondeau, Mr. Davidson, Dr. Jeffrey, Mr. Nam, Mr. Phelan, Ms. Sneed, Mr. Trudeau, Mr. Van Scoter and Ms. Wright each received a grant of 2,927 common shares. In determining the number of common shares issued, we used the average daily closing price for the 20-day period prior to the grant date ($63.20 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal year 2017, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant ($66.74 per share). On March 9, 2017, Mr. Talwalkar received a grant

of 1,438 common shares. In determining the number of common shares to be issued, we used the average daily closing price for the 20-day period prior to the grant date ($75.06 per share), the same methodology used to determine employee equity awards. The grant date fair value of this award as shown above for fiscal 2017, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant ($74.29 per share). On December 13, 2017, pursuant to U.S. tax law, we settled outstanding DSUs for common shares on a one-for-one basis in the following amounts: Dr. Brondeau—12,930; Mr. Phelan—12,930; Ms. Sneed—15,871; Mr. Van Scoter—6,925. This DSU settlement is with respect to shares that had been deferred under a previous DSU program. On November 9, 2015, Dr. Brondeau, Dr. Jeffrey, Mr. Nam, Mr. Phelan, Ms. Sneed, Mr. Van Scoter and Ms. Wright each received a grant of 2,507 common shares. Dr. Brondeau received an additional 470 common shares in equity compensation as a special one-time grant as a result of the Board's assessment of the roles and responsibilities of the Lead Director in fiscal 2016. Dr. Gromer received an award of 2,507 DSUs. 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 ($63.82 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal year 2016, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant ($65.95 per share). On March 2, 2016, Mr. Davidson and Mr. Trudeau received a grant of 1,676 common shares. In determining the number of common shares to be issued, we used the average daily closing price for the 20-day period prior to the grant date ($55.69 per share), the same methodology used to determine employee equity awards. The grant date fair value of these awards, as shown above for fiscal 2016, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant ($59.28 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 Ms. Sneed, Dr. Jeffrey, Ms. Wright, Mr. Davidson and Mr. Talwalkar in fiscal 2017 and Ms. Sneed in fiscal 2016 for expenses incurred when attending continuing education courses. Amounts reported in fiscal 2017 and 2016, for Dr. Gromer of $32,251 and $57,869, respectively, are the dividend equivalent unit amount earned on his DSU awards. In fiscal 2017, Mr. Talwalkar received fees in the amount of $45,000 for consulting services performed prior to being elected to the board. In fiscal 2016, Mr. Nam received payment by the Company of Mr. Nam's Swiss social tax obligations for the period 2012-2015 (and additional amounts paid to cover income tax obligations on the Company's social tax payment) as a result of the Company's failure to notify Mr. Nam of his Swiss social tax obligations and to withhold the Swiss social tax amounts as required. Mr. Nam was responsible for his ongoing Swiss social tax obligations effective January 1, 2016. In fiscal 2016, Mr. Davidson and Mr. Trudeau received fees, in the amount of $22,500 and $45,000, respectively, for consulting services performed prior to being elected to the board.

(4) On November 14, 2016, Dr. Gromer received 1,464 DSUs. Dr. Gromer left the board effective March 8, 2017. The number of DSUs issued to Dr. Gromer was determined in the same manner applied to all grants on November 14, 2016 and reflects a pro-ration of his service during fiscal 2017. Cash compensation for Dr. Gromer was also pro-rated for his service during fiscal 2017.

(5) On March 8, 2017, Mr. Talwalkar was elected to our Board of Directors. Cash compensation for Mr. Talwalkar was pro-rated for service during fiscal year 2017.

B. Compensation of the Board of Directors (Continued)

(6) The Company has not made any loans or extended credit to any current or former member of the Board of Directors.

C. Compensation of Executive Management

The following table presents information concerning Executive Management's fiscal 2017 and 2016 compensation.

