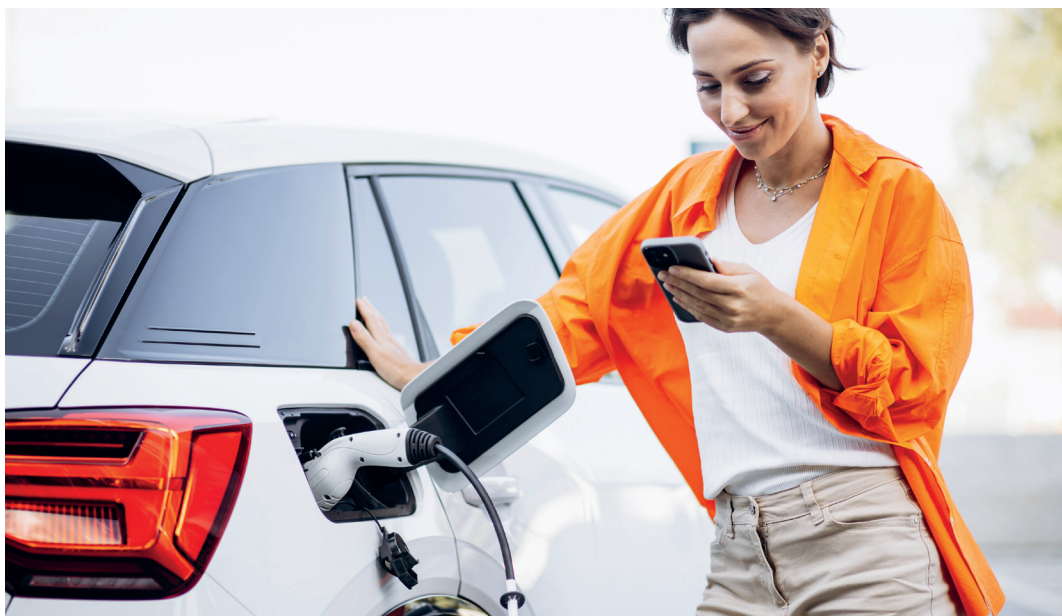




TE CONNECTIVITY  
2022 ANNUAL REPORT

**TOGETHER,  
LET'S ENGINEER  
THE FUTURE.**



## CORPORATE DATA

### REGISTERED & PRINCIPAL EXECUTIVE OFFICE

TE Connectivity Ltd.  
Mühlenstrasse 26  
CH-8200 Schaffhausen  
Switzerland  
+41.0.52.633.66.61

### INDEPENDENT AUDITORS

Deloitte & Touche LLP  
1700 Market Street  
Philadelphia, PA 19103

Deloitte AG  
Pfungstweidstrasse 11  
8005 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 ended September 30, 2022 may be obtained by shareholders without charge upon written request to:

TE Connectivity Ltd.  
Mühlenstrasse 26  
CH-8200 Schaffhausen  
Switzerland

The Annual Report on Form 10-K is also available on the company's website at **[www.te.com](http://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:

Equiniti Shareowner Services  
1110 Centre Pointe Curve, Suite 101  
Mendota Heights, MN 55120-4100  
866.258.4745

**[www.shareowneronline.com](http://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](http://www.te.com)**

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001-AR-FY2022

"TE Connectivity" and "TE Connectivity (logo)" are trademarks. This report further contains other trademarks of ours and additional trade names and trademarks of other companies that are not owned by TE Connectivity. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

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

We have made forward-looking statements in this Annual Report 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 also include statements addressing our environmental, social, governance, and sustainability plans and goals. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "aspire," "estimate," "predict," "potential," "goal," "target," "continue," "may," and "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 discussed in this Annual Report and those discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 filed with the United States ("U.S.") 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.

“TE Connectivity” and “TE Connectivity (logo)” are trademarks. This report further contains other trademarks of ours and additional trade names and trademarks of other companies that are not owned by TE Connectivity. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

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## BUSINESS

### General

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is a global industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable 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. Fiscal 2022 was 53 weeks in length and ended on September 30, 2022; fiscal 2021 and 2020 were each 52 weeks in length and ended on September 24, 2021 and September 25, 2020, respectively. For fiscal years in which there are 53 weeks, the fourth fiscal quarter includes 14 weeks.

### Segments

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. Overall, our markets have returned to levels similar to those prior to the COVID-19 pandemic. As of fiscal year end 2022, we believe our three segments serve a combined market of approximately \$200 billion.

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

	Fiscal		
	2022	2021	2020
Transportation Solutions	56 %	60 %	56 %
Industrial Solutions	28	26	31
Communications Solutions	16	14	13
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Below is a description of our reportable segments and the primary products, markets, and competitors of each segment.

#### *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, antennas, and application tooling. The Transportation Solutions segment’s products, which must withstand harsh conditions, are used in the following end markets:

- *Automotive (71% 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 (17% 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, Aptiv, 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, interventional medical components, relays, heat shrink tubing, and wire and cable. The Industrial Solutions segment's products are used in the following end markets:

- *Industrial equipment (43% of segment's net sales)*—Our products are used in factory and warehouse automation and process control systems such as industrial controls, robotics, human machine interface, industrial communication, and power distribution. Our building automation and smart city infrastructure products are used to connect lighting and offer solutions in HVAC, elevators/escalators, and security. Our rail products are used in high-speed trains, metros, light rail vehicles, locomotives, and signaling switching equipment.
- *Aerospace, defense, and marine (24% of segment's net sales)*—We design, develop, and manufacture a comprehensive portfolio of critical electronic components and systems for the harsh operating conditions of the commercial aerospace, defense, and marine industries. Our products and systems are designed and manufactured to operate effectively in harsh conditions ranging from the depths of the ocean to the far reaches of space.
- *Energy (18% of segment's net sales)*—Our products are used by electric power utilities, OEMs, and engineering procurement construction companies serving the electrical power grid and renewables industries. They include a wide range of insulation, protection, and connection solutions for electrical power generation, transmission, distribution, and industrial markets.
- *Medical (15% of segment's net sales)*—Our products are used in imaging, diagnostic, surgical, and minimally invasive interventional applications. We specialize in the design and manufacture of advanced surgical, imaging, and interventional device solutions. Key markets served include cardiovascular, peripheral vascular, structural heart, endoscopy, electrophysiology, and neurovascular therapies.

The Industrial Solutions segment competes primarily against Amphenol, Hubbell, Carlisle Companies, Integer Holdings, Esterline, Molex, and Omron.

### ***Communications Solutions***

The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets. The primary products sold by the Communications Solutions segment include terminals and connector systems and components, relays, antennas, and heat shrink tubing. The Communications Solutions segment's products are used in the following end markets:

- *Data and devices (62% 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, smartphones, tablet computers, notebooks, virtual reality, and artificial intelligence applications to help our customers meet their current challenges and future innovations.

- *Appliances (38% 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, air purifiers, floor care devices, 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).

## 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 our diversified customer base provides us an opportunity to leverage our skills and experience across markets and reduce our exposure to individual end markets, thereby reducing the variability of our financial performance. Additionally, we believe that the diversity of our customer base reduces the level of cyclicalities in our results and distinguishes us from our competitors.

No single customer accounted for a significant amount of our net sales in fiscal 2022, 2021, or 2020.

## 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<sup>(1)</sup> as a percentage of our total net sales were as follows:

	Fiscal		
	2022	2021	2020
Asia-Pacific	35 %	36 %	35 %
Europe/Middle East/Africa ("EMEA")	35	37	35
Americas	30	27	30
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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

We sell our products into approximately 140 countries primarily through direct selling efforts to manufacturers. In fiscal 2022, our direct sales represented approximately 75% of total net sales. We also sell our products indirectly via third-party distributors.

We maintain distribution centers around the world. Products are generally delivered to the 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. 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 contract with a wide range of transport providers to deliver our products globally via road, rail, sea, and air. We believe our balanced sales distribution lowers our exposure to any particular geography and improves our financial profile.

## Seasonality and Backlog

Typically, we experience a slight seasonal pattern to our business. Overall, the third and fourth fiscal quarters are

usually 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 in 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 in the energy market typically increase in the third and fourth fiscal quarters as customer activity increases.

Customer orders and demand may fluctuate as a result of economic and market conditions, including the impacts of the COVID-19 pandemic, supply chain disruptions, and inflationary cost pressures. Backlog by reportable segment was as follows:

	Fiscal Year End	
	2022	2021
	(in millions)	
Transportation Solutions	\$ 3,179	\$ 3,014
Industrial Solutions	2,447	1,851
Communications Solutions	870	976
Total	<u>\$ 6,496</u>	<u>\$ 5,841</u>

We expect that the majority of our backlog at fiscal year end 2022 will be filled during fiscal 2023. Backlog is not necessarily indicative of future net sales as unfilled orders may be cancelled prior to shipment of goods.

## 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. We have experienced, and expect to continue to experience, downward pressure on prices. However, as a result of increased costs, certain of our businesses implemented price increases in fiscal 2022 and 2021.

## 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. In recent years, raw material prices and availability have been affected by worldwide economic conditions, including the impacts of the COVID-19 pandemic, supply chain disruptions, and inflationary cost pressures.

## 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.



## Human Capital Management

We have employees located throughout the world. As of fiscal year end 2022, we employed approximately 92,000 people worldwide, including contract employees. Approximately 27,000 were in the Asia-Pacific region, 37,000 were in the EMEA region, and 28,000 were in the Americas region. Of our total employees, approximately 56,000 were employed in manufacturing. Our strong employee base, along with their commitment to uncompromising values, provides the foundation of our company's success.

Our core values—integrity, accountability, teamwork, and innovation—govern us. They guide our decisions and our actions, both individually and as an organization. Additionally, our employees are responsible for upholding our purpose—to create a safer, sustainable, productive, and connected future. We track and report internally on key talent metrics including workforce demographics, critical role pipeline data, diversity data, and engagement and inclusion indices. We aspire to have more than 26% women in leadership roles by fiscal 2025 and are committed to increasing the total number of women across all levels of the organization. Additionally, as part of its charter, the management development and compensation committee of our board of directors oversees our policies and practices related to the management of human capital resources including talent management, culture, diversity, and inclusion.

We embrace diversity and inclusion. A truly innovative workforce needs to be diverse and leverage the skills and perspectives of a wealth of backgrounds and experiences. To drive our business outcomes globally, we believe we must build a workforce and supplier network that represents our global markets and the customers we serve. We are also committed to a work environment where all employees are engaged, feel differences are valued and mutually-respected, and believe that all opinions count. Our people reflect our customers and markets. Our employees are in over 55 countries representing approximately 125 nationalities, and our total employee population is over 40% women. Our employee resource groups (“ERGs”) are company-sponsored, voluntary, employee-led groups that focus on diverse talent segments or shared experiences of employees. These groups apply those perspectives to create value for our company as a whole. The ERGs provide a space where employees can foster connections and develop in a supportive environment. As of fiscal year end 2022, we had eight ERGs—ALIGN (lesbian, gay, bisexual, transgender, and queer/questioning employees and their allies), Women in Networking, TE Young Professionals, African Heritage, Asian Heritage, Latin Heritage, THRIVE (employees and their allies with mental, emotional, and physical disabilities), and TE Veterans. Our ERGs have a total of over 8,000 members.

During fiscal 2022, we conducted our third annual employee engagement survey, which was a fully digital, enterprise-wide survey available in 17 languages and focused on measuring engagement, inclusion, and leadership effectiveness. We had a participation rate of over 85% in fiscal 2022 and year over year improvement in all three indices of engagement, inclusion, and leadership effectiveness. Our engagement and inclusion scores were once again favorable when compared to Glint Inc.'s external global manufacturing benchmark. By fiscal 2025, we aspire to be in the top tier of this benchmark on engagement and inclusion. In addition to the overall improvement in our leadership effectiveness index, all nine scores within the index also increased from fiscal 2021 levels.

We continue to emphasize employee development and training to support engagement and retention. To empower employees to unleash their potential, we provide a range of development programs and opportunities, skills, and resources they need to be successful. Our LEARN@TE platform supplements our talent development strategies. It is an online portal that enables employees to access instructor-led classroom or virtual courses and self-directed web-based courses. Strategy, execution, and talent (“SET”) leadership expectations, which focus on how we drive strategy, effectively execute, and build talent, have been rolled out to all employees and are embedded in all of our leadership programs. We integrate these behavioral expectations into the way we assess and select talent, manage performance, and develop and reward our people.

We are committed to identifying and developing our next generation of leaders. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in general management, engineering, and operations, as well as the diversity of our talent. We are focused on both the recruitment of diverse candidates and the development of our diverse employees to provide the opportunity to advance their careers and move into leadership positions within the company. On an annual basis, we conduct an organization and leadership review process with our chief executive officer and all segment, business unit, and function leaders focusing on our high-performing and high-potential talent, diverse talent, and the succession for our most critical roles. Also, our board of directors reviews and assesses management development plans for senior executives and the succession plans relating to those positions.

We are committed to the safety, health, human rights, and well-being of our employees. We continuously evaluate opportunities to raise safety and health standards through our environmental, health, and safety team. Compliance audits and internal processes are in place to stay ahead of workplace hazards, and we aim to reduce our Occupational Safety and Health Administration (“OSHA”) total recordable incident rate—a rate equivalent to the number of incidents per 100 employees or 200,000 work hours—to 0.12 by fiscal 2025. During the COVID-19 pandemic, we took additional actions to protect the physical and mental health and well-being of our global employees. We have utilized our workplace flexibility guidelines, promoted our Wellbeing Connection program and health care benefits to support the needs of all employees, and instituted additional safety measures at all factories and sites. We are striving to implement a global human rights program. We have recently instituted a global human rights policy and a human trafficking and modern slavery policy. We apply high standards of human rights and require that our suppliers do the same.

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. For discussion of the risks relating to the attraction and retention of management and executive management employees, see “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 filed with the SEC.

### **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.

See Note 12 to the Consolidated Financial Statements for additional information regarding trade compliance matters. Also, see “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 filed with the SEC for discussion of the risks and uncertainties associated with trade regulations.

### **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 (“RoHS”) and Waste Electrical and Electronic Equipment (“WEEE”) Directives; the China Administrative Measures for the Restriction of Hazardous Substances in Electrical and Electronic Products (“China RoHS”) regulation; 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 2022, we concluded that we would incur investigation and remediation costs at these sites in the reasonably possible range of \$17 million to \$44 million, and we accrued \$20 million as the probable loss, which was the best estimate within this range. We do not anticipate any material capital expenditures during fiscal 2023 for environmental control facilities or other costs of compliance with laws or regulations relating to greenhouse gas emissions.

### **Sustainability**

We look to build on our strong foundation of environmental sustainability in our operations. Our One Connected World strategy guides how we balance investor and customer expectations and drive improved environmental sustainability.

Our sustainability initiatives in our operations began more than ten years ago. From fiscal 2010 to 2022, we achieved more than a 20% reduction in absolute energy usage, more than a 25% reduction in absolute water usage, and more than a 50% reduction in absolute greenhouse gas emissions (Scopes 1 and 2). Over the last few years, we have recycled approximately 80% of the waste materials from our operations. We have challenged ourselves to find new ways to continue to drive sustainability improvements. In fiscal 2022, we:

- continued to make progress on our goal to further reduce our absolute greenhouse gas emissions (Scopes 1 and 2) by more than 40%, from our fiscal 2020 baseline, by fiscal 2030;
- made progress towards our target to decrease water withdrawals by 15%, from our fiscal 2021 baseline, by fiscal 2025 at 30 sites with extremely high and high water stress;
- made progress towards our target to decrease hazardous waste disposed by 15%, from our fiscal 2021 baseline, by fiscal 2025;
- remained committed to sourcing renewable energy, developing and implementing energy efficiency projects, and strengthening operating standards; and
- worked with key suppliers to reduce Scope 3 emissions.

While sustainability is embedded in our operations, we are exploring opportunities with our direct suppliers and logistics service providers to strengthen the environmental sustainability of our supply chain. The majority of our greenhouse gas emissions are from the goods and services we use in our operations. In addition to improving the sustainability of our operations and working with our suppliers to reduce their greenhouse gas emissions, we help our customers produce smaller, lighter, and more energy-efficient products, reducing the environmental impact of the products our customers make through the life of their products. With every product that comes out of our facilities, we support a safer, sustainable, productive, and connected future.

Additional information regarding our sustainability initiatives and progress is available in our annual Corporate Responsibility Report and Task Force on Climate-Related Financial Disclosures (“TCFD”) Report located on our website at [www.te.com](http://www.te.com) under the heading “Corporate Responsibility.” The contents of our Corporate Responsibility Report and TCFD Report are not incorporated by reference in this Annual Report on Form 10-K.

#### **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, as amended (“Exchange Act”) are available free of charge through our internet website at [www.te.com](http://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.

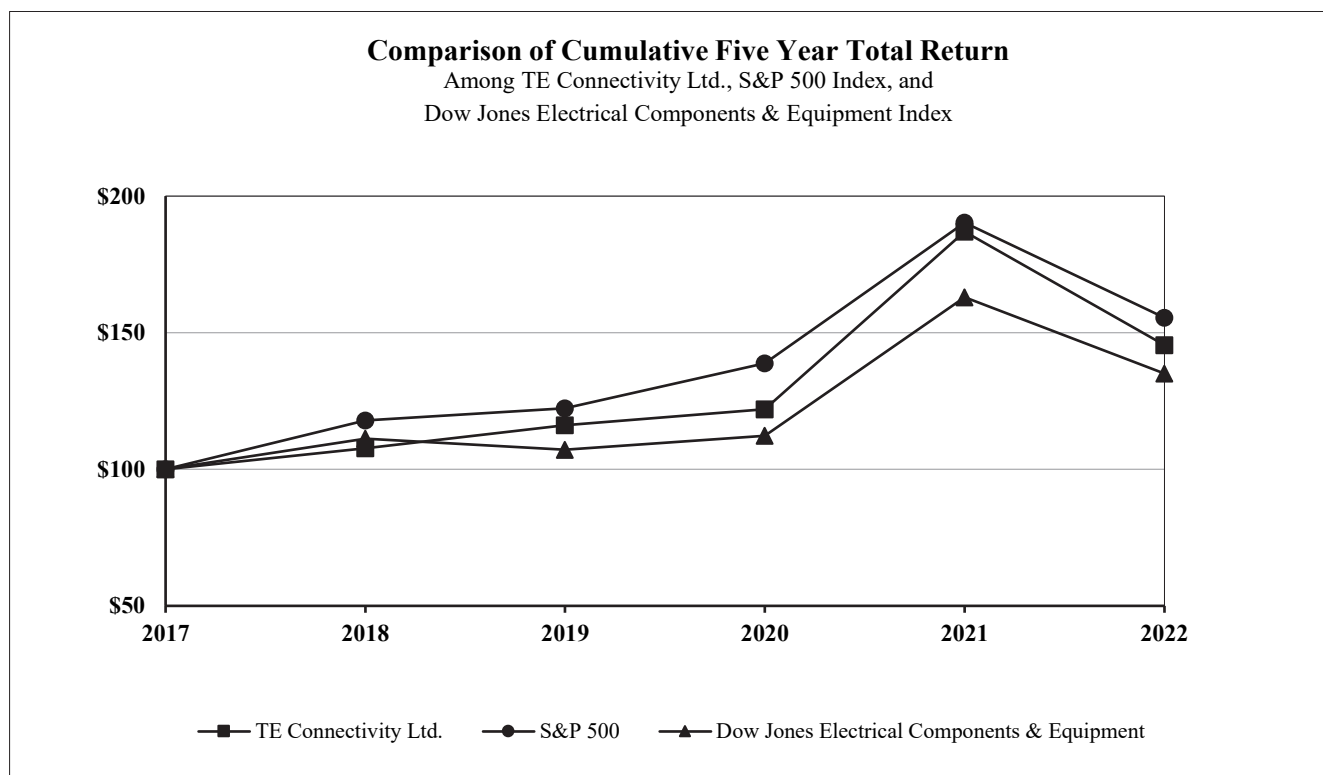
## MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market Information and Holders

Our common shares are listed and traded on the NYSE under the symbol “TEL.” As of November 3, 2022, there were 16,860 shareholders of record of our common shares.

### 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 2017 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.



	Fiscal Year End					
	2017	2018	2019	2020	2021	2022
TE Connectivity Ltd.	\$ 100.00	\$ 107.74	\$ 116.07	\$ 121.96	\$ 187.03	\$ 145.46
S&P 500 Index	100.00	117.91	122.30	138.81	190.29	155.55
Dow Jones Electrical Components and Equipment Index	100.00	111.20	107.06	112.22	162.93	135.08

(1) \$100 invested on September 29, 2017 in TE Connectivity Ltd.’s common shares and in indexes. Indexes calculated on month-end basis.

## Dividends

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.

## Issuer Purchases of Equity Securities

The following table presents information about our purchases of our common shares during the quarter ended September 30, 2022:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
June 25–July 22, 2022	602,818	\$ 114.66	602,600	\$ 1,949,678,000
July 23–August 26, 2022	920,046	132.46	915,800	1,828,380,436
August 27–September 30, 2022	1,209,425	121.56	1,208,700	1,681,457,030
Total	2,732,289	123.71	2,727,100	

- (1) These columns include the following transactions which occurred during the quarter ended September 30, 2022:
- (i) the acquisition of 5,189 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 2,727,100 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.

## 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 “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 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”).

Discussion of our financial condition and results of operations for fiscal 2022 compared to fiscal 2021 is presented below. Discussion of our financial condition and results of operations for fiscal 2021 compared to fiscal 2020 can be found in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended September 24, 2021.