Table 2

Name and Principal Position	Year	Salary[3] ($)	Bonus ($)	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] ($)	Total[9] ($)
Terrence Curtin, Chief Executive Officer	2017	$1,024,231	$—	$ 3,431,771	$3,461,614	$2,239,875	$ —	$ 269,205	$10,426,696
Thomas Lynch, Chief Executive Officer	2016	$1,200,000	$—	$ 3,875,222	$4,020,726	$1,722,600	$ —	$ 557,736	$11,376,284
All Other Executive	2017	$5,793,647	$—	$ 8,308,677	$8,121,011	$9,066,307	$ 291	$1,950,577	$33,240,510
Management[1][2]	2016	$6,122,321	$—	$13,125,894	$8,241,510	$4,345,074	$245,958	$1,477,961	$33,558,718

(1) For fiscal 2017, the Executive Management team for Swiss reporting purposes includes Mr. Lynch, Mr. Donahue, Mr. Jenkins, Mr. Merkt, Mr. Mitts, Mr. Murphy, Mr. O'Toole, Mr. Rock, and Ms. Wainwright. Ms. Leipold's pay in 2017 is also reported as she was a former member of executive management. Mr. Lynch served as Chief Executive Officer until March 8, 2017 at which time he transitioned to the role of Executive Chairman. Mr. Curtin assumed the role of Chief Executive Officer on March 8, 2017.

(2) For fiscal 2016, the Executive Management team for Swiss reporting purposes includes Mr. Curtin, Mr. Donahue, Mr. Jenkins, Ms. Leipold, Mr. Merkt, Mr. Murphy, Mr. O'Toole, Mr. Rock, Mr. Shaddock, Ms. Wainwright and Mr. Hau until his last day of work in March 2016. Mr. Calastri was interim CFO from March 2016 until September 2016. Mr. Mitts became CFO on September 12, 2016.

(3) Amounts shown are not reduced to reflect Executive Management's elections, if any, to defer receipt of salary into the Supplemental Savings and Retirement Plan ("SSRP"), a nonqualified supplemental retirement plan for management and executive level employees.

(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 value of PSUs included in the table assumes target performance. All dividend equivalent units earned on unvested RSUs and PSUs are reported in the All Other Compensation column.

(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 program. Amounts shown are not reduced to reflect Executive Management's 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 four executives in fiscal 2017 and 2016 under the frozen pension plan.

(8) See the All Other Compensation table below for a breakdown of amounts which include perquisites, matching contributions associated with the Company's 401(k) plan and nonqualified defined contribution plan, 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 values of the benefits are not shown in the table.

(9) The company has not made any loans or extended credit to any current or former member of Executive Management.

C. Compensation of Executive Management (Continued)

All Other Compensation

Name	Year	Perquisites[(a)] ($)	Insurance Premiums[(b)] ($)	Dollar Value of Dividends not factored into Grant Date Fair Value[(c)] ($)	Company Contributions to DC plans[(d)] ($)	Employee Stock Purchase Plan ("ESPP") Company Match[(e)] ($)	Payment for unused vacation/ personal time[(f)] ($)	Total All Other Compensation ($)
Terrence Curtin	2017	$ —	$ —	$160,380	$108,825	$ —	$ —	$ 269,205
Thomas Lynch	2016	$119,631	$ —	$301,305	$136,800	$ —	$ —	$ 557,736
All Other Executive	2017	$331,690	$735	$863,557	$718,229	$1,950	$34,416	$1,950,577
Management	2016	$143,940	$673	$707,434	$623,965	$1,950	$ —	$1,477,961

(a) Perquisites consisting of the following:

- Amounts in fiscal 2017 and 2016 include the incremental cost to us of Mr. Lynch's non-business use of our aircraft. Mr. Lynch is permitted to use the corporate aircraft for business and non-business purposes. The incremental cost to us during fiscal year 2017 and 2016 includes the direct variable cost and value of the lost corporate tax benefit associated with Mr. Lynch's travel to attend Thermo Fisher Scientific Inc. and Cummins Inc. board meetings, as Mr. Lynch is a member of the board of directors of both companies, and occasional personal use. Amounts in fiscal 2017 include the value and tax gross-up amount of a retirement gift for one executive. Amounts also include the value of an attendance gift for one executive that was provided to all attendees at a certain business meeting. Amounts in fiscal 2016 for four executives reflect an attendance gift provided to all attendees at a certain business meeting.
- Amounts reflect a cash perquisite paid for all fiscal 2016 for one executive and the first quarter of fiscal 2016 for one executive. The executive perquisites allowance program provides a cash allowance of 10% of base salary for executives whose employment is based in the United States.
- Amounts include various miscellaneous fees and expenses, personal tax preparation assistance, international tax payments and U.S. tax gross-up payments pertaining to expatriate assignments for two executives in fiscal 2017 and three executives in fiscal 2016. Due to the timing of payments, the following range of exchange rates, primarily as determined by TE Connectivity finance, were used to convert amounts reported or paid in EUR to U.S. dollars: $1.04—$1.20: EUR in fiscal 2017 and $1.06—$1.15: EUR in fiscal 2016 and CNY to U.S. dollars: $0.149—$0.158 in fiscal 2016.
- Fiscal 2017 and 2016 amounts include relocation expenses for one executive.