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 industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

### Summary of Fiscal 2022 Performance

- Our fiscal 2022 net sales increased 9.1% from fiscal 2021 levels due to sales increases in the Communications Solutions and Industrial Solutions segments and, to a lesser degree, the Transportation Solutions segment. On an organic basis, our net sales increased 12.1% in fiscal 2022 as compared to fiscal 2021.
- Our net sales by segment were as follows:
  - *Transportation Solutions*—Our net sales increased 2.7% with sales increases in the automotive and commercial transportation end markets, partially offset by sales declines in the sensors end market.
  - *Industrial Solutions*—Our net sales increased 17.6% primarily as a result of sales increases in the industrial equipment end market.
  - *Communications Solutions*—Our net sales increased 20.8% due primarily to sales increases in the data and devices end market.
- Fiscal 2022 included an additional week which contributed \$306 million in net sales.
- During fiscal 2022, our shareholders approved a dividend payment to shareholders of \$2.24 per share, payable in four equal quarterly installments of \$0.56 beginning in the third quarter of fiscal 2022 and ending in the second quarter of fiscal 2023.
- Net cash provided by continuing operating activities was \$2,468 million in fiscal 2022.

### Economic Conditions

Our business and operating results have been and will continue to be affected by worldwide economic conditions. The global economy has been impacted by the COVID-19 pandemic and the military conflict between Russia and Ukraine as well as supply chain disruptions and inflationary cost pressures. See “Russia-Ukraine Military Conflict” and “COVID-19 Pandemic” for additional information.

Our business operates globally and changes in foreign currency exchange rates may have a significant impact on our results. Foreign currency translation negatively impacted our net sales by \$723 million in fiscal 2022 as compared to fiscal 2021. We expect translation to continue to have a negative impact on our operating results in fiscal 2023. We expect translation to negatively impact our net sales by approximately \$1 billion in fiscal 2023 as compared to fiscal 2022 as a result of continued strength of the U.S. dollar against other currencies.

We are monitoring the current environment and its potential effects on our customers and the end markets we serve. As a result of inflationary pressure, we have implemented price increases for a number of our products. Also, we have taken and continue to focus on actions to manage costs, including restructuring and other cost reduction initiatives such as reducing discretionary spending and travel. Additionally, we are managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund our future capital needs. See further discussion in “Liquidity and Capital Resources.”

### Russia-Ukraine Military Conflict

We are monitoring the military conflict between Russia and Ukraine, escalating tensions in surrounding countries, and associated sanctions. We suspended our business operations in Russia, and our operations in Ukraine have been reduced to focus on the safety of our employees. We have experienced increased costs for transportation, energy, and raw materials due in part to the negative impact of the Russia-Ukraine military conflict on the global economy. The increased costs and supply chain disruptions resulting from the conflict have not been material to our business, and we have been able to partially

mitigate them through price increases or productivity. Neither Russia nor Ukraine represents a material portion of our business, and the military conflict has not had a significant impact on our business, financial condition, or result of operations during fiscal 2022.

The full impact of the military conflict on our business operations and financial performance remains uncertain. The extent to which the conflict may impact our business in future periods will depend on future developments, including the severity and duration of the conflict, its impact on regional and global economic conditions, and supply chain disruptions. We will continue to actively monitor the conflict and assess the related sanctions and other effects and may take further actions if necessary.

## **COVID-19 Pandemic**

A novel strain of coronavirus (“COVID-19”) was first identified in China in December 2019 and subsequently declared a pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions around the world and resulted in business slowdowns or shutdowns and travel restrictions in affected areas. The pandemic had a negative impact on certain of our businesses in fiscal 2021 and continued to impact certain of our operations in China for a period of time in fiscal 2022. The pandemic has not had a significant impact on our ability to staff our operations, and we do not expect that it will continue to have a significant impact on our businesses globally in the near term. Throughout our operations, we implemented additional health and safety measures for the protection of our employees, including providing personal protective equipment, enhanced cleaning and sanitizing of our facilities, and remote working arrangements.

The COVID-19 pandemic has impacted and continues to impact our business operations globally, causing disruption in our suppliers’ and customers’ supply chains, some of our business locations to reduce or suspend operations, and a reduction in demand for certain products from direct customers or end markets. In addition, the pandemic had far-reaching impacts on many additional aspects of our operations, both directly and indirectly, including with respect to its impacts on customer behaviors, business and manufacturing operations, inventory, our employees, and the market generally.

The extent to which the pandemic will continue to impact our business and the markets we serve will depend on future developments which may include the further spread of the virus, variant strains of the virus, and the resumption of high levels of infections and hospitalizations as well as the success of public health advancements, including vaccine production and distribution. While certain of our operations were shut down in China for a period of time in fiscal 2022, we do not expect the COVID-19 pandemic to have a significant impact on our businesses globally in the near term. However, it may have a negative impact on our financial condition and results of operations in future periods.

We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, or local authorities or that we determine are in the best interests of our employees, customers, suppliers, shareholders, and the communities in which we operate.

For further discussion of the risks and uncertainties associated with the COVID-19 pandemic, see “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 filed with the SEC.

## **Outlook**

In the first quarter of fiscal 2023, we expect our net sales to be approximately \$3.75 billion as compared to \$3.8 billion in the first quarter of fiscal 2022. We expect diluted earnings per share from continuing operations to be approximately \$1.31 per share in the first quarter of fiscal 2023. This outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$400 million and \$0.19 per share, respectively, in the first quarter of fiscal 2023 as compared to the same period of fiscal 2022. Also, this outlook is based on foreign currency exchange rates and commodity prices that are consistent with current levels.

## **Acquisitions**

During fiscal 2022, we acquired three businesses for a combined cash purchase price of \$245 million, net of cash acquired. The acquisitions were reported as part of our Communications Solutions segment from the date of acquisition.

We acquired four businesses for a combined cash purchase price of \$422 million, net of cash acquired, during fiscal 2021. The acquisitions were reported as part of our Industrial Solutions segment from the date of acquisition.

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

## Results of Operations

### Net Sales

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

	Fiscal			
	2022		2021	
	(\$ in millions)			
Transportation Solutions	\$ 9,219	56 %	\$ 8,974	60 %
Industrial Solutions	4,520	28	3,844	26
Communications Solutions	2,542	16	2,105	14
Total	<u>\$ 16,281</u>	<u>100 %</u>	<u>\$ 14,923</u>	<u>100 %</u>

The following table provides an analysis of the change in our net sales by segment:

	Change in Net Sales for Fiscal 2022 versus Fiscal 2021					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestitures)
	(\$ in millions)					
Transportation Solutions	\$ 245	2.7 %	\$ 727	8.1 %	\$ (482)	\$ —
Industrial Solutions	676	17.6	638	16.6	(187)	225
Communications Solutions	437	20.8	438	20.8	(54)	53
Total	<u>\$ 1,358</u>	<u>9.1 %</u>	<u>\$ 1,803</u>	<u>12.1 %</u>	<u>\$ (723)</u>	<u>\$ 278</u>

Net sales increased \$1,358 million, or 9.1%, in fiscal 2022 as compared to fiscal 2021. The increase in net sales resulted from organic net sales growth of 12.1% and net sales contributions of 1.9% from acquisitions and divestitures, partially offset by the negative impact of foreign currency translation of 4.9% due to the weakening of certain foreign currencies. In fiscal 2022, pricing actions positively affected organic net sales by \$509 million. Fiscal 2022 included an additional week which contributed \$306 million in net sales. The impact of the additional week was estimated using an average sales figure for the fourth quarter of the fiscal year. See further discussion of net sales below under “Segment Results.”

**Net Sales by Geographic Region.** Our business operates in three geographic regions—Asia-Pacific, EMEA, and the Americas—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 140 countries, and approximately 60% of our net sales were invoiced in currencies other than the U.S. dollar in fiscal 2022. The percentage of net sales in fiscal 2022 by major currencies invoiced was as follows:

Currencies	Percentage
U.S. dollar	43 %
Euro	29
Chinese renminbi	17
Japanese yen	5
All others	6
Total	<u>100 %</u>

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

	Fiscal			
	2022		2021	
	(\$ in millions)			
Asia-Pacific	\$ 5,771	35 %	\$ 5,374	36 %
EMEA	5,707	35	5,471	37
Americas	4,803	30	4,078	27
Total	<u>\$ 16,281</u>	<u>100 %</u>	<u>\$ 14,923</u>	<u>100 %</u>



The following table provides an analysis of the change in our net sales by geographic region:

	Change in Net Sales for Fiscal 2022 versus Fiscal 2021					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestitures)
	(\$ in millions)					
Asia-Pacific	\$ 397	7.4 %	\$ 543	10.1 %	\$ (200)	\$ 54
EMEA	236	4.3	595	10.9	(520)	161
Americas	725	17.8	665	16.3	(3)	63
Total	<u>\$ 1,358</u>	9.1 %	<u>\$ 1,803</u>	12.1 %	<u>\$ (723)</u>	<u>\$ 278</u>

### Cost of Sales and Gross Margin

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

	Fiscal		Change
	2022	2021	
	(\$ in millions)		
Cost of sales	\$ 11,037 <sup>(1)</sup>	\$ 10,036	\$ 1,001
As a percentage of net sales	67.8 %	67.3 %	
Gross margin	\$ 5,244 <sup>(1)</sup>	\$ 4,887	\$ 357
As a percentage of net sales	32.2 %	32.7 %	

(1) Fiscal 2022 included an additional week.

In fiscal 2022, gross margin increased \$357 million as compared to fiscal 2021 primarily as a result of higher volume and the positive impact of pricing actions, partially offset by inflationary pressure on material and operating costs and the negative impact of foreign currency translation.

We use a wide variety of raw materials in the manufacture of our products, and cost of sales and gross margin are subject to variability in raw material prices. In recent years, raw material prices and availability have been affected by worldwide economic conditions, including the impacts of the COVID-19 pandemic, supply chain disruptions, and inflationary cost pressures. As a result, we have experienced shortages and price increases in some of our input materials—including copper, gold, silver, and palladium—however, we have been able to initiate pricing actions which have partially offset these impacts. The following table presents the average prices incurred related to copper, gold, silver, and palladium:

	Measure	Fiscal	
		2022	2021
Copper	Lb.	\$ 4.08	\$ 3.19
Gold	Troy oz.	1,828	1,690
Silver	Troy oz.	24.23	21.63
Palladium	Troy oz.	2,337	2,276

In fiscal 2022, we purchased approximately 215 million pounds of copper, 129,000 troy ounces of gold, 2.7 million troy ounces of silver, and 13,000 troy ounces of palladium. We expect to purchase approximately 215 million pounds of copper, 125,000 troy ounces of gold, 2.7 million troy ounces of silver, and 10,000 troy ounces of palladium in fiscal 2023.

## Operating Expenses

The following table presents operating expense information:

	Fiscal		Change
	2022	2021	
	(\$ in millions)		
Selling, general, and administrative expenses	\$ 1,584 <sup>(1)</sup>	\$ 1,512	\$ 72
As a percentage of net sales	9.7 %	10.1 %	
Restructuring and other charges, net	\$ 141	\$ 233	\$ (92)

(1) Fiscal 2022 included an additional week.

**Selling, General, and Administrative Expenses.** In fiscal 2022, selling, general, and administrative expenses increased \$72 million as compared to fiscal 2021 due primarily to increased selling expenses to support higher sales levels, the impact of inflation, and incremental expenses attributable to recent acquisitions, partially offset by the positive impact of foreign currency translation.

**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 2022 and 2021, we initiated restructuring programs associated with footprint consolidation and cost structure improvements across all segments. We incurred net restructuring and related charges of \$153 million, of which \$16 million was recorded in cost of sales, in fiscal 2022 and \$208 million in fiscal 2021. Annualized cost savings related to actions initiated in fiscal 2022 are expected to be approximately \$120 million and are expected to be realized by the end of fiscal 2025. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses. For fiscal 2023, we expect total restructuring charges to be approximately \$150 million and total spending, which will be funded with cash from operations, to be approximately \$165 million.

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		Change
	2022	2021	
	(\$ in millions)		
Operating income	\$ 2,756 <sup>(1)</sup>	\$ 2,434	\$ 322
Operating margin	16.9 %	16.3 %	

(1) Fiscal 2022 included an additional week.

Operating income included the following:

	Fiscal	
	2022	2021
	(in millions)	
Acquisition-related charges:		
Acquisition and integration costs	\$ 45	\$ 31
Charges associated with the amortization of acquisition-related fair value adjustments	8	3
	53	34
Restructuring and other charges, net	141	233
Restructuring-related charges recorded in cost of sales	16	—
Total	<u>\$ 210</u>	<u>\$ 267</u>

See discussion of operating income below under “Segment Results.”

## Non-Operating Items

The following table presents select non-operating information:

	Fiscal		Change
	2022	2021	
	(\$ in millions)		
Other income (expense), net	\$ 28	\$ (17)	\$ 45
Income tax expense	306	123	183
Effective tax rate	11.2 %	5.2 %	

**Other Income (Expense).** We recorded net periodic pension benefit credit of \$25 million and cost of \$12 million in net other income (expense) in fiscal 2022 and 2021, respectively. See Note 14 to the Consolidated Financial Statements for additional information regarding our retirement plans. Also, in fiscal 2022, we recorded other income of \$11 million related to an indemnification receivable associated with an income tax audit. See Note 15 to the Consolidated Financial Statements for further information regarding income taxes.

**Income Taxes.** See Note 15 to the Consolidated Financial Statements for discussion of items impacting income tax expense and the effective tax rate.

The valuation allowance for deferred tax assets was \$7,112 million and \$2,729 million at fiscal year end 2022 and 2021, 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 2022, certain subsidiaries had approximately \$33.6 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.

## 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 industry end market<sup>(1)</sup>:

	Fiscal			
	2022	2021		
	(\$ in millions)			
Automotive	\$ 6,527	71 %	\$ 6,379	71 %
Commercial transportation	1,582	17	1,467	16
Sensors	1,110	12	1,128	13
Total	<u>\$ 9,219</u>	<u>100 %</u>	<u>\$ 8,974</u>	<u>100 %</u>

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

The following table provides an analysis of the change in the Transportation Solutions segment's net sales by industry end market:

	Change in Net Sales for Fiscal 2022 versus Fiscal 2021				
	Net Sales		Organic Net Sales		Translation
	Growth (Decline)		Growth		
	(\$ in millions)				
Automotive	\$ 148	2.3 %	\$ 515	8.1 %	\$ (367)
Commercial transportation	115	7.8	178	12.1	(63)
Sensors	(18)	(1.6)	34	3.0	(52)
Total	<u>\$ 245</u>	<u>2.7 %</u>	<u>\$ 727</u>	<u>8.1 %</u>	<u>\$ (482)</u>

Net sales in the Transportation Solutions segment increased \$245 million, or 2.7%, in fiscal 2022 from fiscal 2021 as a result of organic net sales growth of 8.1%, partially offset by the negative impact of foreign currency translation of 5.4%. Fiscal 2022 included an additional week which contributed \$180 million in net sales. In fiscal 2022, pricing actions positively affected organic net sales by \$330 million. Our organic net sales by industry end market were as follows:

- *Automotive*—Our organic net sales increased 8.1% in fiscal 2022 with increases of 9.8% in the Americas region, 9.7% in the Asia–Pacific region, and 5.7% in the EMEA region. Our organic net sales growth across all regions was attributable primarily to increased content per vehicle. Global automotive production was consistent with fiscal 2021 levels.
- *Commercial transportation*—Our organic net sales increased 12.1% in fiscal 2022 due primarily to growth in the Americas and EMEA regions driven by content and share gains.
- *Sensors*—Our organic net sales increased 3.0% in fiscal 2022 as a result of growth in industrial applications, partially offset by declines in transportation applications.

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

	Fiscal		Change
	2022	2021	
	(\$ in millions)		
Operating income	\$ 1,534 <sup>(1)</sup>	\$ 1,526	\$ 8
Operating margin	16.6 %	17.0 %	

(1) Fiscal 2022 included an additional week.

Operating income in the Transportation Solutions segment increased \$8 million in fiscal 2022 as compared to fiscal 2021. Excluding the items below, operating income decreased in fiscal 2022 primarily as a result of inflationary pressure on

material and operating costs and the negative impact of foreign currency translation, partially offset by the positive impact of pricing actions and higher volume.

	Fiscal	
	2022	2021
	(in millions)	
Acquisition-related charges:		
Acquisition and integration costs	\$ 16	\$ 15
Charges associated with the amortization of acquisition-related fair value adjustments	—	3
	16	18
Restructuring and other charges, net	68	135
Total	<u>\$ 84</u>	<u>\$ 153</u>

## Industrial Solutions

**Net Sales.** The following table presents the Industrial Solutions segment's net sales and the percentage of total net sales by industry end market<sup>(1)</sup>:

	Fiscal			
	2022		2021	
	(\$ in millions)			
Industrial equipment	\$ 1,934	43 %	\$ 1,397	36 %
Aerospace, defense, and marine	1,087	24	1,035	27
Energy	804	18	738	19
Medical	695	15	674	18
Total	<u>\$ 4,520</u>	<u>100 %</u>	<u>\$ 3,844</u>	<u>100 %</u>

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

The following table provides an analysis of the change in the Industrial Solutions segment's net sales by industry end market:

	Change in Net Sales for Fiscal 2022 versus Fiscal 2021					
	Net Sales Growth		Organic Net Sales Growth		Translation	Acquisitions (Divestitures)
	(\$ in millions)					
Industrial equipment	\$ 537	38.4 %	\$ 400	28.5 %	\$ (100)	\$ 237
Aerospace, defense, and marine	52	5.0	91	8.7	(38)	(1)
Energy	66	8.9	119	16.0	(42)	(11)
Medical	21	3.1	28	4.2	(7)	—
Total	<u>\$ 676</u>	<u>17.6 %</u>	<u>\$ 638</u>	<u>16.6 %</u>	<u>\$ (187)</u>	<u>\$ 225</u>

In the Industrial Solutions segment, net sales increased \$676 million, or 17.6%, in fiscal 2022 from fiscal 2021 due to organic net sales growth of 16.6% and net sales contributions of 5.9% from acquisitions and divestitures, partially offset by the negative impact of foreign currency translation of 4.9%. Fiscal 2022 included an additional week which contributed \$84 million in net sales. In fiscal 2022, pricing actions positively affected organic net sales by \$147 million. Our organic net sales by industry end market were as follows:

- *Industrial equipment*—Our organic net sales increased 28.5% in fiscal 2022 as a result of growth in all regions and continued strength in factory automation and controls applications.
- *Aerospace, defense, and marine*—Our organic net sales increased 8.7% in fiscal 2022 due primarily to growth in the commercial aerospace market and, to a lesser degree, the defense market.
- *Energy*—Our organic net sales increased 16.0% in fiscal 2022 due to growth across all regions and continued strength in renewable energy applications.

- *Medical*—Our organic net sales increased 4.2% in fiscal 2022 as a result of market growth in surgical and imaging as well as interventional medical applications.

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

	<u>Fiscal</u>		<u>Change</u>
	<u>2022</u>	<u>2021</u>	
	(\$ in millions)		
Operating income	\$ 620 <sup>(1)</sup>	\$ 469	\$ 151
Operating margin	13.7 %	12.2 %	

(1) Fiscal 2022 included an additional week.

Operating income in the Industrial Solutions segment increased \$151 million in fiscal 2022 from fiscal 2021. Excluding the items below, operating income increased in fiscal 2022 primarily as a result of higher volume and the positive impact of pricing actions, partially offset by inflationary pressure on material and operating costs.

	<u>Fiscal</u>	
	<u>2022</u>	<u>2021</u>
	(in millions)	
Acquisition-related charges:		
Acquisition and integration costs	\$ 24	\$ 15
Charges associated with the amortization of acquisition-related fair value adjustments	8	—
	32	15
Restructuring and other charges, net	50	73
Restructuring-related charges recorded in cost of sales	16	—
Total	<u>\$ 98</u>	<u>\$ 88</u>

## Communications Solutions

**Net Sales.** The following table presents the Communications Solutions segment’s net sales and the percentage of total net sales by industry end market<sup>(1)</sup>:

	<u>Fiscal</u>			
	<u>2022</u>		<u>2021</u>	
	(\$ in millions)			
Data and devices	\$ 1,576	62 %	\$ 1,198	57 %
Appliances	966	38	907	43
Total	<u>\$ 2,542</u>	<u>100 %</u>	<u>\$ 2,105</u>	<u>100 %</u>

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

The following table provides an analysis of the change in the Communications Solutions segment’s net sales by industry end market:

	<u>Change in Net Sales for Fiscal 2022 versus Fiscal 2021</u>					
	<u>Net Sales Growth</u>		<u>Organic Net Sales Growth</u>		<u>Translation</u>	<u>Acquisitions</u>
	(\$ in millions)					
Data and devices	\$ 378	31.6 %	\$ 355	29.6 %	\$ (30)	\$ 53
Appliances	59	6.5	83	9.2	(24)	—
Total	<u>\$ 437</u>	<u>20.8 %</u>	<u>\$ 438</u>	<u>20.8 %</u>	<u>\$ (54)</u>	<u>\$ 53</u>

Net sales in the Communications Solutions segment increased \$437 million, or 20.8%, in fiscal 2022 as compared to fiscal 2021 due primarily to organic net sales growth of 20.8%. Fiscal 2022 included an additional week which contributed \$42 million in net sales. Our organic net sales by industry end market were as follows:

- *Data and devices*—Our organic net sales increased 29.6% in fiscal 2022 as a result of market strength in all regions and content and share gains.
- *Appliances*—Our organic net sales increased 9.2% in fiscal 2022 due to sales growth in the Americas and EMEA regions resulting primarily from share gains, partially offset by declines in the Asia-Pacific region.

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

	<u>Fiscal</u>		<u>Change</u>
	<u>2022</u>	<u>2021</u>	
	(\$ in millions)		
Operating income	\$ 602 <sup>(1)</sup>	\$ 439	\$ 163
Operating margin	23.7 %	20.9 %	

(1) Fiscal 2022 included an additional week.

In the Communications Solutions segment, operating income increased \$163 million in fiscal 2022 as compared to fiscal 2021. Excluding the items below, operating income increased due primarily to higher volume, partially offset by inflationary pressure on material and operating costs.