(b) Additional income reported for participation in a Company paid split dollar life insurance program for one executive.

(c) The value of dividend equivalent units credited in the fiscal year to each individual's unvested RSUs and PSUs using the closing price on the date of the crediting. The dividend equivalent unit value associated with the PSUs reflects target performance and will be adjusted based on certified performance results following the close of the three-year performance period.

C. Compensation of Executive Management (Continued)

(d) Contributions made on behalf of Executive Management under TE Connectivity's qualified defined contribution plan and accruals on behalf of Executive Management under the SSRP (a nonqualified defined contribution excess plan).

Name	Year	Company Matching Contribution (Qualified Plan)(*)	Company Contribution (Non-Qualified Plan)
Terrence Curtin	2017	$ 16,000	$ 92,825
Thomas Lynch	2016	$ 15,900	$120,900
All Other Executive	2017	$156,388	$561,841
Management	2016	$172,451	$451,514

(*) Included in the amount above is an additional matching contribution of $5,830 and $6,360 for fiscal 2017 and 2016 for two executives as a result of a frozen defined benefit plan.

(e) The Company matching contribution made under the TE Connectivity employee stock purchase plan for one executive.

(f) For fiscal 2017, amount includes the value of unused vacation and personal time paid to one executive pursuant to local state law requirements.

Report of the Statutory Auditor on the Swiss Statutory Compensation Report of TE Connectivity Ltd.

To the General meeting of
TE CONNECTIVITY LTD., SCHAFFHAUSEN

We have audited Tables 1 and 2 within the accompanying compensation report of TE Connectivity Ltd. for the year ended September 29, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the "Ordinance"). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of TE Connectivity Ltd. for the year ended September 29, 2017 complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

/s/ Matthias Gschwend	/s/ Dominik Voegtli
Licensed audit expert	Licensed audit expert
Auditor in charge	

Zurich, December 13, 2017

BOARD OF DIRECTORS

Thomas J. Lynch ‡
Executive Chairman
TE Connectivity Ltd.

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

Terrence R. Curtin
Director and
Chief Executive Officer,
TE Connectivity Ltd.

Carol A. "John" Davidson
Retired Senior Vice President, Controller and Chief Accounting Officer,
Tyco International Ltd.

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

Yong Nam
Advisor to the CEO,
Daelim Industrial Co. Ltd.
Former Chief Executive Officer,
LG Electronics Inc.

Daniel J. Phelan
Retired Chief of Staff,
GlaxoSmithKline plc

Mark C. Trudeau
President and Chief Executive Officer,
Mallinckrodt plc

Paula A. Sneed
Chair and Chief Executive Officer,
Phelps Prescott Group, LLC
Retired Executive Vice President,
Kraft Foods Inc.

Abhijit Y. Talwalkar
Former President and Chief Executive Officer,
LSI Corporation

John C. Van Scoter
Former President and Chief Executive Officer,
eSolar, Inc.

Laura H. Wright
Founder, GSB Advisors
Retired Chief Financial Officer,
Southwest Airlines Co.

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

LEADERSHIP TEAM AND OFFICERS

Terrence R. Curtin
Chief Executive Officer
and Director

Mario Calastri
Senior Vice President, Treasurer

Joel Dubs
Senior Vice President, Operations

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

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

Shad W. Kroeger
President,
Communications Solutions

Thomas J. Lynch‡
Executive Chairman

Steven T. Merkt
President,
Transportation Solutions

Heath A. Mitts
Executive Vice President,
Chief Financial Officer

Timothy J. Murphy
Senior Vice President,
Chief Human Resources Officer

Robert J. Ott
Senior Vice President,
Corporate Controller

Sameer Pagnis
Senior Vice President,
Corporate Strategy

Jeanne Quirk
Senior Vice President,
Mergers and Acquisitions

Eric J. Resch
Senior Vice President,
Chief Tax Officer

Kevin N. Rock
President,
Industrial Solutions

Amy Summy
Senior Vice President,
Chief Marketing Officer

Joan E. Wainwright
President,
Channel and Customer Experience

‡ On December 14, 2017, Mr. Lynch announced his retirement as Executive Chairman of TE Connectivity effective March 14, 2018. Mr. Lynch has been nominated for, and will continue to serve on, the Board of Directors of TE Connectivity and as the Non-Executive Chairman of the Board of Directors, if elected at the Annual General Meeting of Shareholders on March 14, 2018.


NIKOLA
NIKOLA/ONE