	<u>Fiscal</u>	
	<u>2022</u>	<u>2021</u>
	(in millions)	
Acquisition and integration costs	\$ 5	\$ 1
Restructuring and other charges, net	23	25
Total	<u>\$ 28</u>	<u>\$ 26</u>

### **Liquidity and Capital Resources**

Our ability to fund our future capital needs will be affected by our ongoing ability to generate cash from operations and may be affected by our access to capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of €550 million of 1.10% senior notes due in March 2023. 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. 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. We believe that we have sufficient financial resources and liquidity which will enable us to meet our ongoing working capital and other cash flow needs.

As of fiscal year end 2022, 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 2022, we had approximately \$7.0 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 an immaterial amount 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 decreased \$208 million to \$2,468 million in fiscal 2022 as compared to \$2,676 million in fiscal 2021. The decrease resulted primarily from the impact of increased working capital levels, partially offset by higher pre-tax income. The amount of income taxes paid, net of refunds, during fiscal 2022 and 2021 was \$421 million and \$371 million, respectively.

Pension contributions were \$42 million and \$61 million in fiscal 2022 and 2021, respectively. We expect pension contributions to be \$43 million in fiscal 2023, before consideration of any voluntary contributions. For additional information regarding pensions, see Note 14 to the Consolidated Financial Statements.

## Cash Flows from Investing Activities

Capital expenditures were \$768 million and \$690 million in fiscal 2022 and 2021, respectively. We expect fiscal 2023 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.

During fiscal 2022, we acquired three businesses for a combined cash purchase price of \$245 million, net of cash acquired. We acquired four businesses for a combined cash purchase price of \$422 million, net of cash acquired, during fiscal 2021. See Note 4 to the Consolidated Financial Statements for additional information regarding acquisitions.

## Cash Flows from Financing Activities and Capitalization

Total debt at fiscal year end 2022 and 2021 was \$4,206 million and \$4,092 million, respectively. See Note 10 to the Consolidated Financial Statements for additional information regarding debt.

During fiscal 2022, TEGSA, our wholly-owned subsidiary, issued \$600 million aggregate principal amount of 2.50% senior notes due in February 2032. 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 June 2026 and total commitments of \$1.5 billion. The Credit Facility contains provisions that allow for incremental commitments of up to \$500 million, an option to temporarily increase the financial ratio covenant following a qualified acquisition, and borrowings in designated currencies. TEGSA had no borrowings under the Credit Facility at fiscal year end 2022 or 2021.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) the term secured overnight financing rate ("Term SOFR") (as defined in the Credit Facility), (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  $\frac{1}{2}$  of 1%, and (iii) the Term SOFR for a one-month interest period plus 1%, (3) an alternative currency daily rate, or (4) an alternative currency term rate, 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. Based on the applicable credit ratings of TEGSA, this fee ranges from 5.0 to 12.5 basis points of the lenders' commitments under the Credit Facility.

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 2022, 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. At fiscal year end 2022, TEGSA had \$370 million of commercial paper outstanding at a weighted-average interest rate of 3.45%. TEGSA had no commercial paper outstanding at fiscal year end 2021.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed on an unsecured basis by its parent, TE Connectivity Ltd.

Payments of common share dividends to shareholders were \$685 million and \$647 million in fiscal 2022 and 2021, respectively. See Note 17 to the Consolidated Financial Statements for additional information regarding dividends on our common shares.

In March 2022, our shareholders approved a dividend payment to shareholders of \$2.24 per share, payable in four equal quarterly installments of \$0.56 per share beginning in the third quarter of fiscal 2022 and ending in the second quarter of fiscal 2023.

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.

In fiscal 2022, our board of directors authorized an increase of \$1.5 billion in our share repurchase program. We repurchased approximately ten million of our common shares for \$1,409 million and approximately seven million of our common shares for \$904 million under the share repurchase program during fiscal 2022 and 2021, respectively. At fiscal year end 2022, we had \$1.7 billion of availability remaining under our share repurchase authorization.

### Summarized Guarantor Financial Information

As discussed above, our senior notes, commercial paper, and Credit Facility are issued by TEGSA and are fully and unconditionally guaranteed on an unsecured basis by TEGSA's parent, TE Connectivity Ltd. In addition to being the issuer of our debt securities, TEGSA owns, directly or indirectly, all of our operating subsidiaries. The following tables present summarized financial information, excluding investments in and equity in earnings of our non-guarantor subsidiaries, for TE Connectivity Ltd. and TEGSA on a combined basis.

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	(in millions)	
<b>Balance Sheet Data:</b>		
Total current assets	\$ 1,400	\$ 452
Total noncurrent assets <sup>(1)</sup>	2,769	1,829
Total current liabilities	1,937	1,144
Total noncurrent liabilities <sup>(2)</sup>	15,871	12,443

(1) Includes \$2,601 million and \$1,810 million as of fiscal year end 2022 and 2021, respectively, of intercompany loans receivable from non-guarantor subsidiaries.

(2) Includes \$12,582 million and \$8,832 million as of fiscal year end 2022 and 2021, respectively, of intercompany loans payable to non-guarantor subsidiaries.

	<b>Fiscal</b>	
	<b>2022</b>	<b>2021</b>
	(in millions)	
<b>Statement of Operations Data:</b>		
Loss from continuing operations	\$ (35)	\$ (486)
Net loss	(35)	(479)

## 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 2023 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 2022, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$127 million, excluding those related to our former Subsea Communications (“SubCom”) business which are discussed below.

During fiscal 2019, we sold our SubCom business. In connection with the sale, we contractually agreed to continue to honor performance guarantees and letters of credit related to the SubCom business’ projects that existed as of the date of sale. These performance guarantees and letters of credit had a combined value of approximately \$115 million as of fiscal year end 2022 and are expected to expire at various dates through fiscal 2027. We have contractual recourse against the SubCom business if we are required to perform on any SubCom guarantees; however, based on historical experience, we do not anticipate having to perform.

## 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 material obligations at fiscal year end 2022:

	Payments Due		Total
	In Fiscal 2023	Thereafter (in millions)	
Long-term debt:			
Principal payments <sup>(1)</sup>	\$ 914	\$ 3,330	\$ 4,244
Interest payments on debt <sup>(2)</sup>	93	720	813
Operating leases <sup>(3)</sup>	126	334	460
Purchase obligations <sup>(4)</sup>	1,150	39	1,189
Total contractual cash obligations <sup>(5)(6)</sup>	<u>\$ 2,283</u>	<u>\$ 4,423</u>	<u>\$ 6,706</u>

- (1) See Note 10 to the Consolidated Financial Statements for additional information regarding debt.
- (2) Interest payments exclude the impact of interest rate swap and cross-currency swap contracts. Interest payments on debt are projected for future periods using rates in effect as of fiscal year end 2022 and are subject to change in future periods.
- (3) Operating leases represents the undiscounted lease payments. See Note 11 to the Consolidated Financial Statements for additional information regarding leases.
- (4) Purchase obligations consist primarily of commitments for purchases of goods and services.
- (5) The above table does not reflect unrecognized income tax benefits of \$287 million and related accrued interest and penalties of \$54 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.
- (6) 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 \$43 million to pension plans in fiscal 2023, 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.

## 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.

## Trade Compliance Matters

We have been investigating our past compliance with relevant U.S. trade controls and have made voluntary disclosures of apparent trade controls violations to the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and the U.S. State Department's Directorate of Defense Trade Controls ("DDTC"). We are cooperating with the BIS and DDTC on these matters, and the resulting investigations by the agencies remain ongoing. We have also been contacted by the U.S. Department of Justice concerning aspects of these matters. We are unable to predict the timing and final outcome of the agencies' investigations. An unfavorable outcome may include fines or penalties imposed in response to our disclosures, but we are not yet able to reasonably estimate the extent of any such fines or penalties. Although we have reserved for potential fines and penalties relating to these matters based on our current understanding of the facts, the investigations into these matters have yet to be completed and the final outcome of such investigations and related fines and penalties may differ from amounts currently reserved.

## 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

We account for revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. Our revenues are generated principally from the sale of our products. Revenue is recognized as performance obligations under the terms of a contract, such as a purchase order with a customer, are satisfied; generally this occurs with the transfer of control. We transfer control and recognize revenue when we ship product to our customers, the customers accept and have legal title for the product, and we have a right to payment for such product. Revenue is measured as the amount of consideration that we expect to receive in exchange for those products and excludes taxes assessed by governmental authorities and collected from customers concurrent with the sale of products. Shipping and handling costs are treated as fulfillment costs and are included in cost of sales. Since we typically invoice our customers when we satisfy our performance obligations, we do not have material contract assets or contract liabilities. Our credit terms are customary and do not contain significant financing components that extend beyond one year of fulfillment of performance obligations. We apply the practical expedient of ASC 606 with respect to financing components and do not evaluate contracts in which payment is due within one year of satisfaction of the related performance obligation. Since our performance obligations to deliver products are part of contracts that generally have original durations of one year or less, we have elected to use the optional exemption to not disclose the aggregate amount of transaction prices associated with unsatisfied or partially satisfied performance obligations.

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 do not account for these warranties as separate performance obligations.

Although products are generally sold at fixed prices, certain distributors and customers receive incentives or awards, such as sales rebates, return allowances, scrap allowances, and other rights, which are accounted for as variable consideration. We estimate these amounts in the same period revenue is recognized based on the expected value to be provided to customers and reduce revenue accordingly. Our estimates of variable consideration and ultimate determination of

the estimated amounts to include in the transaction price are based primarily on our assessment of anticipated performance and historical and forecasted information that is reasonably available to us.

## **Goodwill and Other Intangible Assets**

We account for goodwill and other intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*.

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 (a “component”) if the component constitutes a business for which discrete financial information is available and regularly reviewed by segment management. At fiscal year end 2022, we had five reporting units, all of which contained goodwill. There were two reporting units in both the Transportation Solutions and Industrial Solutions segments and one reporting unit in the Communications Solutions segment. 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 more frequently if events or changes in circumstances indicate that the asset may be impaired. In assessing a potential impairment, management relies on several reporting unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and marketplace 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 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, a goodwill impairment charge will be recorded for the amount of the excess, limited to the total amount of goodwill allocated to the reporting unit.

Fair value estimates used in the 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 is supported by a guideline analysis (a market approach). These approaches incorporate several 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 2022 and determined that no impairment existed.

## **Income Taxes**

In determining pre-tax 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 enacted changes that would have a material effect on our results of operations, financial position, or cash flows.

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 Plans**

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 trustees 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, or, for inactive plans, over the remaining life expectancy of participants.

Two critical assumptions in determining pension expense and obligations are discount rates and expected long-term returns 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. Discount rates represent the market rate for high-quality fixed income investments and are 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 discount rates increases the present value of pension benefit obligations. At fiscal year end 2022, a 25-basis-point decrease in discount rates would have increased the present value of our pension obligations by \$64 million; a 25-basis-point increase would have decreased the present value of our pension obligations by \$61 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 rates of return on plan assets. A 50-basis-point decrease or increase in the expected long-term returns on plan assets would have increased or decreased, respectively, our fiscal 2022 pension expense by \$11 million.

At fiscal year end 2022, the long-term target asset allocation in our U.S. plans' master trust is 25% return-seeking assets and 75% liability-hedging assets. 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 110%. Based on the funded status of the plans as of fiscal year end 2022, our target asset allocation is 67% return-seeking and 33% liability-hedging.

### **Accounting Pronouncements**

See Note 2 to the Consolidated Financial Statements for information regarding recently issued 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 this measure to monitor and evaluate performance. Also, management uses this measure 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 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, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. 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 also include statements addressing our environmental, social, governance, and sustainability plans and goals. 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," "aspire," "estimate," "predict," "potential," "goal," "target," "continue," "may," and "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 30, 2022 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, including recession, inflation, and higher interest rates;
- conditions affecting demand for products in the industries we serve, particularly the automotive industry;
- risk of future goodwill impairment;
- 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 and impacts of offsetting hedges;
- 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 due to natural disasters or other disasters such as the COVID-19 pandemic, which have impacted and could continue to negatively impact our results of operations as well as customer behaviors, business, and manufacturing operations as well as our facilities and the facilities of our suppliers, and other aspects of our business;
- global risks of political, economic, and military instability, including the continuing military conflict between Russia and Ukraine resulting from Russia's invasion of Ukraine or escalating tensions in surrounding countries, and volatile and uncertain economic conditions in China;
- 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;
- risks associated with compliance with applicable antitrust or competition laws or applicable trade 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 non-U.S. and U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate, increase global cash taxes, 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 and foreign currency forward 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. In addition, we utilize cross-currency swap contracts to hedge our net investment in certain foreign operations. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts or foreign currency forward contracts from the fiscal year end 2022 market rates would have changed the unrealized value of our contracts by \$151 million. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts or foreign currency forward contracts from the fiscal year end 2021 market rates would have changed the unrealized value of our contracts by \$240 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 swap contracts to convert a portion of fixed rate debt into variable rate debt. There were no such contracts and no floating rate debt outstanding at fiscal year end 2022 or 2021.

We may use forward starting interest rate swap contracts to manage interest rate exposure in periods prior to the anticipated issuance of fixed rate debt. At fiscal year end 2021, we had forward starting interest rate swap contracts which had an aggregate notional value of \$450 million and were designated as cash flow hedges. There were no forward starting interest rate swap contracts at fiscal year end 2022.

We utilize investment swap contracts to manage earnings exposure on certain nonqualified deferred compensation liabilities.

## **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 2022, our commodity hedges, which related to expected purchases of gold, silver, copper, and palladium, were in a net loss position of \$82 million and had a notional value of \$566 million. At fiscal year end 2021, our commodity hedges, which related to expected purchases of gold, silver, copper, and palladium, were in a net gain position of \$1 million and had a notional value of \$512 million. A 10% appreciation or depreciation of commodity prices from the fiscal year end 2022 prices would have changed the unrealized value of our forward contracts by \$48 million. A 10% appreciation or depreciation of commodity prices from the fiscal year end 2021 prices would have changed the unrealized value of our forward contracts by \$51 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 30, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.



## **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 30, 2022.

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 30, 2022, which is included in this Annual Report.

## **Changes in Internal Control Over Financial Reporting**

During the quarter ended September 30, 2022, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**TE CONNECTIVITY LTD.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TE Connectivity Ltd. and subsidiaries (the “Company”) as of September 30, 2022 and September 24, 2021, the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows, for each of the three years in the period ended September 30, 2022, and the related notes and the schedule listed in the Index (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and September 24, 2021, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of September 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 15, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Income Taxes — Realizability of Deferred Tax Assets — Refer to Notes 2 and 15 to the financial statements***

##### *Critical Audit Matter Description*

The Company recognizes deferred income taxes for temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. 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. Future realization of deferred tax assets depends on the existence of sufficient taxable income of the appropriate character prior to expiration. Sources of taxable income include future reversals of deferred tax assets and liabilities, expected future taxable income, taxable income in prior carryback years if permitted under the tax law, and tax planning strategies. Management has determined that it is more likely than not that sufficient taxable income will be generated in the future to

realize a portion of its deferred tax assets, and therefore, a valuation allowance of \$7.1 billion has been recorded to offset the Company's gross deferred tax assets as of September 30, 2022 of \$9.8 billion.

We identified the realizability of deferred tax assets as a critical audit matter because of the Company's tax structure and the significant judgments and estimates made by management to determine that sufficient taxable income will be generated in the future prior to expiration to realize a portion of its deferred tax assets. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the appropriateness of qualifying tax planning strategies and the reasonableness of management's estimates of taxable income prior to expiration.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets included the following, among others:

- We tested the effectiveness of controls over management's estimates of the realization of the deferred tax assets, including those over the estimates of taxable income, the approval of tax planning strategies and the determination of whether it is more likely than not that the deferred tax assets will be realized prior to expiration.
- We evaluated the reasonableness of management's assessment of the significance and weighting of negative evidence and positive evidence that is objectively verifiable.
- We evaluated management's ability to accurately estimate taxable income by comparing actual results to management's historical estimates and evaluating whether there have been any changes that would impact management's ability to continue accurately estimating taxable income.
- We tested the reasonableness of management's estimates of taxable income by comparing the estimates to:
  - Historical taxable income.
  - Internal communications to management and the board of directors.
  - Management's history of carrying out its stated plans and its ability to carry out its plans considering contractual commitments, available financing, or debt covenants.
- We evaluated whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit.
- We evaluated whether the taxable income in prior carryback years was of the appropriate character and available under the tax law.
- With the assistance of our income tax specialists, we evaluated (1) the appropriateness of qualifying tax planning strategies, including that they were prudent, feasible and would more likely than not result in the realization of deferred tax assets and (2) management's assessment that sufficient taxable income will be generated in the future to realize a portion of the deferred tax assets prior to expiration.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
November 15, 2022

We have served as the Company's auditor since 2007.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TE Connectivity Ltd. and subsidiaries (the “Company”) as of September 30, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the financial statements as of and for the fiscal year ended September 30, 2022, of the Company and our report dated November 15, 2022 expressed an unqualified opinion on those financial statements.

### Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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 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 the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
November 15, 2022

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended September 30, 2022, September 24, 2021, and September 25, 2020

	Fiscal		
	2022	2021	2020
	(in millions, except per share data)		
<b>Net sales</b>	\$ 16,281	\$ 14,923	\$ 12,172
Cost of sales	11,037	10,036	8,437
<b>Gross margin</b>	5,244	4,887	3,735
Selling, general, and administrative expenses	1,584	1,512	1,392
Research, development, and engineering expenses	718	677	613
Acquisition and integration costs	45	31	36
Restructuring and other charges, net	141	233	257
Impairment of goodwill	—	—	900
<b>Operating income</b>	2,756	2,434	537
Interest income	15	17	15
Interest expense	(66)	(56)	(48)
Other income (expense), net	28	(17)	20
<b>Income from continuing operations before income taxes</b>	2,733	2,378	524
Income tax expense	(306)	(123)	(783)
<b>Income (loss) from continuing operations</b>	2,427	2,255	(259)
Income from discontinued operations, net of income taxes	1	6	18
<b>Net income (loss)</b>	<u>\$ 2,428</u>	<u>\$ 2,261</u>	<u>\$ (241)</u>
<b>Basic earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 7.51	\$ 6.83	\$ (0.78)
Income from discontinued operations	—	0.02	0.05
Net income (loss)	7.52	6.85	(0.73)
<b>Diluted earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 7.47	\$ 6.77	\$ (0.78)
Income from discontinued operations	—	0.02	0.05
Net income (loss)	7.47	6.79	(0.73)
<b>Weighted-average number of shares outstanding:</b>			
Basic	323	330	332
Diluted	325	333	332

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended September 30, 2022, September 24, 2021, and September 25, 2020

	2022	Fiscal 2021 (in millions)	2020
<b>Net income (loss)</b>	\$ 2,428	\$ 2,261	\$ (241)
<b>Other comprehensive income (loss):</b>			
Currency translation	(510)	144	(11)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	259	138	34
Gains (losses) on cash flow hedges, net of income taxes	(95)	(3)	40
Other comprehensive income (loss)	(346)	279	63
<b>Comprehensive income (loss)</b>	2,082	2,540	(178)
Less: comprehensive (income) loss attributable to noncontrolling interests	19	(2)	(5)
<b>Comprehensive income (loss) attributable to TE Connectivity Ltd.</b>	\$ 2,101	\$ 2,538	\$ (183)

See Notes to Consolidated Financial Statements.



TE CONNECTIVITY LTD.

CONSOLIDATED BALANCE SHEETS

As of September 30, 2022 and September 24, 2021

	Fiscal Year End	
	2022	2021
(in millions, except share data)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,088	\$ 1,203
Accounts receivable, net of allowance for doubtful accounts of \$45 and \$41, respectively	2,865	2,928
Inventories	2,676	2,511
Prepaid expenses and other current assets	639	621
<b>Total current assets</b>	<b>7,268</b>	<b>7,263</b>
Property, plant, and equipment, net	3,567	3,778
Goodwill	5,258	5,590
Intangible assets, net	1,288	1,549
Deferred income taxes	2,498	2,499
Other assets	903	783
<b>Total assets</b>	<b>\$ 20,782</b>	<b>\$ 21,462</b>
<b>Liabilities, redeemable noncontrolling interests, and shareholders' equity</b>		
Current liabilities:		
Short-term debt	\$ 914	\$ 503
Accounts payable	1,593	1,911
Accrued and other current liabilities	2,125	2,242
<b>Total current liabilities</b>	<b>4,632</b>	<b>4,656</b>
Long-term debt	3,292	3,589
Long-term pension and postretirement liabilities	695	1,139
Deferred income taxes	244	181
Income taxes	304	302
Other liabilities	718	847
<b>Total liabilities</b>	<b>9,885</b>	<b>10,714</b>
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	95	114
Shareholders' equity:		
Common shares, CHF 0.57 par value, 330,830,781 shares authorized and issued, and 336,099,881 shares authorized and issued, respectively	146	148
Accumulated earnings	12,832	11,709
Treasury shares, at cost, 12,749,540 and 9,060,919 shares, respectively	(1,681)	(1,055)
Accumulated other comprehensive loss	(495)	(168)
<b>Total shareholders' equity</b>	<b>10,802</b>	<b>10,634</b>
<b>Total liabilities, redeemable noncontrolling interests, and shareholders' equity</b>	<b>\$ 20,782</b>	<b>\$ 21,462</b>

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fiscal Years Ended September 30, 2022, September 24, 2021, and September 25, 2020

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Contributed</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Earnings</u>	<u>Other</u>	<u>Shareholders'</u>
							<u>Income (Loss)</u>	<u>Equity</u>
					(in millions)			
<b>Balance at fiscal year end 2019</b>	351	\$ 154	(16)	\$ (1,337)	\$ —	\$ 12,256	\$ (503)	\$ 10,570
Net loss	—	—	—	—	—	(241)	—	(241)
Other comprehensive income	—	—	—	—	—	—	58	58
Share-based compensation expense	—	—	—	—	74	—	—	74
Dividends	—	—	—	—	—	(634)	—	(634)
Exercise of share options	—	—	1	55	—	—	—	55
Restricted share award vestings and other activity	—	—	1	143	(74)	(63)	—	6
Repurchase of common shares	—	—	(6)	(505)	—	—	—	(505)
Cancellation of treasury shares	(12)	(5)	12	975	—	(970)	—	—
<b>Balance at fiscal year end 2020</b>	<u>339</u>	<u>\$ 149</u>	<u>(8)</u>	<u>\$ (669)</u>	<u>\$ —</u>	<u>\$ 10,348</u>	<u>\$ (445)</u>	<u>\$ 9,383</u>
Net income	—	—	—	—	—	2,261	—	2,261
Other comprehensive income	—	—	—	—	—	—	277	277
Share-based compensation expense	—	—	—	—	94	—	—	94
Dividends	—	—	—	—	—	(656)	—	(656)
Exercise of share options	—	—	2	167	—	—	—	167
Restricted share award vestings and other activity	—	—	1	89	(94)	17	—	12
Repurchase of common shares	—	—	(7)	(904)	—	—	—	(904)
Cancellation of treasury shares	(3)	(1)	3	262	—	(261)	—	—
<b>Balance at fiscal year end 2021</b>	<u>336</u>	<u>\$ 148</u>	<u>(9)</u>	<u>\$ (1,055)</u>	<u>\$ —</u>	<u>\$ 11,709</u>	<u>\$ (168)</u>	<u>\$ 10,634</u>
Net income	—	—	—	—	—	2,428	—	2,428
Other comprehensive loss	—	—	—	—	—	—	(327)	(327)
Share-based compensation expense	—	—	—	—	119	—	—	119
Dividends	—	—	—	—	—	(714)	—	(714)
Exercise of share options	—	—	—	54	—	—	—	54
Restricted share award vestings and other activity	—	—	1	20	(119)	116	—	17
Repurchase of common shares	—	—	(10)	(1,409)	—	—	—	(1,409)
Cancellation of treasury shares	(5)	(2)	5	709	—	(707)	—	—
<b>Balance at fiscal year end 2022</b>	<u>331</u>	<u>\$ 146</u>	<u>(13)</u>	<u>\$ (1,681)</u>	<u>\$ —</u>	<u>\$ 12,832</u>	<u>\$ (495)</u>	<u>\$ 10,802</u>

See Notes to Consolidated Financial Statements.

**TE CONNECTIVITY LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Fiscal Years Ended September 30, 2022, September 24, 2021, and September 25, 2020**

	Fiscal		
	2022	2021	2020
	(in millions)		
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 2,428	\$ 2,261	\$ (241)
Income from discontinued operations, net of income taxes	(1)	(6)	(18)
Income (loss) from continuing operations	2,427	2,255	(259)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Impairment of goodwill	—	—	900
Depreciation and amortization	785	769	711
Deferred income taxes	(147)	(354)	535
Non-cash lease cost	131	120	108
Provision for losses on accounts receivable and inventories	70	46	14
Share-based compensation expense	119	94	74
Other	23	(61)	54
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	200	(518)	(63)
Inventories	(41)	(556)	(89)
Prepaid expenses and other current assets	50	(19)	51
Accounts payable	(396)	560	(80)
Accrued and other current liabilities	(398)	173	(99)
Income taxes	32	106	(9)
Other	(387)	61	143
Net cash provided by continuing operating activities	2,468	2,676	1,991
Net cash provided by discontinued operating activities	—	—	1
Net cash provided by operating activities	2,468	2,676	1,992
<b>Cash flows from investing activities:</b>			
Capital expenditures	(768)	(690)	(560)
Proceeds from sale of property, plant, and equipment	106	86	17
Acquisition of businesses, net of cash acquired	(220)	(423)	(339)
Other	4	(10)	17
Net cash used in investing activities	(878)	(1,037)	(865)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in commercial paper	370	—	(219)
Proceeds from issuance of debt	588	661	593
Repayment of debt	(558)	(708)	(352)
Proceeds from exercise of share options	54	167	55
Repurchase of common shares	(1,412)	(831)	(523)
Payment of common share dividends to shareholders	(685)	(647)	(625)
Other	(41)	(28)	(33)
Net cash used in continuing financing activities	(1,684)	(1,386)	(1,104)
Net cash used in discontinued financing activities	—	—	(1)
Net cash used in financing activities	(1,684)	(1,386)	(1,105)
Effect of currency translation on cash	(21)	5	(4)
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(115)</b>	<b>258</b>	<b>18</b>
<b>Cash, cash equivalents, and restricted cash at beginning of fiscal year</b>	<b>1,203</b>	<b>945</b>	<b>927</b>
<b>Cash, cash equivalents, and restricted cash at end of fiscal year</b>	<b>\$ 1,088</b>	<b>\$ 1,203</b>	<b>\$ 945</b>
<b>Supplemental cash flow information:</b>			
Interest paid on debt, net	\$ 58	\$ 58	\$ 50
Income taxes paid, net of refunds	421	371	257

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 industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable 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, and marine; energy; and medical markets.
- *Communications Solutions*—The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets.

#### Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

#### Fiscal Year

We have a 52- or 53-week fiscal year that ends on the last Friday of September. Fiscal 2022 was 53 weeks in length and ended on September 30, 2022; fiscal 2021 and 2020 were each 52 weeks in length and ended on September 24, 2021 and September 25, 2020, respectively. For fiscal years in which there are 53 weeks, the fourth fiscal quarter includes 14 weeks.

### 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 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

We account for revenue in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, which is a single, comprehensive, five-step revenue recognition model. Our revenues are generated principally from the sale of our products. Revenue is recognized as performance obligations under the terms of a contract, such as a purchase order with a customer, are satisfied; generally this occurs with the transfer of control. We transfer control and recognize revenue when we ship product to our customers, the customers accept and have legal title for the product, and we have a right to payment for such product. Revenue is measured as the amount of consideration that we

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

expect to receive in exchange for those products and excludes taxes assessed by governmental authorities and collected from customers concurrent with the sale of products. Shipping and handling costs are treated as fulfillment costs and are included in cost of sales. Since we typically invoice our customers when we satisfy our performance obligations, we do not have material contract assets or contract liabilities. Our credit terms are customary and do not contain significant financing components that extend beyond one year of fulfillment of performance obligations. We apply the practical expedient of ASC 606 with respect to financing components and do not evaluate contracts in which payment is due within one year of satisfaction of the related performance obligation. Since our performance obligations to deliver products are part of contracts that generally have original durations of one year or less, we have elected to use the optional exemption to not disclose the aggregate amount of transaction prices associated with unsatisfied or partially satisfied performance obligations. See Note 20 for net sales disaggregated by industry end market and geographic region which is summarized by segment and that we consider meaningful to depict the nature, amount, timing, and uncertainty of revenue and cash flows affected by economic factors.

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 do not account for these warranties as separate performance obligations.

Although products are generally sold at fixed prices, certain distributors and customers receive incentives or awards, such as sales rebates, return allowances, scrap allowances, and other rights, which are accounted for as variable consideration. We estimate these amounts in the same period revenue is recognized based on the expected value to be provided to customers and reduce revenue accordingly. Our estimates of variable consideration and ultimate determination of the estimated amounts to include in the transaction price are based primarily on our assessment of anticipated performance and historical and forecasted information that is reasonably available to us.

#### **Inventories**

Inventories are recorded at the lower of cost or net realizable value using the first-in, first-out cost method.

#### **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 several 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**

We account for goodwill and other intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*.

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.

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At fiscal year end 2022, we had five reporting units, all of which contained goodwill. There were two reporting units in both the Transportation Solutions and Industrial Solutions segments and one reporting unit in the Communications Solutions segment. 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 more frequently if events or changes in circumstances indicate that the asset may be impaired. In assessing a potential impairment, management relies on several reporting unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and marketplace 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 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, a goodwill impairment charge will be recorded for the amount of the excess, limited to the total amount of goodwill allocated to the reporting unit.

Fair value estimates used in the 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 is supported by a guideline analysis (a market approach). These approaches incorporate several 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 2022, 2021, and 2020 were \$610 million, \$612 million, and \$539 million, respectively.

#### Income Taxes

Income taxes are computed in accordance with the provisions of 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.

#### 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

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. 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 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 S&P, 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 2022, 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, prior to maturity, exchanged cash collateral with the counterparties to certain of 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.
- *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 10 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).

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- *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 Plans

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 trustees 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, or, for inactive plans, over the remaining life expectancy of 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 returns on plan assets, rates of compensation increases, interest crediting rates, and mortality rates.

#### Share-Based Compensation

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

#### Earnings Per Share

Basic earnings per share 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.

#### Leases

We account for leases in accordance with of ASC 842, *Leases*. We have facility, land, vehicle, and equipment leases that expire at various dates. We determine if a contract qualifies as a lease at inception. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the identified asset and the right to direct the use of the identified asset.



## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Lease right-of-use (“ROU”) assets and lease liabilities are recognized at the commencement date of the lease based on the present value of remaining lease payments over the lease term. Lease ROU assets represent our right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. We do not recognize ROU assets or lease liabilities that arise from short-term leases. Since our lease contracts do not contain a readily determinable implicit rate, we determine a fully-collateralized incremental borrowing rate that reflects a similar term to the lease and the economic environment of the applicable country or region in which the asset is leased.

We have elected to account for fixed lease and non-lease components in our real estate leases as a single lease component; other leases generally do not contain non-lease components. The non-lease components in our real estate leases include logistics services, warehousing, and other operational costs. Many of these costs are variable, fluctuating based on services provided, such as pallets shipped in and out of a location or square footage of space occupied. These costs, and any other variable rental costs, are excluded from our ROU assets and lease liabilities and are expensed as incurred. Some of our leases may include options to either renew or early terminate the lease. The exercise of these options is generally at our sole discretion and would only occur if there is an economic, financial, or business reason to do so. Such options are included in the lease term if we determine it is reasonably certain they will be exercised.

#### 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 are included in earnings.

#### 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 accelerated rent expense for ROU assets, expected lease termination costs, 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.

#### 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.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Recently Issued Accounting Pronouncements**

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update No. 2022-04 to enhance transparency and introduce new disclosures related to a buyer's use of supplier finance programs. This update is effective for us in the first quarter of fiscal 2024. We are currently assessing the impact of adopting the update, but do not expect adoption to 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		
	2022	2021	2020
	(in millions)		
Restructuring charges, net	\$ 137	\$ 208	\$ 257
Impairment of held for sale businesses and loss on divestitures, net	4	21	—
Other charges, net	—	4	—
Restructuring and other charges, net	<u>\$ 141</u>	<u>\$ 233</u>	<u>\$ 257</u>

Net restructuring and related charges by segment were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Transportation Solutions	\$ 80	\$ 135	\$ 113
Industrial Solutions	34	50	102
Communications Solutions	23	23	42
Restructuring charges, net	137	208	257
Plus: charges included in cost of sales <sup>(1)</sup>	16	—	—
Restructuring and related charges, net	<u>\$ 153</u>	<u>\$ 208</u>	<u>\$ 257</u>

(1) Charges included in cost of sales were attributable to inventory-related charges within the Industrial Solutions segment.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Activity in our restructuring reserves was as follows:

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments (in millions)	Non-Cash Items	Currency Translation and Other	Balance at End of Fiscal Year
<b>Fiscal 2022 Activity:</b>							
Fiscal 2022 Actions:							
Employee severance	\$ —	\$ 126	\$ —	\$ (15)	\$ —	\$ (3)	\$ 108
Facility and other exit costs	—	2	—	(1)	—	—	1
Property, plant, and equipment and other non-cash charges	—	33	—	—	(33)	—	—
Total	—	161	—	(16)	(33)	(3)	109
Fiscal 2021 Actions:							
Employee severance	152	2	(8)	(83)	—	(14)	49
Facility and other exit costs	2	5	—	(7)	—	—	—
Property, plant, and equipment	—	3	—	—	(3)	—	—
Total	154	10	(8)	(90)	(3)	(14)	49
Fiscal 2020 Actions:							
Employee severance	104	—	(17)	(27)	—	(11)	49
Facility and other exit costs	15	—	(2)	(5)	—	(1)	7
Property, plant, and equipment	—	4	(3)	—	(1)	—	—
Total	119	4	(22)	(32)	(1)	(12)	56
Pre-Fiscal 2020 Actions:							
Employee severance	31	—	—	(14)	—	(3)	14
Facility and other exit costs	—	8	—	(8)	—	—	—
Total	31	8	—	(22)	—	(3)	14
Total fiscal 2022 activity	\$ 304	\$ 183	\$ (30)	\$ (160)	\$ (37)	\$ (32)	\$ 228
<b>Fiscal 2021 Activity:</b>							
Fiscal 2021 Actions:							
Employee severance	\$ —	\$ 199	\$ (17)	\$ (26)	\$ —	\$ (4)	\$ 152
Facility and other exit costs	—	4	—	(2)	—	—	2
Property, plant, and equipment	—	9	—	—	(9)	—	—
Total	—	212	(17)	(28)	(9)	(4)	154
Fiscal 2020 Actions:							
Employee severance	180	5	—	(84)	—	3	104
Facility and other exit costs	8	11	—	(4)	—	—	15
Property, plant, and equipment	—	7	—	—	(7)	—	—
Total	188	23	—	(88)	(7)	3	119
Pre-Fiscal 2020 Actions:							
Employee severance	93	—	(9)	(53)	—	—	31
Facility and other exit costs	4	2	—	(6)	—	—	—
Property, plant, and equipment	—	—	(3)	—	3	—	—
Total	97	2	(12)	(59)	3	—	31
Total fiscal 2021 activity	\$ 285	\$ 237	\$ (29)	\$ (175)	\$ (13)	\$ (1)	\$ 304
<b>Fiscal 2020 Activity:</b>							
Fiscal 2020 Actions:							
Employee severance	\$ —	\$ 214	\$ —	\$ (35)	\$ —	\$ 1	\$ 180
Facility and other exit costs	—	8	—	—	—	—	8
Property, plant, and equipment	—	28	—	—	(28)	—	—
Total	—	250	—	(35)	(28)	1	188
Pre-Fiscal 2020 Actions:							
Employee severance	261	7	(26)	(153)	—	4	93
Facility and other exit costs	3	17	—	(18)	—	2	4
Property, plant, and equipment	—	9	—	—	(9)	—	—
Total	264	33	(26)	(171)	(9)	6	97
Total fiscal 2020 activity	\$ 264	\$ 283	\$ (26)	\$ (206)	\$ (37)	\$ 7	\$ 285

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Fiscal 2022 Actions**

During fiscal 2022, we initiated a restructuring program associated with footprint consolidation and cost structure improvements across all segments. In connection with this program, during fiscal 2022, we recorded restructuring and related charges of \$161 million. We expect to complete all restructuring actions commenced during fiscal 2022 by the end of fiscal 2024 and to incur additional charges of approximately \$24 million related primarily to employee severance and facility exit costs.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2022 program by segment as of fiscal year end 2022:

	<b>Total Expected Charges</b>	<b>Cumulative Charges Incurred</b>	<b>Remaining Expected Charges</b>
	(in millions)		
Transportation Solutions	\$ 99	\$ 88	\$ 11
Industrial Solutions	56	52	4
Communications Solutions	30	21	9
Total	\$ 185	\$ 161	\$ 24

**Fiscal 2021 Actions**

During fiscal 2021, we initiated a restructuring program across all segments to optimize our manufacturing footprint and improve the cost structure of the organization. In connection with this program, during fiscal 2022 and 2021, we recorded net restructuring charges of \$2 million and \$195 million, respectively. We expect additional charges related to fiscal 2021 actions to be insignificant.

The following table summarizes charges incurred for the fiscal 2021 program by segment as of fiscal year end 2022:

	<b>Cumulative Charges Incurred</b>
	(in millions)
Transportation Solutions	\$ 124
Industrial Solutions	49
Communications Solutions	24
Total	\$ 197

**Fiscal 2020 Actions**

During fiscal 2020, we initiated a restructuring program associated with footprint consolidation and structural improvements, due in part to the COVID-19 pandemic, across all segments. In connection with this program, during fiscal 2022, 2021, and 2020, we recorded net restructuring credits of \$18 million, charges of \$23 million, and charges of \$250 million, respectively. We expect that any additional charges related to fiscal 2020 actions will be insignificant.

**Pre-Fiscal 2020 Actions**

During fiscal 2022, 2021, and 2020, we recorded net restructuring charges of \$8 million, credits of \$10 million, and charges of \$7 million, respectively, related to pre-fiscal 2020 actions. We expect that any additional charges related to restructuring actions commenced prior to fiscal 2020 will be insignificant.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Total Restructuring Reserves**

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

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
Accrued and other current liabilities	\$ 182	\$ 236
Other liabilities	46	68
Restructuring reserves	\$ 228	\$ 304

**4. Acquisitions**

During fiscal 2022, we acquired three businesses for a combined cash purchase price of \$245 million, net of cash acquired. The acquisitions were reported as part of our Communications Solutions segment from the date of acquisition.

We acquired four businesses for a combined cash purchase price of \$422 million, net of cash acquired, during fiscal 2021. The acquisitions were reported as part of our Industrial Solutions segment from the date of acquisition. In fiscal 2021, due to the timing of two transactions that closed in the fourth quarter, we preliminarily allocated the purchase price of those acquisitions to goodwill and identifiable intangibles assets. During fiscal 2022, we finalized the purchase price allocation, which included the recognition of \$25 million of cash acquired, and the associated goodwill was reduced. See Note 7 for additional information.

During fiscal 2020, we acquired five businesses, including First Sensor AG (“First Sensor”), for a combined cash purchase price of \$336 million, net of cash acquired. The acquisitions were reported as part of our Transportation Solutions and Industrial Solutions segments from the date of acquisition.

In connection with our acquisition of approximately 72% of the outstanding shares of First Sensor, we and First Sensor entered into a Domination and Profit and Loss Transfer Agreement (“DPLTA”) which became effective in fiscal 2020. Under the terms of the DPLTA, First Sensor minority shareholders can elect either (1) to remain First Sensor minority shareholders and receive recurring annual compensation of €0.56 per First Sensor share or (2) to put their First Sensor shares in exchange for compensation of €33.27 per First Sensor share. The ultimate amount and timing of any future cash payments related to the DPLTA is uncertain. Our First Sensor noncontrolling interest balance, which was originally recorded at a fair value of €96 million at the acquisition date (equivalent to \$107 million), is recorded as redeemable noncontrolling interest outside of equity on the Consolidated Balance Sheets as of fiscal year end 2022 and 2021 as the exercise of the put right by First Sensor minority shareholders is not within our control.

**5. Inventories**

Inventories consisted of the following:

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
Raw materials	\$ 390	\$ 320
Work in progress	1,066	991
Finished goods	1,220	1,200
Inventories	\$ 2,676	\$ 2,511

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**6. Property, Plant, and Equipment, Net**

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

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
Property, plant, and equipment, gross:		
Land and improvements	\$ 106	\$ 128
Buildings and improvements	1,331	1,469
Machinery and equipment	7,727	8,308
Construction in process	609	614
	9,773	10,519
Accumulated depreciation	(6,206)	(6,741)
Property, plant, and equipment, net	\$ 3,567	\$ 3,778

Depreciation expense was \$593 million, \$576 million, and \$529 million in fiscal 2022, 2021, and 2020, respectively.

**7. Goodwill**

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

	<b>Transportation Solutions</b>	<b>Industrial Solutions</b>	<b>Communications Solutions</b>	<b>Total</b>
	<b>(in millions)</b>			
Balance at fiscal year end 2020 <sup>(1)</sup>	\$ 1,527	\$ 3,110	\$ 587	\$ 5,224
Acquisitions	—	307	—	307
Currency translation and other	22	29	8	59
Balance at fiscal year end 2021 <sup>(1)</sup>	1,549	3,446	595	5,590
Acquisitions	—	—	141	141
Purchase price adjustments	—	(91)	—	(91)
Currency translation and other	(110)	(228)	(44)	(382)
Balance at fiscal year end 2022 <sup>(1)</sup>	\$ 1,439	\$ 3,127	\$ 692	\$ 5,258

(1) At fiscal year end 2022, 2021, and 2020, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$3,091 million, \$669 million, and \$489 million, respectively.

During fiscal 2022 and 2021, we recognized goodwill of \$141 million and \$307 million, respectively, in connection with new acquisitions. Also during fiscal 2022, we recognized purchase price adjustments in connection with prior year acquisitions, including two acquisitions that closed late in the fourth quarter of fiscal 2021. See Note 4 for additional information regarding acquisitions.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2022 and determined that no impairment existed.

During the second quarter of fiscal 2020, as a result of current and projected declines in sales and profitability of the Sensors reporting unit of the Transportation Solutions segment, due in part to the impact of the COVID-19 pandemic and projected reductions in global automotive production as of March 2020, we determined that an indicator of impairment had occurred and goodwill impairment testing of this reporting unit was required. We determined the fair value of the Sensors reporting unit to be \$1.0 billion as of March 27, 2020. This valuation was based on a discounted cash flows analysis incorporating our estimate of future operating performance, which we consider to be a level 3 unobservable input in the fair value hierarchy, and was corroborated using a market approach valuation. The goodwill impairment test indicated that the carrying value of the reporting unit exceeded its fair value by \$900 million. As a result, we recorded a partial impairment charge of \$900 million in the quarter ended March 27, 2020. No additional impairment was identified during our annual goodwill impairment test in the fourth quarter of fiscal 2020.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**8. Intangible Assets, Net**

Intangible assets consisted of the following:

	<u>2022</u>			<u>2021</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
	(in millions)					
Customer relationships	\$ 1,642	\$ (687)	\$ 955	\$ 1,766	\$ (660)	\$ 1,106
Intellectual property	1,174	(852)	322	1,262	(832)	430
Other	16	(5)	11	19	(6)	13
Total	<u>\$ 2,832</u>	<u>\$ (1,544)</u>	<u>\$ 1,288</u>	<u>\$ 3,047</u>	<u>\$ (1,498)</u>	<u>\$ 1,549</u>

Intangible asset amortization expense was \$192 million, \$193 million, and \$182 million for fiscal 2022, 2021, and 2020, respectively. At fiscal year end 2022, the aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Fiscal 2023	\$ 185
Fiscal 2024	156
Fiscal 2025	141
Fiscal 2026	135
Fiscal 2027	117
Thereafter	554
Total	<u>\$ 1,288</u>

**9. Accrued and Other Current Liabilities**

Accrued and other current liabilities consisted of the following:

	<u>Fiscal Year End</u>	
	<u>2022</u>	<u>2021</u>
	(in millions)	
Accrued payroll and employee benefits	\$ 535	\$ 690
Dividends payable to shareholders	356	327
Restructuring reserves	182	236
Income taxes payable	162	146
Lease liability	126	118
Share repurchase program payable	70	73
Deferred revenue	63	51
Interest payable	28	28
Other	603	573
Accrued and other current liabilities	<u>\$ 2,125</u>	<u>\$ 2,242</u>

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**10. Debt**

Debt was as follows:

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
<b>Principal debt:</b>		
Commercial paper, at a weighted-average interest rate of 3.45% at fiscal year end 2022	\$ 370	\$ —
3.50% senior notes due 2022	—	500
1.10% euro-denominated senior notes due 2023	538	644
3.45% senior notes due 2024	350	350
0.00% euro-denominated senior notes due 2025	538	644
3.70% senior notes due 2026	350	350
3.125% senior notes due 2027	400	400
0.00% euro-denominated senior notes due 2029	538	644
2.50% senior notes due in 2032	600	—
7.125% senior notes due 2037	477	477
Other	83	110
	<u>4,244</u>	<u>4,119</u>
Unamortized discounts, premiums, and debt issuance costs, net	(38)	(29)
Effects of fair value hedge-designated interest rate swap contracts	—	2
<b>Total debt</b>	<u>\$ 4,206</u>	<u>\$ 4,092</u>

During fiscal 2022, Tyco Electronics Group S.A. (“TEGSA”), our wholly-owned subsidiary, issued \$600 million aggregate principal amount of 2.50% senior notes due in February 2032. 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 June 2026 and total commitments of \$1.5 billion. The Credit Facility contains provisions that allow for incremental commitments of up to \$500 million, an option to temporarily increase the financial ratio covenant following a qualified acquisition, and borrowings in designated currencies. TEGSA had no borrowings under the Credit Facility at fiscal year end 2022 or 2021.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) the term secured overnight financing rate (“Term SOFR”) (as defined in the Credit Facility), (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 1/2 of 1%, and (iii) the Term SOFR for a one-month interest period plus 1%, (3) an alternative currency daily rate, or (4) an alternative currency term rate, 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. Based on the applicable credit ratings of TEGSA, this fee ranges from 5.0 to 12.5 basis points of the lenders’ commitments under the Credit Facility.

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 on an unsecured basis by its parent, TE Connectivity Ltd.



**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At fiscal year end 2022, principal payments required for debt are as follows:

	<u>(in millions)</u>
Fiscal 2023	\$ 914
Fiscal 2024	352
Fiscal 2025	540
Fiscal 2026	351
Fiscal 2027	401
Thereafter	1,686
<b>Total</b>	<b>\$ 4,244</b>

The fair value of our debt, based on indicative valuations, was approximately \$3,990 million and \$4,465 million at fiscal year end 2022 and 2021, respectively.

**11. Leases**

The components of lease cost were as follows:

	<u>Fiscal</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<u>(in millions)</u>		
Operating lease cost	\$ 131	\$ 120	\$ 108
Variable lease cost	52	49	49
<b>Total lease cost</b>	<b>\$ 183</b>	<b>\$ 169</b>	<b>\$ 157</b>

Amounts recognized on the Consolidated Balance Sheets were as follows:

	<u>Fiscal Year End</u>	
	<u>2022</u>	<u>2021</u>
	<u>(\$ in millions)</u>	
Operating lease ROU assets:		
Other assets	\$ 424	\$ 444
Operating lease liabilities:		
Accrued and other current liabilities	\$ 126	\$ 118
Other liabilities	308	334
<b>Total operating lease liabilities</b>	<b>\$ 434</b>	<b>\$ 452</b>
Weighted-average remaining lease term (in years)	5.3	5.2
Weighted-average discount rate	2.0 %	1.2 %

Cash flow information, including significant non-cash transactions, related to leases was as follows:

	<u>Fiscal</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<u>(in millions)</u>		
Cash paid for amounts included in the measurement of lease liabilities:			
Payments for operating leases <sup>(1)</sup>	\$ 122	\$ 123	\$ 108
ROU assets, including modifications of existing leases, obtained in exchange for operating lease liabilities	135	123	28

(1) These payments are included in cash flows from continuing operating activities, primarily in changes in accrued and other current liabilities.

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At fiscal year end 2022, the maturities of operating lease liabilities were as follows:

	<u>(in millions)</u>
Fiscal 2023	\$ 126
Fiscal 2024	104
Fiscal 2025	81
Fiscal 2026	52
Fiscal 2027	29
Thereafter	68
Total lease payments	460
Less: interest	(26)
Present value of lease liabilities	<u>\$ 434</u>

## 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.

### Trade Compliance Matters

We have been investigating our past compliance with relevant U.S. trade controls and have made voluntary disclosures of apparent trade controls violations to the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and the U.S. State Department's Directorate of Defense Trade Controls ("DDTC"). We are cooperating with the BIS and DDTC on these matters, and the resulting investigations by the agencies remain ongoing. We have also been contacted by the U.S. Department of Justice concerning aspects of these matters. We are unable to predict the timing and final outcome of the agencies' investigations. An unfavorable outcome may include fines or penalties imposed in response to our disclosures, but we are not yet able to reasonably estimate the extent of any such fines or penalties. Although we have reserved for potential fines and penalties relating to these matters based on our current understanding of the facts, the investigations into these matters have yet to be completed and the final outcome of such investigations and related fines and penalties may differ from amounts currently reserved.

### 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 2022, we concluded that we would incur investigation and remediation costs at these sites in the reasonably possible range of \$17 million to \$44 million, and we accrued \$20 million as the probable loss, which was the best estimate within this range. 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.

### 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.

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At fiscal year end 2022, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$127 million, excluding those related to our former Subsea Communications (“SubCom”) business which are discussed below.

During fiscal 2019, we sold our SubCom business. In connection with the sale, we contractually agreed to continue to honor performance guarantees and letters of credit related to the SubCom business’ projects that existed as of the date of sale. These performance guarantees and letters of credit had a combined value of approximately \$115 million as of fiscal year end 2022 and are expected to expire at various dates through fiscal 2027. We have contractual recourse against the SubCom business if we are required to perform on any SubCom guarantees; however, based on historical experience, we do not anticipate having to perform.

#### 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.

##### Foreign Currency Exchange Rate Risk

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts and foreign currency forward 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, which were designated as cash flow hedges, to reduce our exposure to foreign currency exchange rate risk associated with certain intercompany loans. The aggregate notional value of these contracts was €700 million at fiscal year end 2021. During fiscal 2022, certain contracts were terminated and the remaining contracts matured. Under the terms of the contracts that matured in fiscal 2022, we made interest payments in euros at 3.50% per annum and received interest in U.S. dollars at a weighted-average rate of 5.26% per annum. Upon maturity, we paid the notional value of the remaining contracts in euros and received U.S. dollars from our counterparties. In connection with the cross-currency swap contracts, both counterparties to each contract were required to provide cash collateral. As of fiscal year end 2022, all collateral positions related to these cross-currency swap contracts were settled.

At fiscal year end 2021, these cross-currency swap contracts were recorded on the Consolidated Balance Sheet as follows; there were no such balances at fiscal year end 2022:

	Fiscal Year End 2021
	(in millions)
Other liabilities	\$ 20

At fiscal year end 2021, collateral received from or paid to our counterparties approximated the net derivative position. Collateral was recorded in accrued and other current liabilities when the contracts were in a net asset position, or prepaid expenses and other current assets when the contracts were in a net liability position on the Consolidated Balance Sheets. The impacts of these cross-currency swap contracts were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Gains (losses) recorded in other comprehensive income (loss)	\$ (7)	\$ (6)	\$ 28
Gains (losses) excluded from the hedging relationship <sup>(1)</sup>	70	(6)	(48)
Gains reclassified from other comprehensive income (loss) into selling, general, and administrative expenses	2	—	—

(1) Gains and losses excluded from the hedging relationship are recognized prospectively in selling, general, and administrative expenses and are offset by losses and gains generated as a result of re-measuring certain intercompany loans to the U.S. dollar.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Hedge of Net Investment**

We hedge our net investment in certain foreign operations using intercompany loans and external borrowings denominated in the same currencies. The aggregate notional value of these hedges was \$1,658 million and \$3,798 million at fiscal year end 2022 and 2021, respectively.

We also use a cross-currency swap program to hedge our net investment in certain foreign operations. The aggregate notional value of the contracts under this program was \$1,873 million and \$1,430 million at fiscal year end 2022 and 2021, respectively. Under the terms of these contracts, we receive interest in U.S. dollars at a weighted-average rate of 1.57% per annum and pay no interest. Upon the maturity of these contracts at various dates through fiscal 2026, we will pay the notional value of the contracts in the designated foreign currency and receive U.S. dollars from our counterparties. We are not required to provide collateral for these contracts.

These cross-currency swap contracts were recorded on the Consolidated Balance Sheets as follows:

	Fiscal Year End	
	2022	2021
	(in millions)	
Prepaid expenses and other current assets	\$ 55	\$ 3
Other assets	172	18
Accrued and other current liabilities	—	13
Other liabilities	—	18

The impacts of our hedge of net investment programs were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Foreign currency exchange gains (losses) on intercompany loans and external borrowings <sup>(1)</sup>	\$ 516	\$ (12)	\$ (172)
Gains (losses) on cross-currency swap contracts designated as hedges of net investment <sup>(1)</sup>	265	(22)	(69)

(1) Recorded as currency translation, a component of accumulated other comprehensive income (loss).

**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 swap contracts to convert a portion of fixed rate debt into variable rate debt. We may use forward starting interest rate swap contracts to manage interest rate exposure in periods prior to the anticipated issuance of fixed rate debt. During fiscal 2022, we terminated forward starting interest rate swap contracts with an aggregate notional value of \$450 million as a result of the issuance of our 2.50% senior notes due in 2032. At fiscal year end 2021, these forward starting interest rate swap contracts were recorded on the Consolidated Balance Sheet as follows; there were no such balances at fiscal year end 2022:

	Fiscal Year End
	2021
	(in millions)
Prepaid expenses and other current assets	\$ 7
Accrued and other current liabilities	38

The impacts of these forward starting interest rate swap contracts were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Gains (losses) recorded in other comprehensive income (loss)	\$ 13	\$ 33	\$ (30)

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

We also utilize investment swap contracts 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. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in prices of commodities used in production. These contracts had an aggregate notional value of \$566 million and \$512 million at fiscal year end 2022 and 2021, respectively, and were designated as cash flow hedges. These commodity swap contracts were recorded on the Consolidated Balance Sheets as follows:

	Fiscal Year End	
	2022	2021
	(in millions)	
Prepaid expenses and other current assets	\$ 2	\$ 23
Accrued and other current liabilities	77	18
Other liabilities	7	4

The impacts of these commodity swap contracts were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Gains (losses) recorded in other comprehensive income (loss)	\$ (86)	\$ 58	\$ 60
Gains reclassified from accumulated other comprehensive income (loss) into cost of sales	22	92	11

We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with 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 marketable securities and derivative instruments not discussed above, were immaterial at fiscal year end 2022 and 2021.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement Plans

Defined Benefit Pension Plans

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

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

	Non-U.S. Plans			U.S. Plans		
	Fiscal			Fiscal		
	2022	2021	2020	2022	2021	2020
	(\$ in millions)					
Operating expense:						
Service cost	\$ 38	\$ 48	\$ 52	\$ 8	\$ 12	\$ 10
Other (income) expense:						
Interest cost	32	30	25	26	30	36
Expected returns on plan assets	(55)	(57)	(61)	(47)	(52)	(59)
Amortization of net actuarial loss	24	32	41	3	9	9
Amortization of prior service credit	(5)	(6)	(6)	—	—	—
Settlement and curtailment losses (gains)	(3)	(2)	—	—	28	—
Net periodic pension benefit cost (credit)	<u>\$ 31</u>	<u>\$ 45</u>	<u>\$ 51</u>	<u>\$ (10)</u>	<u>\$ 27</u>	<u>\$ (4)</u>
<i>Weighted-average assumptions used to determine net pension benefit cost (credit) during the fiscal year:</i>						
Discount rate	1.37 %	1.13 %	1.01 %	2.84 %	2.57 %	3.14 %
Expected returns on plan assets	3.77 %	3.65 %	4.07 %	5.90 %	5.60 %	6.50 %
Rates of compensation increases	2.53 %	2.50 %	2.53 %	— %	— %	— %

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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 non-U.S. and U.S. defined benefit pension plans:

	Non-U.S. Plans		U.S. Plans	
	Fiscal		Fiscal	
	2022	2021	2022	2021
	(\$ in millions)			
<i>Change in benefit obligation:</i>				
Benefit obligation at beginning of fiscal year	\$ 2,520	\$ 2,519	\$ 952	\$ 1,219
Service cost	38	48	8	12
Interest cost	32	30	26	30
Actuarial (gains) losses	(660)	6	(204)	(46)
Benefits and administrative expenses paid	(82)	(85)	(65)	(80)
Settlements and curtailments	(10)	(67)	—	(183)
Currency translation	(353)	63	—	—
Other	17	6	—	—
Benefit obligation at end of fiscal year	<u>1,502</u>	<u>2,520</u>	<u>717</u>	<u>952</u>
<i>Change in plan assets:</i>				
Fair value of plan assets at beginning of fiscal year	1,582	1,537	833	968
Actual returns on plan assets	(320)	81	(158)	110
Employer contributions	40	43	2	18
Benefits and administrative expenses paid	(82)	(85)	(65)	(80)
Settlements	(10)	(52)	—	(183)
Currency translation	(235)	54	—	—
Other	14	4	—	—
Fair value of plan assets at end of fiscal year	<u>989</u>	<u>1,582</u>	<u>612</u>	<u>833</u>
Funded status	<u>\$ (513)</u>	<u>\$ (938)</u>	<u>\$ (105)</u>	<u>\$ (119)</u>
<i>Amounts recognized on the Consolidated Balance Sheets:</i>				
Other assets	\$ 92	\$ 102	\$ —	\$ —
Accrued and other current liabilities	(25)	(30)	(4)	(4)
Long-term pension and postretirement liabilities	(580)	(1,010)	(101)	(115)
Net amount recognized	<u>\$ (513)</u>	<u>\$ (938)</u>	<u>\$ (105)</u>	<u>\$ (119)</u>
<i>Pre-tax amounts included in accumulated other comprehensive income (loss) which have not yet been recognized in net periodic pension benefit cost:</i>				
Net actuarial loss	\$ (176)	\$ (547)	\$ (149)	\$ (151)
Prior service (cost) credit	16	26	(1)	(1)
Total	<u>\$ (160)</u>	<u>\$ (521)</u>	<u>\$ (150)</u>	<u>\$ (152)</u>
<i>Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:</i>				
Discount rate	3.80 %	1.37 %	5.53 %	2.84 %
Rates of compensation increases	2.62 %	2.53 %	— %	— %

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

	<u>Non-U.S. Plans</u>		<u>U.S. Plans</u>	
	<u>Fiscal</u>		<u>Fiscal</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(in millions)			
Current year net actuarial gain (loss) recorded in accumulated other comprehensive income (loss)	\$ 350	\$ 16	\$ (1)	\$ 103
Amortization of net actuarial loss <sup>(1)</sup>	21	34	3	37
Current year prior service cost recorded in accumulated other comprehensive income (loss)	(5)	(1)	—	—
Amortization of prior service (credit) cost <sup>(1)</sup>	(5)	(10)	—	1
	<u>\$ 361</u>	<u>\$ 39</u>	<u>\$ 2</u>	<u>\$ 141</u>

(1) Includes amounts reflected as settlement and curtailment losses (gains) in the above net periodic pension benefit cost (credit) table.

As part of our continued effort to manage U.S. pension plan obligations, during fiscal 2021, we transferred approximately \$190 million of U.S. pension plan liabilities to an insurance company through the purchase of a group annuity contract funded by a transfer of plan assets totaling approximately \$180 million. As a result of this transaction, we recognized a settlement charge of \$28 million, which was recorded in net other income (expense) on the Consolidated Statement of Operations.

In fiscal 2022, unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) were primarily the result of higher discount rates, partially offset by unfavorable asset performance, for our non-U.S. defined benefit pension plans as compared to fiscal 2021. In fiscal 2021, unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) were primarily the result of favorable asset performance and higher discount rates for our non-U.S. and U.S. defined benefit pension plans as compared to fiscal 2020.

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

The investment strategies for non-U.S. and 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.

At fiscal year end 2022, the long-term target asset allocation in our U.S. plans' master trust is 25% return-seeking assets and 75% liability-hedging assets. Return-seeking assets, including non-U.S. and U.S. equity securities, are assets intended to generate returns in excess of pension liability growth. Liability-hedging assets, including government and corporate bonds, are assets intended to have characteristics similar to pension liabilities and are used to better match asset cash flows with expected obligation cash flows. 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 110%. Based on the funded status of the plans as of fiscal year end 2022, our target asset allocation is 67% return-seeking and 33% liability-hedging.



**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

Asset category:	Non-U.S. Plans			U.S. Plans		
		Fiscal	Fiscal		Fiscal	Fiscal
	Target	Year End 2022	Year End 2021	Target	Year End 2022	Year End 2021
Equity securities	29 %	22 %	35 %	67 %	48 %	51 %
Fixed income	37	63	48	33	52	49
Other	34	15	17	—	—	—
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 \$39 million and \$4 million to our non-U.S. and U.S. pension plans, respectively, in fiscal 2023. We may also make voluntary contributions at our discretion.

At fiscal year end 2022, benefit payments, which reflect future expected service, as appropriate, are expected to be paid as follows:

	Non-U.S. Plans	U.S. Plans
	(in millions)	
Fiscal 2023	\$ 78	\$ 63
Fiscal 2024	96	60
Fiscal 2025	75	60
Fiscal 2026	79	60
Fiscal 2027	82	59
Fiscal 2028-2032	475	281

Presented below is the accumulated benefit obligation for all non-U.S. and 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.

	Non-U.S. Plans		U.S. Plans	
	Fiscal Year End		Fiscal Year End	
	2022	2021	2022	2021
	(in millions)			
Accumulated benefit obligation	\$ 1,434	\$ 2,410	\$ 717	\$ 952
Pension plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	598	1,027	717	918
Fair value of plan assets	43	75	612	798
Pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	689	1,166	717	918
Fair value of plan assets	84	128	612	798

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2022							
	Non-U.S. Plans				U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Equity:								
Commingled equity funds <sup>(1)</sup>	\$ —	\$ 159	\$ —	\$ 159	\$ —	\$ 161	\$ —	\$ 161
Fixed income:								
Government and corporate bonds <sup>(2)</sup>	—	6	—	6	—	—	—	—
Commingled fixed income funds <sup>(3)</sup>	—	534	—	534	—	306	—	306
Other <sup>(4)</sup>	—	141	—	141	—	14	—	14
Subtotal	<u>\$ —</u>	<u>\$ 840</u>	<u>\$ —</u>	<u>840</u>	<u>\$ —</u>	<u>\$ 481</u>	<u>\$ —</u>	<u>481</u>
Items to reconcile to fair value of plan assets <sup>(5)</sup>				149				131
Fair value of plan assets				<u>\$ 989</u>				<u>\$ 612</u>

	Fiscal Year End 2021							
	Non-U.S. Plans				U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Equity:								
Commingled equity funds <sup>(1)</sup>	\$ —	\$ 220	\$ —	\$ 220	\$ —	\$ 280	\$ —	\$ 280
Fixed income:								
Government and corporate bonds <sup>(2)</sup>	—	6	—	6	—	—	—	—
Commingled fixed income funds <sup>(3)</sup>	—	1,101	—	1,101	—	392	—	392
Other <sup>(4)</sup>	—	178	—	178	—	23	—	23
Subtotal	<u>\$ —</u>	<u>\$ 1,505</u>	<u>\$ —</u>	<u>1,505</u>	<u>\$ —</u>	<u>\$ 695</u>	<u>\$ —</u>	<u>695</u>
Items to reconcile to fair value of plan assets <sup>(5)</sup>				77				138
Fair value of plan assets				<u>\$ 1,582</u>				<u>\$ 833</u>

- (1) 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.
- (2) Government and 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.
- (3) Commingled fixed income funds are pooled investments in multiple fixed income-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.
- (4) 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).
- (5) Items to reconcile to fair value of plan assets include certain investments containing no significant redemption restrictions that were measured at net asset value ("NAV") using the NAV practical expedient available in ASC 820 and amounts receivable or payable for unsettled transactions and cash balances, both of which are considered to be carried at book value.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**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 \$59 million, \$60 million, and \$60 million for fiscal 2022, 2021, and 2020, 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 several funds in our 401(k) plans and the account balance fluctuates with the investment returns on those funds. At fiscal year end 2022 and 2021, total deferred compensation liabilities were \$206 million and \$263 million, respectively, and were recorded in other liabilities on the Consolidated Balance Sheets. 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 or lifetime, as applicable. The accumulated postretirement benefit obligation was \$13 million and \$16 million at fiscal year end 2022 and 2021, 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. Activity during fiscal 2022, 2021, and 2020 was not significant.

**15. Income Taxes**

**Income Tax Expense**

Significant components of the income tax expense were as follows:

	<u>2022</u>	<u>Fiscal 2021</u>	<u>2020</u>
	(in millions)		
Current income tax expense (benefit):			
U.S. Federal	\$ 20	\$ 3	\$ 9
U.S. State	(19)	12	(23)
Non-U.S.	452	462	262
	<u>453</u>	<u>477</u>	<u>248</u>
Deferred income tax expense (benefit):			
U.S. Federal	(90)	(24)	(16)
U.S. State	—	(15)	(10)
Non-U.S.	(57)	(315)	561
	<u>(147)</u>	<u>(354)</u>	<u>535</u>
Income tax expense	<u>\$ 306</u>	<u>\$ 123</u>	<u>\$ 783</u>

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

	<u>2022</u>	<u>Fiscal 2021</u>	<u>2020</u>
	(in millions)		
U.S.	\$ (4)	\$ (336)	\$ (1,053)
Non-U.S.	<u>2,737</u>	<u>2,714</u>	<u>1,577</u>
Income from continuing operations before income taxes	<u>\$ 2,733</u>	<u>\$ 2,378</u>	<u>\$ 524</u>

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

	Fiscal		
	2022	2021	2020
	(in millions)		
Notional U.S. federal income tax expense at the statutory rate <sup>(1)</sup>	\$ 574	\$ 499	\$ 110
Adjustments to reconcile to the income tax expense:			
U.S. state income tax benefit, net	(15)	(2)	(26)
Tax law changes	21	12	349
Tax credits	(13)	(13)	(13)
Non-U.S. net earnings <sup>(2)</sup>	(105)	(71)	(88)
Change in accrued income tax liabilities	(14)	37	30
Valuation allowance	(37)	(353)	231
Legal entity restructurings and intercompany transactions	(123)	19	—
Divestitures and goodwill impairments	—	—	185
Excess tax benefits from share-based payments	(15)	(21)	(6)
Other	33	16	11
Income tax expense	<u>\$ 306</u>	<u>\$ 123</u>	<u>\$ 783</u>

(1) The U.S. federal statutory rate was 21% for fiscal 2022, 2021, and 2020.

(2) Excludes items which are separately presented.

The income tax expense for fiscal 2022 included a \$124 million income tax benefit related to the tax impacts of certain intercompany transactions, a \$64 million income tax benefit related primarily to a lapse of a statute of limitation, and a \$51 million income tax benefit related to the release of a valuation allowance associated primarily with improved current and expected future operating profit and taxable income. In addition, the income tax expense for fiscal 2022 included \$27 million of income tax expense related to the write-down of certain deferred tax assets to the lower corporate tax rate enacted in the canton of Schaffhausen and \$12 million of income tax expense related to an income tax audit of an acquired entity. As we are entitled to indemnification of pre-acquisition period tax obligations under the terms of the purchase agreement, we recorded an associated indemnification receivable and other income of \$11 million during fiscal 2022.

The income tax expense for fiscal 2021 included a \$353 million income tax benefit related to changes in valuation allowances, of which \$327 million related to the net reduction in valuation allowances associated primarily with certain tax planning actions as well as improved current and expected future operating profit and taxable income. In addition, the income tax expense for fiscal 2021 included a \$29 million income tax benefit related to an Internal Revenue Service approved change in the tax method of depreciating or amortizing certain assets and \$23 million of income tax expense associated with the tax impacts of an intercompany transaction.

The income tax expense for fiscal 2020 included \$355 million of income tax expense related to the tax impacts of certain measures of the Switzerland Federal Act on Tax Reform and AHV Financing (“Swiss Tax Reform”) and an income tax benefit of \$31 million related to pre-separation tax matters and the termination of the Tax Sharing Agreement. See “Swiss Tax Reform” and “Tax Sharing Agreement” below for additional information. In addition, the income tax expense for fiscal 2020 included \$226 million of income tax expense related to increases to the valuation allowance for certain deferred tax assets, related primarily to the COVID-19 pandemic. As a result of the pandemic and its negative impact on our current and expected operating profit and taxable income, we believed it was more likely than not that a portion of our deferred tax assets would not be realized. The pre-tax goodwill impairment charge of \$900 million recorded during fiscal 2020 resulted in a tax benefit of \$4 million as the associated goodwill was primarily not deductible for income tax purposes. See Note 7 for additional information regarding the impairment of goodwill.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**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:

	<b>Fiscal Year End</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
<b>Deferred tax assets:</b>		
Accrued liabilities and reserves	\$ 317	\$ 313
Tax loss and credit carryforwards	8,288	3,836
Inventories	62	46
Intangible assets	563	535
Pension and postretirement benefits	71	177
Deferred revenue	1	7
Interest	406	310
Unrecognized income tax benefits	1	4
Lease liabilities	81	94
Other	1	9
Gross deferred tax assets	<u>9,791</u>	<u>5,331</u>
Valuation allowance	<u>(7,112)</u>	<u>(2,729)</u>
Deferred tax assets, net of valuation allowance	<u>2,679</u>	<u>2,602</u>
<b>Deferred tax liabilities:</b>		
Property, plant, and equipment	(101)	(97)
Write-down of investments in subsidiaries	(125)	(2)
Lease ROU assets	(79)	(92)
Other	(120)	(93)
Total deferred tax liabilities	<u>(425)</u>	<u>(284)</u>
Net deferred tax assets	<u>\$ 2,254</u>	<u>\$ 2,318</u>

Our tax loss and credit carryforwards (tax effected) at fiscal year end 2022 were as follows:

	<b>Expiration Period</b>			<b>Total</b>
	<b>Through Fiscal 2027</b>	<b>Fiscal 2028 Through Fiscal 2042</b>	<b>No Expiration</b>	
	<b>(in millions)</b>			
<b>U.S. Federal:</b>				
Net operating loss carryforwards	\$ 30	\$ 426	\$ 55	\$ 511
Tax credit carryforwards	53	110	—	163
<b>U.S. State:</b>				
Net operating loss carryforwards	52	19	4	75
Tax credit carryforwards	11	—	6	17
<b>Non-U.S.:</b>				
Net operating loss carryforwards	107	5,934	1,443	7,484
Tax credit carryforwards	—	—	1	1
Capital loss carryforwards	3	—	34	37
Total tax loss and credit carryforwards	<u>\$ 256</u>	<u>\$ 6,489</u>	<u>\$ 1,543</u>	<u>\$ 8,288</u>

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The valuation allowance for deferred tax assets of \$7,112 million and \$2,729 million at fiscal year end 2022 and 2021, respectively, related principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss and credit carryforwards in various jurisdictions. During fiscal 2022, the valuation allowance increased primarily as a result of \$4,464 million (tax effected) net write-downs of investments in subsidiaries in certain jurisdictions, with a corresponding increase to tax loss and credit carryforwards. 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 2022, certain subsidiaries had approximately \$33.6 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of fiscal year end 2022, we had approximately \$7.0 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 an immaterial amount 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**

The following table summarizes the activity related to unrecognized income tax benefits:

	<b>Fiscal</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>(in millions)</b>		
Balance at beginning of fiscal year	\$ 359	\$ 414	\$ 542
Additions for tax positions related to prior years	10	14	29
Reductions for tax positions related to prior years	(17)	(77)	(87)
Additions for tax positions related to the current year	37	50	39
Current year acquisitions	—	4	—
Settlements	(2)	(9)	(12)
Reductions due to lapse of applicable statutes of limitations	(100)	(37)	(97)
Balance at end of fiscal year	<u>\$ 287</u>	<u>\$ 359</u>	<u>\$ 414</u>

The total amount of unrecognized tax benefits that, if recognized, would reduce income tax expense and the effective tax rate were \$272 million, \$378 million, and \$393 million at fiscal year end 2022, 2021, and 2020, respectively.

We record accrued interest and penalties related to uncertain tax positions as part of income tax expense (benefit). As of fiscal year end 2022 and 2021, we had \$54 million and \$53 million, respectively, of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheets, recorded primarily in income taxes. During fiscal 2022, 2021, and 2020, we recognized income tax expense of \$3 million, expense of \$12 million, and benefits of \$1 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.

## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

As of fiscal year end 2022, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

<u>Jurisdiction</u>	<u>Open Years</u>
Brazil	2017 through 2022
China	2012 through 2022
Czech Republic	2017 through 2022
France	2019 through 2022
Germany	2012 through 2022
Hong Kong	2016 through 2022
India	2012 through 2022
Ireland	2017 through 2022
Italy	2017 through 2022
Japan	2016 through 2022
Luxembourg	2017 through 2022
Mexico	2017 through 2022
Singapore	2017 through 2022
South Korea	2017 through 2022
Spain	2018 through 2022
Switzerland	2017 through 2022
Thailand	2020 through 2022
United Kingdom	2020 through 2022
U.S.—federal	2019 through 2022

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 \$20 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 2022.

#### **Other Income Tax Matters**

##### *Swiss Tax Reform*

In September 2018, Swiss Parliament approved the Federal Act on Tax Reform and AHV Financing, which was approved by public vote in May 2019. Swiss Tax Reform eliminated certain preferential tax items and implemented new tax rates at both the federal and cantonal levels.

The federal provisions of Swiss Tax Reform were enacted into law in fiscal 2019 and became effective in January 2020. Additionally, in fiscal 2019, the federal tax authority issued guidance abolishing certain interest deductions which became effective in January 2020.

In October 2019, the canton of Schaffhausen enacted Swiss Tax Reform into law, including reductions in tax rates. Consequently, during fiscal 2020, we recognized \$355 million of income tax expense related primarily to cantonal implementation and the resulting write-down of certain deferred tax assets to the lower tax rates.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

***Tax Sharing Agreement***

Upon our separation from Tyco International plc in fiscal 2007, we entered into a Tax Sharing Agreement with Tyco International plc (now part of Johnson Controls International plc) and Covidien plc (now part of Medtronic plc) under which we shared certain income tax liabilities for periods prior to and including June 29, 2007. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications.

In fiscal 2020, we, Johnson Controls International plc, and Medtronic plc entered into an agreement to terminate the Tax Sharing Agreement. We believe that substantially all income tax matters that may be subject to the Tax Sharing Agreement have been settled with tax authorities and we do not expect any remaining tax matters to have a material effect on our results of operations, financial position, or cash flows. Accordingly, during fiscal 2020, we recognized an income tax benefit of \$31 million and net other income of \$8 million representing settlement of the remaining shared pre-separation income tax matters and indemnification balances.

**16. Earnings (Loss) Per Share**

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

	Fiscal		
	2022	2021	2020
	(in millions)		
Basic	323	330	332
Dilutive impact of share-based compensation arrangements	2	3	—
Diluted	325	333	332

For fiscal 2020, there were two million nonvested share awards and options outstanding with underlying exercise prices less than the average market prices of our common shares; however, these were excluded from the calculation of diluted loss per share as inclusion would be antidilutive as a result of our loss during the period.

The following share options were not included in the computation of diluted earnings (loss) per share because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive:

	Fiscal		
	2022	2021	2020
	(in millions)		
Antidilutive share options	1	—	3



## TE CONNECTIVITY LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 17. 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. The par value of our common shares is stated in Swiss francs ("CHF"); however, we use the U.S. dollar 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. Until recently, Swiss law provided for the option to create authorized share capital that could be issued by the board of directors, but this authorization was limited to authorized share capital up to 50% of the existing registered shares with the authorization valid for a maximum of two years. Such authorization period under our articles of association ended on March 11, 2022. As part of the Swiss corporate law reform, effective as of January 1, 2023, the concept of authorized share capital will be replaced by a capital band. Under a capital band, the articles of association may authorize the board of directors for a maximum period of five years to increase the ordinary share capital registered in the commercial register to a maximum of 150% and/or reduce it to a minimum of 50% of the share capital existing at the time of the introduction of the capital band. Our articles of association do not currently provide for a capital band.

##### Common Shares Held in Treasury

At fiscal year end 2022, approximately 13 million common shares were held in treasury, of which 5 million were owned by one of our subsidiaries. At fiscal year end 2021, approximately 9 million common shares were held in treasury, of which 4 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 2022, 2021, and 2020, our shareholders approved the cancellation of 5 million, 3 million, and 12 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

As a result of cumulative equity transactions, including dividend activity and treasury share cancellations, our contributed surplus balance was reduced 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 2022 and 2021, Swiss Contributed Surplus was CHF 4,239 million and CHF 4,902 million, respectively (equivalent to \$3,191 million and \$3,905 million, respectively).

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Dividends**

We paid cash dividends to shareholders of \$2.12, \$1.96, and \$1.88 per share in fiscal 2022, 2021, and 2020, respectively.

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.

Our shareholders approved the following dividends on our common shares:

<u>Approval Date</u>	<u>Annual Payment Per Share</u>	<u>Payment Timing</u>
March 2019	\$1.84, payable in four quarterly installments of \$0.46	Third quarter of fiscal 2019 Fourth quarter of fiscal 2019 First quarter of fiscal 2020 Second quarter of fiscal 2020
March 2020	\$1.92, payable in four quarterly installments of \$0.48	Third quarter of fiscal 2020 Fourth quarter of fiscal 2020 First quarter of fiscal 2021 Second quarter of fiscal 2021
March 2021	\$2.00, payable in four quarterly installments of \$0.50	Third quarter of fiscal 2021 Fourth quarter of fiscal 2021 First quarter of fiscal 2022 Second quarter of fiscal 2022
March 2022	\$2.24, payable in four quarterly installments of \$0.56	Third quarter of fiscal 2022 Fourth quarter of fiscal 2022 First quarter of fiscal 2023 Second quarter of fiscal 2023

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to shareholders' equity. At fiscal year end 2022 and 2021, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled \$356 million and \$327 million, respectively.

**Share Repurchase Program**

In both fiscal 2022 and 2021, our board of directors authorized increases of \$1.5 billion in our share repurchase program. Common shares repurchased under the share repurchase program were as follows:

	<u>Fiscal</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(in millions)		
Number of common shares repurchased	10	7	6
Repurchase value	\$ 1,409	\$ 904	\$ 505

At fiscal year end 2022, we had \$1.7 billion of availability remaining under our share repurchase authorization.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**18. Accumulated Other Comprehensive Income (Loss)**

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

	Foreign Currency Translation Adjustments <sup>(1)</sup>	Unrecognized Pension and Postretirement Benefit Costs	Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
(in millions)				
Balance at fiscal year end 2019	\$ 188	\$ (647)	\$ (44)	\$ (503)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(11)	8	58	55
Amounts reclassified from accumulated other comprehensive income (loss)	—	44	(13)	31
Income tax expense	—	(18)	(5)	(23)
Other comprehensive income (loss), net of tax	(11)	34	40	63
Less: other comprehensive income attributable to noncontrolling interests	(5)	—	—	(5)
Balance at fiscal year end 2020	\$ 172	\$ (613)	\$ (4)	\$ (445)
Other comprehensive income (loss), net of tax:				
Other comprehensive income before reclassifications	144	120	84	348
Amounts reclassified from accumulated other comprehensive income (loss)	—	62	(92)	(30)
Income tax (expense) benefit	—	(44)	5	(39)
Other comprehensive income (loss), net of tax	144	138	(3)	279
Less: other comprehensive income attributable to noncontrolling interests	(2)	—	—	(2)
Balance at fiscal year end 2021	\$ 314	\$ (475)	\$ (7)	\$ (168)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(510)	344	(76)	(242)
Amounts reclassified from accumulated other comprehensive income (loss)	—	19	(26)	(7)
Income tax (expense) benefit	—	(104)	7	(97)
Other comprehensive income (loss), net of tax	(510)	259	(95)	(346)
Less: other comprehensive loss attributable to noncontrolling interests	19	—	—	19
Balance at fiscal year end 2022	\$ (177)	\$ (216)	\$ (102)	\$ (495)

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

**19. Share Plans**

Our equity compensation plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of September 17, 2020 (the “2007 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. As of fiscal year end 2022, the 2007 Plan provided for a maximum of 70 million shares to be issued as Awards, subject to adjustment as provided under the terms of the plan. A total of 11 million shares remained available for issuance under the 2007 Plan as of fiscal year end 2022.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Share-Based Compensation Expense**

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

	Fiscal		
	2022	2021	2020
	(in millions)		
Share-based compensation expense	\$ 119	\$ 94	\$ 74

We recognized a related tax benefit associated with our share-based compensation arrangements of \$24 million, \$19 million, and \$15 million in fiscal 2022, 2021, and 2020, 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, all or 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 of our board of directors.

Restricted share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at fiscal year end 2021	1,316,645	\$ 96.03
Granted	720,801	150.99
Vested	(484,884)	91.35
Forfeited	(131,956)	116.72
Nonvested at fiscal year end 2022	1,420,606	\$ 123.25

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2022, 2021, and 2020 was \$150.99, \$112.54, and \$92.94, respectively.

The total fair value of restricted share awards that vested during fiscal 2022, 2021, and 2020 was \$44 million, \$43 million, and \$44 million, respectively.

As of fiscal year end 2022, there was \$88 million of unrecognized compensation expense related to nonvested restricted share awards, which 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 of our board of directors.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Performance share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at fiscal year end 2021	526,071	\$ 88.99
Granted	139,037	157.56
Vested	(160,673)	72.85
Forfeited	(35,002)	78.18
Outstanding at fiscal year end 2022	<u>469,433</u>	\$ 114.88

The weighted-average grant-date fair value of performance share awards granted during fiscal 2022, 2021, and 2020 was \$157.56, \$105.86, and \$83.30, respectively.

The total fair value of performance share awards that vested during fiscal 2022, 2021, and 2020 was \$12 million, \$10 million, and \$20 million, respectively.

As of fiscal year end 2022, there was \$17 million of unrecognized compensation expense related to nonvested performance share awards, which 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, all or a portion of the award may vest, depending on the terms and conditions of the particular grant. Options generally vest and become exercisable in equal annual installments over a period of four years and expire ten years after the date of grant.

Share option award activity was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at fiscal year end 2021	5,348,944	\$ 88.00		
Granted	873,300	157.02		
Exercised	(683,871)	74.32		
Forfeited	(187,019)	111.14		
Outstanding at fiscal year end 2022	<u>5,351,354</u>	\$ 100.21	6.6	\$ 94
Vested and expected to vest at fiscal year end 2022	5,227,306	\$ 99.60	6.6	\$ 93
Exercisable at fiscal year end 2022	2,704,322	\$ 84.86	5.4	\$ 69

The weighted-average exercise price of share option awards granted during fiscal 2022, 2021, and 2020 was \$157.02, \$106.52, and \$93.39, respectively.

The total intrinsic value of options exercised during fiscal 2022, 2021, and 2020 was \$49 million, \$49 million, and \$39 million, respectively. We received cash related to the exercise of options of \$54 million, \$167 million, and \$55 million in fiscal 2022, 2021, and 2020, respectively.

As of fiscal year end 2022, there was \$32 million of unrecognized compensation expense related to nonvested share options granted under our share option plans, which is expected to be recognized over a weighted-average period of 1.5 years.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**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.

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:

	<b>Fiscal</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Weighted-average grant-date fair value	\$ 37.51	\$ 22.21	\$ 15.49
<b>Assumptions:</b>			
Expected share price volatility	29 %	28 %	21 %
Risk-free interest rate	1.2 %	0.5 %	1.7 %
Expected annual dividend per share	\$ 2.00	\$ 1.92	\$ 1.84
Expected life of options (in years)	5.1	5.4	5.1

**20. 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.

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 are not material. Corporate assets are allocated to the segments based on segment assets.

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Net sales by segment and industry end market<sup>(1)</sup> were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
<b>Transportation Solutions:</b>			
Automotive	\$ 6,527	\$ 6,379	\$ 4,903
Commercial transportation	1,582	1,467	1,051
Sensors	1,110	1,128	891
<b>Total Transportation Solutions</b>	<b>9,219</b>	<b>8,974</b>	<b>6,845</b>
<b>Industrial Solutions:</b>			
Industrial equipment	1,934	1,397	1,098
Aerospace, defense, and marine	1,087	1,035	1,201
Energy	804	738	717
Medical	695	674	697
<b>Total Industrial Solutions</b>	<b>4,520</b>	<b>3,844</b>	<b>3,713</b>
<b>Communications Solutions:</b>			
Data and devices	1,576	1,198	973
Appliances	966	907	641
<b>Total Communications Solutions</b>	<b>2,542</b>	<b>2,105</b>	<b>1,614</b>
<b>Total</b>	<b>\$ 16,281</b>	<b>\$ 14,923</b>	<b>\$ 12,172</b>

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

Net sales by geographic region and segment were as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
<b>Asia-Pacific:</b>			
Transportation Solutions	\$ 3,537	\$ 3,466	\$ 2,662
Industrial Solutions	843	703	604
Communications Solutions	1,391	1,205	980
<b>Total Asia-Pacific</b>	<b>5,771</b>	<b>5,374</b>	<b>4,246</b>
<b>Europe/Middle East/Africa (“EMEA”):</b>			
Transportation Solutions	3,490	3,570	2,625
Industrial Solutions	1,871	1,586	1,359
Communications Solutions	346	315	236
<b>Total EMEA</b>	<b>5,707</b>	<b>5,471</b>	<b>4,220</b>
<b>Americas:</b>			
Transportation Solutions	2,192	1,938	1,558
Industrial Solutions	1,806	1,555	1,750
Communications Solutions	805	585	398
<b>Total Americas</b>	<b>4,803</b>	<b>4,078</b>	<b>3,706</b>
<b>Total</b>	<b>\$ 16,281</b>	<b>\$ 14,923</b>	<b>\$ 12,172</b>

**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Operating income (loss) by segment was as follows:

	Fiscal		
	2022	2021	2020
	(in millions)		
Transportation Solutions	\$ 1,534	\$ 1,526	\$ (93)
Industrial Solutions	620	469	412
Communications Solutions	602	439	218
Total	<u>\$ 2,756</u>	<u>\$ 2,434</u>	<u>\$ 537</u>

No single customer accounted for a significant amount of our net sales in fiscal 2022, 2021, or 2020.

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

Depreciation and amortization and capital expenditures were as follows:

	Depreciation and Amortization			Capital Expenditures		
	Fiscal			Fiscal		
	2022	2021	2020	2022	2021	2020
	(in millions)					
Transportation Solutions	\$ 505	\$ 512	\$ 463	\$ 483	\$ 487	\$ 365
Industrial Solutions	194	189	184	153	121	139
Communications Solutions	86	68	64	132	82	56
Total	<u>\$ 785</u>	<u>\$ 769</u>	<u>\$ 711</u>	<u>\$ 768</u>	<u>\$ 690</u>	<u>\$ 560</u>

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

	Segment Assets		
	Fiscal Year End		
	2022	2021	2020
	(in millions)		
Transportation Solutions	\$ 5,530	\$ 5,791	\$ 4,973
Industrial Solutions	2,442	2,275	2,117
Communications Solutions	1,136	1,151	887
Total segment assets <sup>(1)</sup>	9,108	9,217	7,977
Other current assets	1,727	1,824	1,457
Other non-current assets	9,947	10,421	9,808
Total assets	<u>\$ 20,782</u>	<u>\$ 21,462</u>	<u>\$ 19,242</u>

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



**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

	Net Sales <sup>(1)</sup>			Property, Plant, and Equipment, Net		
	Fiscal			Fiscal Year End		
	2022	2021	2020	2022	2021	2020
	(in millions)					
<b>Asia-Pacific:</b>						
China	\$ 3,589	\$ 3,297	\$ 2,459	\$ 779	\$ 755	\$ 659
Other Asia-Pacific	2,182	2,077	1,787	296	377	418
Total Asia-Pacific	<u>5,771</u>	<u>5,374</u>	<u>4,246</u>	<u>1,075</u>	<u>1,132</u>	<u>1,077</u>
<b>EMEA:</b>						
Switzerland	3,709	3,616	2,878	16	41	79
Germany	561	417	343	597	599	559
Other EMEA	1,437	1,438	999	821	937	871
Total EMEA	<u>5,707</u>	<u>5,471</u>	<u>4,220</u>	<u>1,434</u>	<u>1,577</u>	<u>1,509</u>
<b>Americas:</b>						
U.S.	4,280	3,615	3,348	947	960	963
Other Americas	523	463	358	111	109	101
Total Americas	<u>4,803</u>	<u>4,078</u>	<u>3,706</u>	<u>1,058</u>	<u>1,069</u>	<u>1,064</u>
Total	<u>\$ 16,281</u>	<u>\$ 14,923</u>	<u>\$ 12,172</u>	<u>\$ 3,567</u>	<u>\$ 3,778</u>	<u>\$ 3,650</u>

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

TE CONNECTIVITY LTD.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 30, 2022, September 24, 2021, and September 25, 2020

Description	Balance at Beginning of Fiscal Year	Additions Charged to Costs and Expenses	Acquisitions, Divestitures, and Other (in millions)	Write-offs and Deductions	Balance at End of Fiscal Year
<b>Fiscal 2022:</b>					
Allowance for doubtful accounts receivable	\$ 41	15	(7)	(4)	\$ 45
Valuation allowance on deferred tax assets	2,729	4,463	—	(80)	7,112
<b>Fiscal 2021:</b>					
Allowance for doubtful accounts receivable	\$ 29	\$ 15	\$ 1	\$ (4)	\$ 41
Valuation allowance on deferred tax assets	4,429	31	—	(1,731)	2,729
<b>Fiscal 2020:</b>					
Allowance for doubtful accounts receivable	\$ 25	\$ 10	\$ (1)	\$ (5)	\$ 29
Valuation allowance on deferred tax assets	4,970	493	—	(1,034)	4,429

## **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 30, 2022, and the consolidated statement of operations, consolidated statement of comprehensive income (loss), consolidated statement of shareholders’ equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Board of Directors’ Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements for the year ended September 30, 2022 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 Key Audit Matter based on the circular 1/2015 of the Federal Audit Oversight Authority**

The key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter (KAM):	How the scope of our audit responded to the key audit matter:
<p><b>Income Taxes — Realizability of Deferred Tax Assets — Refer to Notes 2 and 15 to the financial statements</b></p> <p>The Company recognizes deferred income taxes for temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. 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. Future realization of deferred tax assets depends on the existence of sufficient taxable income of the appropriate character prior to expiration. Sources of taxable income include future reversals of deferred tax assets and liabilities, expected future taxable income, taxable income in prior carryback years if permitted under the tax law, and tax planning strategies. Management has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize a portion of its deferred tax assets, and therefore, a valuation allowance of \$7.1 billion has been recorded to offset the Company’s gross deferred tax assets as of September 30, 2022 of \$9.8 billion.</p> <p>We identified the realizability of deferred tax assets as a critical audit matter because of the Company’s tax structure and the significant judgments and estimates made by management to determine that sufficient taxable income will be generated in the future prior to expiration to realize a portion of its deferred tax assets. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the appropriateness of qualifying tax planning strategies and the reasonableness of management’s estimates of taxable income prior to expiration.</p>	<p>Our audit procedures related to the determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets included the following, among others:</p> <ul style="list-style-type: none"> <li>• We tested the effectiveness of controls over management’s estimates of the realization of the deferred tax assets, including those over the estimates of taxable income, the approval of tax planning strategies and the determination of whether it is more likely than not that the deferred tax assets will be realized prior to expiration.</li> <li>• We evaluated the reasonableness of management’s assessment of the significance and weighting of negative evidence and positive evidence that is objectively verifiable.</li> <li>• We evaluated management’s ability to accurately estimate taxable income by comparing actual results to management’s historical estimates and evaluating whether there have been any changes that would impact management’s ability to continue accurately estimating taxable income.</li> <li>• We tested the reasonableness of management’s estimates of taxable income by comparing the estimates to: <ul style="list-style-type: none"> <li>○ Historical taxable income.</li> <li>○ Internal communications to management and the board of directors.</li> <li>○ Management’s history of carrying out its stated plans and its ability to carry out its plans considering contractual commitments, available financing, or debt covenants.</li> </ul> </li> <li>• We evaluated whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit.</li> <li>• We evaluated whether the taxable income in prior carryback years was of the appropriate character and available under the tax law.</li> <li>• With the assistance of our income tax specialists, we evaluated (1) the appropriateness of qualifying tax planning strategies, including that they were prudent, feasible and would more likely than not result in the realization of deferred tax assets and (2) management’s assessment that sufficient taxable income will be generated in the future to realize a portion of the deferred tax assets prior to expiration.</li> </ul>

## **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/ Andreas Bodenmann  
Licensed Audit Expert  
Auditor in charge

/s/ Dominik Voegtli  
Licensed Audit Expert

Zurich, November 15, 2022

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**TE CONNECTIVITY LTD.**  
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**TE CONNECTIVITY LTD.**  
**SWISS STATUTORY FINANCIAL STATEMENTS**  
**STATEMENTS OF OPERATIONS**

**Fiscal Years Ended September 30, 2022 and September 24, 2021**

	<b>Fiscal 2022</b>		<b>Fiscal 2021</b>	
	<u>U.S. dollars</u>	<u>Swiss francs</u>	<u>U.S. dollars</u>	<u>Swiss francs</u>
	(in millions)			
<b>Income</b>				
Income from distributions made by subsidiaries (Note 8)	\$ 1,310	CHF 1,245	\$ 750	CHF 692
Insurance premiums charged to subsidiaries	13	13	7	6
<b>Total income</b>	<u>1,323</u>	<u>1,258</u>	<u>757</u>	<u>698</u>
<b>Expenses</b>				
Salary and social costs	4	4	12	11
General and administrative costs	4	4	4	3
Legal and consulting costs	6	6	6	5
Insurance premiums	18	17	11	10
Remeasurement (gain) loss on foreign currency transactions	(11)	(10)	14	13
Expenses for services provided by subsidiaries	53	50	64	58
Intercompany interest expense	123	116	66	60
<b>Total expenses</b>	<u>197</u>	<u>187</u>	<u>177</u>	<u>160</u>
<b>Net Income</b>	<u>\$ 1,126</u>	<u>CHF 1,071</u>	<u>\$ 580</u>	<u>CHF 538</u>

See Notes to Swiss Statutory Financial Statements.



TE CONNECTIVITY LTD.

SWISS STATUTORY FINANCIAL STATEMENTS

BALANCE SHEETS

As of September 30, 2022 and September 24, 2021

	Fiscal Year End 2022		Fiscal Year End 2021	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
	(in millions, except share data)			
<b>Assets</b>				
Current assets:				
Accounts receivable from subsidiaries	\$ 61	CHF 60	\$ 238	CHF 220
Prepaid expenses and other current assets	3	3	4	4
Total current assets	64	63	242	224
Investments in subsidiaries (Notes 2 and 8)	9,633	10,426	9,633	10,426
<b>Total assets</b>	<b>\$ 9,697</b>	<b>CHF 10,489</b>	<b>\$ 9,875</b>	<b>CHF 10,650</b>
<b>Liabilities and shareholders' equity</b>				
Current liabilities:				
Accounts payable	\$ 2	CHF 2	\$ 1	CHF 1
Accounts payable to subsidiaries	57	56	74	68
Loans from subsidiaries (Note 3)	4,959	4,882	4,463	4,127
Accrued and other current liabilities	75	74	79	73
Approved but unpaid distributions to shareholders (Note 4)	356	331	327	304
Total current liabilities	5,449	5,345	4,944	4,573
Unrealized translation gains (Note 2)	—	563	—	868
<b>Total liabilities</b>	<b>5,449</b>	<b>5,908</b>	<b>4,944</b>	<b>5,441</b>
Commitments, contingencies, and guarantees (Note 3)				
Shareholders' equity (Note 4):				
Share capital, CHF 0.57 par value, 330,830,781 shares authorized and issued, and 336,099,881 shares authorized and issued, respectively	146	189	148	192
Statutory reserves:				
General reserve from earnings	38	49	38	49
Free reserves:				
Reserves from capital contributions (Note 4)	3,191	4,239	3,905	4,902
Allocated reserves for the acquisition of treasury shares by a subsidiary (Note 2)	(586)	(538)	(346)	(320)
Unappropriated accumulated earnings	1,968	1,140	1,549	715
Own shares held in treasury	(1,095)	(1,036)	(709)	(649)
Reserves for treasury shares (Note 2)	586	538	346	320
<b>Total shareholders' equity</b>	<b>4,248</b>	<b>4,581</b>	<b>4,931</b>	<b>5,209</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,697</b>	<b>CHF 10,489</b>	<b>\$ 9,875</b>	<b>CHF 10,650</b>

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 30, 2022 and September 24, 2021. 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 30, 2022.

The accompanying statements of operations reflect the results of operations for the fiscal years ended September 30, 2022 and September 24, 2021 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***

We have a 52- or 53-week fiscal year that ends on the last Friday of September. Fiscal 2022 was 53 weeks in length and ended on September 30, 2022; fiscal 2021 was 52 weeks in length and ended on September 24, 2021. For fiscal years in which there are 53 weeks, the fourth fiscal quarter includes 14 weeks.

**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 2022 and 2021, exchange rates were CHF 0.9846:\$1 and CHF 0.9248:\$1, respectively). Revenue and expenses, excluding income from distributions made by subsidiaries, are translated using the average foreign exchange rates in effect for the period presented (exchange rates were CHF 0.9432:\$1 and CHF 0.9097:\$1 for fiscal 2022 and 2021, respectively). Income from distributions made by subsidiaries 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. 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. During fiscal 2022 and 2021, 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 Subsidiaries***

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.

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

***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”) to fund operations, including the repurchase of common shares. The Cash Pool does not have an expiration date and accrues interest based on USD LIBOR or, upon phase-out of LIBOR, a successor rate.

During fiscal 2022, we entered into a new revolving loan agreement with a subsidiary that provides for up to CHF 4.9 billion of borrowings (equivalent to \$5.0 billion). The revolving loan matures in fiscal 2032 and bears interest of 3-month USD LIBOR or, upon phase-out of LIBOR, a successor rate, plus 1.50% on drawn balances.

At fiscal year end 2022 and 2021, we had the following loans to subsidiaries included in accounts receivable from subsidiaries on our balance sheets:

	<u>Fiscal Year End 2022</u>		<u>Fiscal Year End 2021</u>	
	<u>U.S. dollars</u>	<u>Swiss francs</u>	<u>U.S. dollars</u>	<u>Swiss francs</u>
	(in millions)			
Cash Pool asset	\$ 13	CHF 13	\$ 189	CHF 175

As of fiscal year end 2022 and 2021, we had the following loans from subsidiaries on our balance sheets:

	<u>Fiscal Year End 2022</u>		<u>Fiscal Year End 2021</u>	
	<u>U.S. dollars</u>	<u>Swiss francs</u>	<u>U.S. dollars</u>	<u>Swiss francs</u>
	(in millions)			
Revolving loan due 2025	\$ 4,311	CHF 4,244	\$ 4,118	CHF 3,808
Revolving loan due 2032	476	469	—	—
CHF-denominated borrowings	172	169	345	319
Loans from subsidiaries	<u>\$ 4,959</u>	<u>CHF 4,882</u>	<u>\$ 4,463</u>	<u>CHF 4,127</u>

We have fully and unconditionally guaranteed the debt of a subsidiary, Tyco Electronics Group S.A., totaling CHF 4,166 million (equivalent to \$4,231 million) and CHF 3,792 million (equivalent to \$4,100 million) at fiscal year end 2022 and 2021, respectively. As of fiscal year end 2022, we have not been required to perform on our guarantee.

***Performance Guarantees***

From time to time, we provide performance guarantees and surety bonds in favor of our subsidiaries. At fiscal year end 2022 and 2021, these performance guarantees were as follows:

	<u>Fiscal Year End 2022</u>		<u>Fiscal Year End 2021</u>	
	<u>U.S. dollars</u>	<u>Swiss francs</u>	<u>U.S. dollars</u>	<u>Swiss francs</u>
	(in millions)			
Performance Guarantees	\$ 91	CHF 89	\$ 97	CHF 90

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.

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

**4. Equity**

***Changes in Equity Accounts***

The following table presents activity related to our equity accounts during fiscal 2022 and 2021 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)							
Fiscal year end 2020	CHF 193	CHF 49	CHF 5,513	CHF (395)	CHF 432	CHF (256)	CHF 395	CHF 5,931
Dividends	—	—	(611)	—	—	—	—	(611)
Repurchase of common shares	—	—	—	—	—	(649)	—	(649)
Cancellation of treasury shares	(1)	—	—	—	(255)	256	—	—
Transfer of reserves for treasury shares and other	—	—	—	75	—	—	(75)	—
Net income	—	—	—	—	538	—	—	538
Fiscal year end 2021	CHF 192	CHF 49	CHF 4,902	CHF (320)	CHF 715	CHF (649)	CHF 320	CHF 5,209
Dividends	—	—	(663)	—	—	—	—	(663)
Repurchase of common shares	—	—	—	—	—	(1,036)	—	(1,036)
Cancellation of treasury shares	(3)	—	—	—	(646)	649	—	—
Transfer of reserves for treasury shares	—	—	—	(218)	—	—	218	—
Net income	—	—	—	—	1,071	—	—	1,071
Fiscal year end 2022	CHF 189	CHF 49	CHF 4,239	CHF (538)	CHF 1,140	CHF (1,036)	CHF 538	CHF 4,581

The following table presents activity related to our equity accounts during fiscal 2022 and 2021 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)							
Fiscal year end 2020	\$ 149	\$ 38	\$ 4,561	\$ (407)	\$ 1,230	\$ (262)	\$ 407	\$ 5,716
Dividends	—	—	(656)	—	—	—	—	(656)
Repurchase of common shares	—	—	—	—	—	(709)	—	(709)
Cancellation of treasury shares	(1)	—	—	—	(261)	262	—	—
Transfer of reserves for treasury shares and other	—	—	—	61	—	—	(61)	—
Net income	—	—	—	—	580	—	—	580
Fiscal year end 2021	\$ 148	\$ 38	\$ 3,905	\$ (346)	\$ 1,549	\$ (709)	\$ 346	\$ 4,931
Dividends	—	—	(714)	—	—	—	—	(714)
Repurchase of common shares	—	—	—	—	—	(1,095)	—	(1,095)
Cancellation of treasury shares	(2)	—	—	—	(707)	709	—	—
Transfer of reserves for treasury shares	—	—	—	(240)	—	—	240	—
Net income	—	—	—	—	1,126	—	—	1,126
Fiscal year end 2022	\$ 146	\$ 38	\$ 3,191	\$ (586)	\$ 1,968	\$ (1,095)	\$ 586	\$ 4,248

***Conditional and Authorized 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 existing registered shares. Until recently, Swiss law provided for the option to create authorized share capital that could be issued by the board of directors, but this authorization was limited to authorized share capital up to 50% of the existing registered shares with the authorization valid

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

for a maximum of two years. Such authorization period under our articles of association ended on March 11, 2022. As part of the Swiss corporate law reform, effective as of January 1, 2023, the concept of authorized share capital will be replaced by a capital band. Under a capital band, the articles of association may authorize the board of directors for a maximum period of five years to increase the ordinary share capital registered in the commercial register to a maximum of 150% and/or reduce it to a minimum of 50% of the share capital existing at the time of the introduction of the capital band. Our articles of association do not currently provide for a capital band.

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

During fiscal 2022 and 2021, 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		Number of Shares	Total Cost	
U.S Dollars		Swiss Francs	U.S Dollars		Swiss Francs	
			(in millions)			
Common shares held as of fiscal year end 2020	3	\$ 262	CHF 256	5	\$ 407	CHF 395
Repurchases under share repurchase program	5	709	649	2	195	175
Other additions <sup>(1)</sup>	—	—	—	—	21	19
Reissuances	—	—	—	(3)	(277)	(269)
Shareholder approved cancellations	(3)	(262)	(256)	—	—	—
Common shares held as of fiscal year end 2021	5	\$ 709	CHF 649	4	\$ 346	CHF 320
Repurchases under share repurchase program	8	1,095	1,036	2	314	293
Other additions <sup>(1)</sup>	—	—	—	—	33	31
Reissuances	—	—	—	(1)	(107)	(106)
Shareholder approved cancellations	(5)	(709)	(649)	—	—	—
Common shares held as of fiscal year end 2022	8	\$ 1,095	CHF 1,036	5	\$ 586	CHF 538

(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 2022 and 2021, our shareholders approved the cancellation of five million and three 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.

In both fiscal 2022 and 2021, our board of directors authorized increases of \$1.5 billion in our share repurchase program. At fiscal year end 2022, we had CHF 1.7 billion (equivalent to \$1.7 billion) of availability remaining under our share repurchase authorization. Purchases made both by us and 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 fiscal year end 2022 and 2021, reserves from capital contributions were as follows:

	Fiscal Year End 2022		Fiscal Year End 2021	
	U.S. dollars	Swiss francs	U.S. dollars	Swiss francs
			(in millions)	
Reserves from capital contributions	\$ 3,191	CHF 4,239	\$ 3,905	CHF 4,902

***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.

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

***Dividends***

We paid cash dividends to shareholders of \$2.12 and \$1.96 per share in fiscal 2022 and 2021, respectively.

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

Our shareholders approved the following dividends on our common shares:

<b>Approval Date</b>	<b>Annual Payment Per Share</b>	<b>Payment Timing</b>
March 2020	\$1.92, payable in four quarterly installments of \$0.48	Third quarter of fiscal 2020 Fourth quarter of fiscal 2020 First quarter of fiscal 2021 Second quarter of fiscal 2021
March 2021	\$2.00, payable in four quarterly installments of \$0.50	Third quarter of fiscal 2021 Fourth quarter of fiscal 2021 First quarter of fiscal 2022 Second quarter of fiscal 2022
March 2022	\$2.24, payable in four quarterly installments of \$0.56	Third quarter of fiscal 2022 Fourth quarter of fiscal 2022 First quarter of fiscal 2023 Second quarter of fiscal 2023

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to shareholders' equity.

**5. Non-Employee Director and Executive Compensation**

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

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

**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 fiscal year end 2022 and 2021 by each member of our board of directors serving on our board at fiscal year end 2022. The share ownership of Mr. Curtin, our Chief Executive Officer, and Mr. Mitts, our Executive Vice President and Chief Financial Officer, both of whom are members of the board of directors, is set forth in *Executive Management*.

	<u>Years</u>	<u>Shares Held</u>	<u>Options Held</u>	<u>Options Exercise Price<sup>(1)</sup></u>	<u>Fiscal Years of Expiration</u>	<u>RSUs Held</u>	<u>PSUs Held</u>
<b>Board of Directors:</b>							
Carol A. (“John”) Davidson	2022	14,137	—	—	—	—	—
	2021	13,202	—	—	—	—	—
Lynn A. Dugle	2022	3,215	—	—	—	—	—
	2021	2,280	—	—	—	—	—
William A. Jeffrey	2022	20,266	—	—	—	—	—
	2021	19,331	—	—	—	—	—
Syaru Shirley Lin <sup>(2)</sup>	2022	622	—	—	—	—	—
Thomas J. Lynch <sup>(3)</sup>	2022	143,937	43,700	\$93.36	2028	—	—
	2021	161,602	43,700	\$93.36	2028	—	—
Yong Nam	2022	19,781	—	—	—	—	—
	2021	18,912	—	—	—	—	—
Abhijit Y. Talwalkar	2022	9,631	—	—	—	—	—
	2021	8,696	—	—	—	—	—
Mark C. Trudeau	2022	10,537	—	—	—	—	—
	2021	9,602	—	—	—	—	—
Dawn C. Willoughby	2022	3,215	—	—	—	—	—
	2021	2,280	—	—	—	—	—
Laura H. Wright	2022	14,489	—	—	—	—	—
	2021	13,554	—	—	—	—	—

- (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) Ms. Lin joined our board of directors on March 9, 2022.
- (3) Mr. Lynch served as Chief Executive Officer of the Company until March 8, 2017 and as Executive Chairman of the Company until March 14, 2018. Since March 2018, Mr. Lynch has served as Non-Executive Chairman of the board of directors. Shares held as of September 30, 2022 include 15,000 shares held in a charitable trust and 11,750 shares held in a grantor retained annuity trust. Shares held as of September 24, 2021 include 15,000 shares held in a charitable trust and 38,425 shares held in a grantor retained annuity trust.

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

***Executive Management***

The following table sets forth the shares, options and share units held as of fiscal year end 2022 and 2021 by each member of our executive management serving in such position as of fiscal year end 2022.

	<u>Years</u>	<u>Shares Held</u>	<u>Options Held</u>	<u>Options Exercise Price<sup>(1)</sup></u>	<u>Fiscal Years of Expiration</u>	<u>RSUs Held<sup>(2)</sup></u>	<u>PSUs Held<sup>(3)</sup></u>
<b>Executive Management:</b>							
Terrence R. Curtin <sup>(4)</sup>	2022	94,969	1,199,371	\$66.74-\$158.00	2027-2032	—	134,020
	2021	94,969	1,237,700	\$66.74-\$105.86	2027-2031	—	144,132
John S. Jenkins, Jr.	2022	19,456	186,325	\$76.66-\$158.00	2028-2032	724	23,603
	2021	16,872	162,075	\$76.66-\$105.86	2028-2031	2,143	27,191
Shad W. Kroeger	2022	15,595	248,000	\$51.61-\$158.00	2024-2032	—	22,296
	2021	11,499	221,550	\$51.61-\$105.86	2024-2031	—	24,377
Steven T. Merkt	2022	47,720	285,675	\$76.66-\$158.00	2028-2032	—	35,346
	2021	40,129	245,275	\$76.66-\$105.86	2028-2031	—	40,829
Heath A. Mitts <sup>(5)</sup>	2022	28,163	355,350	\$76.66-\$158.00	2028-2032	—	40,400
	2021	28,163	306,150	\$76.66-\$105.86	2028-2031	—	45,818
Timothy J. Murphy	2022	17,754	201,100	\$51.61-\$158.00	2024-2032	—	14,012
	2021	14,741	191,500	\$34.05-\$105.86	2023-2031	—	16,791
Aaron K. Stucki <sup>(6)</sup>	2022	12,317	113,350	\$66.74-\$158.00	2027-2032	4,526	13,454
	2021	11,920	91,300	\$66.74-\$105.86	2027-2031	4,454	11,242

- (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) Subject to acceleration upon certain events, the RSUs vest over time, are settled in shares upon vesting on a one-for-one basis, and receive dividend equivalent units.
- (3) The PSU amounts in the table above assume achievement of target level of performance including target dividend equivalent units through September 30, 2022 and September 24, 2021, respectively. Under the terms of the PSUs, shares of stock are earned 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 for the last three fiscal years were granted on November 8, 2021, November 9, 2020, November 11, 2019.
- (4) Mr. Curtin is a member of the board of directors and chief executive officer. Shares held include 40,000 shares held in a family trust.
- (5) Mr. Mitts is a member of the board of directors and executive vice president and chief financial officer.
- (6) Mr. Stucki became a member of executive management effective October 1, 2020.

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



**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

**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 fiscal year end 2022.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Class
The Vanguard Group <sup>(1)</sup> 100 Vanguard Blvd. Malvern, PA 19355	27,312,606	8.4 %
Capital World Investors <sup>(2)</sup> 333 South Hope Street, 55th Floor Los Angeles, CA 90071	20,907,589	6.4 %
Dodge & Cox <sup>(3)</sup> 555 California Street, 40th Floor San Francisco, CA 94104	17,125,955	5.2 %

- (1) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2022 by The Vanguard Group, which reported sole voting power, sole dispositive power, and shared dispositive power as follows: sole voting power—0, shared voting power—452,089, sole dispositive power—26,080,301, and shared dispositive power—1,232,305.
- (2) This information is based on a Schedule 13G filed with the SEC on February 11, 2022 by Capital World Investors, which reported sole voting power and sole dispositive power as follows: sole voting power— 20,863,075 and sole dispositive power— 20,907,589.
- (3) This information is based on a Schedule 13G/A filed with the SEC on February 14, 2022 by Dodge & Cox, which reported sole voting power and sole dispositive power as follows: sole voting power—16,443,955 and sole dispositive power—17,125,955.

**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 fiscal year end 2022:

Entity Name	Jurisdiction	Direct or Indirect Holding <sup>(1)</sup>	Nominal Capital (in millions)	Purpose <sup>(2)</sup>
Tyco Electronics Group S.A.	Luxembourg	Direct	\$ 1	F
TE Connectivity Corporation	United States	Indirect	\$ —	M
TE Connectivity Germany GmbH	Germany	Indirect	EUR 79	M
TE Connectivity HK Limited	Hong Kong	Indirect	HKD 7,877	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	USD 8	M
Tyco Electronics AMP Korea Co., Ltd.	South Korea	Indirect	KRW 6,812	M
Tyco Electronics Japan G.K.	Japan	Indirect	JPY 17,300	M
Tyco Electronics Singapore Pte Ltd.	Singapore	Indirect	SGD 237	S

- (1) The subsidiary labeled as “direct” is wholly-owned by us. All subsidiaries labeled 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.

**TE CONNECTIVITY LTD.**  
**NOTES TO SWISS STATUTORY FINANCIAL STATEMENTS**

During fiscal 2022, as a result of a series of intercompany transactions, our indirect subsidiary TE Connectivity Investments Holding S.a r.l. ceased to be significant and is not included in the above table.

During fiscal 2022 and 2021, subsidiaries distributed CHF 1,245 million (equivalent to \$1,310 million) and CHF 692 million (equivalent to \$750 million), respectively, to us. The distributions are included in income from distributions made by subsidiaries in our statements of operations.

**9. Subsequent Events**

We have evaluated subsequent events through November 15, 2022, 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 1,140 million as included in our balance sheet as of September 30, 2022.

**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 30, 2022, 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 30, 2022 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 judgment, 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/ Andreas Bodenmann  
Licensed Audit Expert  
Auditor in charge

/s/ Dominik Voegtli  
Licensed Audit Expert

Zurich, November 15, 2022

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**TE CONNECTIVITY LTD.**

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## A. General

Under Swiss law 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 2022 consisted of Terrence Curtin, Chief Executive Officer; John Jenkins, Jr., Executive Vice President and General Counsel; Shadrak Kroeger, President, Industrial Solutions; Heath Mitts, Executive Vice President and Chief Financial Officer; Steven Merkt, President, Transportation Solutions; Timothy Murphy, Senior Vice President and Chief Human Resource Officer; and Aaron Stucki, President, Communications Solutions. Thomas Lynch, former Executive Chairman, who during fiscal 2021 continued to receive dividend equivalent units on equity awards granted to him as a member of Executive Management, is included in this report. Kevin Rock, former President, Industrial Solutions is included in this report for fiscal 2021. Mr. Rock retired as the President, Industrial Solutions on October 1, 2020.

The following sets forth, for the fiscal years ended September 30, 2022, and September 24, 2021, 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. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”). 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 2023 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 2022 to each director who is not our salaried employee, or an employee of our subsidiaries was based on the following fee structures:

	Fee Structure Effective October 2021	
	Cash	Equity
Annual retainer	\$ 100,000	\$ 200,000
Additional annual fees:		
Non-Executive Chairman	\$ 170,000	
Lead Independent Director	\$ 40,000	
Audit Committee Chair	\$ 25,000	
Audit Committee Member	\$ 15,000	
Nominating, Governance & Compliance Committee Chair	\$ 15,000	
Management, Development & Compensation Committee Chair	\$ 20,000	
Science Advisory Board Retainer	\$ 10,000	



Compensation paid for fiscal 2021 to each director who is not our salaried employee, or an employee of our subsidiaries was based on the following fee structures:

	<b>Fee Structure Effective October 2017</b>	
	<b>Cash</b>	<b>Equity</b>
Annual retainer	\$ 90,000	\$ 185,000
Additional annual fees:		
Non-Executive Chairman	\$ 170,000	
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	

In addition to the compensation described above, TE Connectivity will also provide Company matching gift contributions under the Company'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 TE Connectivity employees or employees of our subsidiaries do not receive any compensation for their services as directors. Messrs. Curtin and Mitts are employees of the Company and do not receive any additional compensation for their service on the board.

Each non-employee director received the equity component of their compensation in the form of a grant of common shares of TE Connectivity Ltd.

The following table discloses the cash and equity awards paid to each of our non-employee directors for fiscal 2022 and 2021.

**Table 1**

Name	Fiscal Year	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Dividend Equivalent Units and Other Compensation (\$) <sup>(3)</sup>	Total (\$) <sup>(4)</sup>
Pierre R. Brondeau <sup>(6)</sup>	2022	\$64,583	\$97,898	—	\$162,481
	2021	\$145,000	\$188,960	—	\$333,960
Carol A. (John) Davidson	2022	\$148,333	\$195,954	—	\$344,287
	2021	\$115,000	\$188,960	—	\$303,960
Lynn A. Dugle	2022	\$115,000	\$195,954	\$10,000	\$320,954
	2021	\$100,000	\$188,960	\$10,000	\$298,960
William A. Jeffrey	2022	\$118,750	\$195,954	\$9,960	\$324,664
	2021	\$100,000	\$188,960	—	\$288,960
David M. Kerko <sup>(7)</sup>	2021	\$41,667	\$188,960	—	\$230,627
Syaru Shirley Lin <sup>(5)</sup>	2022	\$58,333	\$116,667	—	\$175,000
Thomas J. Lynch	2022	\$270,000	\$195,954	—	\$465,954
	2021	\$260,000	\$188,960	\$10,000	\$458,960
Yong Nam	2022	\$100,000	\$195,954	—	\$295,954
	2021	\$90,000	\$188,960	—	\$278,960
Daniel J. Phelan <sup>(6)</sup>	2022	\$41,667	\$97,898	\$10,000	\$149,565
	2021	\$98,333	\$188,960	\$10,000	\$297,293
Abhijit Y. Talwalkar	2022	\$120,000	\$195,954	\$10,000	\$325,954
	2021	\$101,667	\$188,960	—	\$290,627
Mark C. Trudeau	2022	\$100,000	\$195,954	—	\$295,954
	2021	\$90,000	\$188,960	\$150	\$279,110
Dawn C. Willoughby	2022	\$100,000	\$195,954	\$10,000	\$305,954
	2021	\$90,000	\$188,960	\$10,000	\$288,960
Laura H. Wright	2022	\$115,000	\$195,954	\$10,000	\$320,954
	2021	\$100,000	\$188,960	—	\$288,960

- (1) The amounts shown represent the amount of cash compensation earned in fiscal 2022 and 2021 for Board and committee services. We pay additional annual cash retainers to our Non-Executive Chairman, Lead Independent Director, Chairperson of each of our committees of the Board, members of the audit committee and our science advisory board member.
- (2) The amounts shown represent the amount of equity compensation granted in fiscal 2022 and 2021 for Board services. On December 9, 2021, each non-employee director excluding Dr. Brondeau and Mr. Phelan received a grant of 1,247 common shares; Dr. Brondeau and Mr. Phelan each received a grant of 623 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 (\$160.38 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 2022, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant (\$157.14 per share). On March 10, 2022, Ms. Lin received a grant of 830 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 (\$140.41 per share), the same methodology used to determine employee equity awards. The grant date fair value of this award as shown above for fiscal 2022, was calculated by using the closing price of TE Connectivity Ltd. common shares on the date of grant (\$130.29 per share). For fiscal 2021, each non-employee director received a grant of common shares. For fiscal 2021, Mr. Lynch received shares relating to a performance stock award (“PSU”) that vested on December 9, 2020. That equity award was granted to Mr. Lynch when he was serving as a member of Executive Management of the Company.

- (3) Amounts shown represent company matching gift contributions made on behalf of certain directors under TE Connectivity’s matching gift program. For fiscal 2021, Mr. Lynch received dividend equivalent units (“DEUs”) on PSU awards granted to him while serving as a member of Executive Management; the value of the DEUs, is not included in this Table 1 but is included in Table 2 below.
- (4) The Company has not made any loans or extended credit to any current or former member of the Board of Directors.
- (5) On March 9, 2022, Ms. Lin was elected to our Board of Directors. Cash and equity compensation for Ms. Lin was pro-rated for her service during fiscal 2022.
- (6) Dr. Brondeau and Mr. Phelan left the board effective March 9, 2022. Cash and equity compensation was pro-rated for their service during fiscal 2022.
- (7) Mr. Kerko resigned from the Board of Directors effective February 16, 2021. Cash compensation for Mr. Kerko was pro-rated for his service during fiscal 2021

### C. Compensation of Executive Management

The following table presents information concerning Executive Management’s fiscal 2022 and 2021 compensation.

**Table 2**

Name and Principal Position	Year	Salary (\$) <sup>(3)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(4)</sup>	Option Awards (\$) <sup>(5)</sup>	Non - Equity Incentive Plan Compensation (\$) <sup>(6)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(7)</sup>	All Other Compensation (\$) <sup>(8)</sup>	Total (\$) <sup>(9)</sup>
Terrence R. Curtin Chief Executive Officer	2022	\$1,262,532	—	\$5,872,860	\$6,085,856	\$2,074,067	—	\$632,551	\$15,927,866
	2021	\$1,200,000	—	\$5,006,119	\$5,208,994	\$2,903,400	—	\$397,343	\$14,715,856
All Other Executive Management <sup>(1)(2)</sup>	2022	\$3,713,206	—	\$6,394,260	\$6,626,277	\$4,075,917	—	\$1,743,940	\$22,553,600
	2021	\$3,471,682	—	\$5,821,242	\$6,057,150	\$5,178,322	—	\$1,499,617	\$22,028,013

- (1) For fiscal 2022, the Executive Management team for Swiss reporting purposes includes Mr. Jenkins, Mr. Kroeger, Mr. Merkt, Mr. Mitts, Mr. Murphy, and Mr. Stucki.
- (2) For fiscal 2021, the Executive Management team for Swiss reporting purposes includes Mr. Jenkins, Mr. Kroeger, Mr. Merkt, Mr. Mitts, Mr. Murphy, and Mr. Rock until his retirement as a member of Executive Management. Mr. Lynch is also included as he continued to receive compensation for fiscal 2021 for DEUs on equity awards.
- (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 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 restricted share awards (“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 in fiscal 2022 and 2021 under the frozen pension plan. For fiscal 2022, the change in pension value is a decrease from fiscal 2021. Rather than report a negative value, a change of zero is reported.
- (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.

**All Other Compensation**

<u>Name</u>	<u>Year</u>	<u>Perquisites (\$)<sup>(a)</sup></u>	<u>Dollar Value of Dividends not factored into Grant Date Fair Value (\$)<sup>(b)</sup></u>	<u>Company Contributions to DC plans (\$)<sup>(c)</sup></u>	<u>Employee Stock Purchase Plan  (“ESPP”) Company Match (\$)<sup>(d)</sup></u>	<u>Total All Other Compen - sation (\$)</u>
Terrence R. Curtin	2022	\$33,455	\$305,933	\$293,163	—	\$632,551
	2021	—	\$298,253	\$99,090	—	\$397,343
All Other Executive Management	2022	\$997,631	\$356,949	\$384,297	\$5,063	\$1,743,940
	2021	\$905,567	\$366,082	\$223,093	\$4,875	\$1,499,617

- (a) Perquisites consist of the following:

For fiscal 2022, the incremental pre-tax cost to us of Mr. Curtin’s non-business use of our aircraft. Mr. Curtin is permitted to use the aircraft for business and non-business purposes.

Amounts for All Other Executive Management include various assignment allowances, miscellaneous fees and expenses, personal tax preparation assistance, international tax payments and U.S. tax gross-up payments pertaining to an expatriate assignment for one executive in fiscal 2022 and 2021. 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 Swiss francs to US dollars: \$0.9953—\$1.0987: CHF:1 in fiscal 2022 and \$1.08—\$1.28: CHF:1 in fiscal 2021

- (b) 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) 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).

<u>Name</u>	<u>Year</u>	<u>Company Matching Contribution (Qualified Plan)</u>	<u>Company Contribution (Non-Qualified Plan)</u>
Terrence R. Curtin	2022	\$21,350	\$271,813
	2021	\$17,993	\$81,097
All Other Executive Management	2022	\$69,850	\$314,447
	2021	\$66,438	\$156,655

- (d) The Company made matching contributions under the TE Connectivity employee stock purchase plan for two executives for fiscal 2022 and 2021.

## D. Security Ownership of the Board of Directors and Executive Management

### Board of Directors

The following table sets forth the shares, options and share units held as of fiscal year end 2022 and 2021 by each member of our board of directors serving on our board at fiscal year end 2022. The share ownership of Mr. Curtin, our Chief Executive Officer, and Mr. Mitts, our Executive Vice President and Chief Financial Officer, both of whom are members of the board of directors, is set forth in *Executive Management*.

<u>Name</u>	<u>Years</u>	<u>Shares Held</u>	<u>Options Held</u>	<u>Options Exercise Price <sup>(1)</sup></u>	<u>Fiscal Years of Expiration</u>	<u>RSUs Held</u>	<u>PSUs Held</u>
Carol A. (“John”) Davidson	2022	14,137	—	—	—	—	—
	2021	13,202	—	—	—	—	—
Lynn A. Dugle	2022	3,215	—	—	—	—	—
	2021	2,280	—	—	—	—	—
William A. Jeffrey	2022	20,266	—	—	—	—	—
	2021	19,331	—	—	—	—	—
Syaru Shirley Lin <sup>(2)</sup>	2022	622	—	—	—	—	—
Thomas J. Lynch <sup>(3)</sup>	2022	143,937	43,700	\$93.36	2028	—	—
	2021	161,602	43,700	\$93.36	2028	—	—
Yong Nam	2022	19,781	—	—	—	—	—
	2021	18,912	—	—	—	—	—
Abhijit Y. Talwalkar	2022	9,631	—	—	—	—	—
	2021	8,696	—	—	—	—	—
Mark C. Trudeau	2022	10,537	—	—	—	—	—
	2021	9,602	—	—	—	—	—
Dawn C. Willoughby	2022	3,215	—	—	—	—	—
	2021	2,280	—	—	—	—	—
Laura H. Wright	2022	14,489	—	—	—	—	—
	2021	13,554	—	—	—	—	—

(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) Ms. Lin joined our board of directors on March 9, 2022.

(3) Mr. Lynch served as Chief Executive Officer of the Company until March 8, 2017 and as Executive Chairman of the Company until March 14, 2018. Since March 2018, Mr. Lynch has served as Non-Executive Chairman of the board of directors. Shares held as of September 30, 2022 include 15,000 shares held in a charitable trust and 11,750 shares held in a grantor retained annuity trust. Shares held as of September 24, 2021 include 15,000 shares held in a charitable trust and 38,425 shares held in a grantor retained annuity trust.

## *Executive Management*

The following table sets forth the shares, options and share units held as of fiscal year end 2022 and 2021 by each member of our executive management serving in such position as of fiscal year end 2022.

<u>Name</u>	<u>Years</u>	<u>Shares Held</u>	<u>Options Held</u>	<u>Options Exercise Price<sup>(1)</sup></u>	<u>Fiscal Years of Expiration</u>	<u>RSUs Held<sup>(2)</sup></u>	<u>PSUs Held<sup>(3)</sup></u>
Terrence R. Curtin <sup>(4)</sup>	2022	94,969	1,199,371	\$66.74-\$158.00	2027-2032	—	134,020
	2021	94,969	1,237,700	\$66.74-\$105.86	2027-2031	—	144,132
John S. Jenkins, Jr.	2022	19,456	186,325	\$76.66-\$158.00	2028-2032	724	23,603
	2021	16,872	162,075	\$76.66-\$105.86	2028-2031	2,143	27,191
Shad W. Kroeger	2022	15,595	248,000	\$51.61-\$158.00	2024-2032	—	22,296
	2021	11,499	221,550	\$51.61-\$105.86	2024-2031	—	24,377
Steven T. Merkt	2022	47,720	285,675	\$76.66-\$158.00	2028-2032	—	35,346
	2021	40,129	245,275	\$76.66-\$105.86	2028-2031	—	40,829
Heath A. Mitts <sup>(5)</sup>	2022	28,163	355,350	\$76.66-\$158.00	2028-2032	—	40,401
	2021	28,163	306,150	\$76.66-\$105.86	2028-2031	—	45,818
Timothy J. Murphy	2022	17,754	201,100	\$51.61-\$158.00	2024-2032	—	14,012
	2021	14,741	191,500	\$34.05-\$105.86	2023-2031	—	16,791
Aaron K. Stucki <sup>(6)</sup>	2022	12,317	113,350	\$66.74-\$158.00	2027-2032	4,526	13,454
	2021	11,920	91,300	\$66.74-\$105.86	2027-2031	4,454	11,242

- (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) Subject to acceleration upon certain events, the RSUs vest over time, are settled in shares upon vesting on a one-for-one basis, and receive dividend equivalent units.
- (3) The PSU amounts in the table above assume achievement of target level of performance including target dividend equivalent units through September 30, 2022 and September 24, 2021, respectively. Under the terms of the PSUs, shares of stock are earned 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 for the last three fiscal years were granted on November 8, 2021, November 9, 2020, November 11, 2019.
- (4) Mr. Curtin is a member of the board of directors and chief executive officer. Shares held include 40,000 shares held in a family trust.
- (5) Mr. Mitts is a member of the board of directors and executive vice president and chief financial officer.
- (6) Mr. Stucki became a member of executive management effective October 1, 2020.

## E. Directors and Executive Management Biographies

### Directors

#### Age 54

**Executive Director since 2016**

**Chief Executive Officer since 2017**

**Current Public Company Directorships**

- DuPont de Nemours Inc.

**Other Public Company Directorships within the past five years**

- None

#### Terrence R. Curtin

Mr. Curtin has served as the Chief Executive Officer of TE Connectivity since March 2017. Previously Mr. Curtin served as President of TE Connectivity from March 2015 and immediately prior to that served as Executive Vice President and President, Industrial Solutions since August 2012. Previously he served as Executive Vice President and Chief Financial Officer from October 2006 through July 2012. Mr. Curtin served on the TE Connectivity Board prior to our separation from Tyco International and was Vice President and Corporate Controller at Tyco Electronics since 2001. Prior to joining TE Connectivity, Mr. Curtin worked for Arthur Andersen LLP. Mr. Curtin has a Bachelor's degree in Accounting from Albright College.

#### Age 67

**Director since 2016**

**Current Public Company Directorships**

- FMC Corporation
- International Flavors & Fragrances Inc.

**Other Public Company Directorships within the past five years**

- Allergan plc
- Legg Mason, Inc
- DaVita Inc.
- Pentair plc

#### Carol A. ("John") Davidson

Mr. Davidson served as the Senior Vice President, Controller and Chief Accounting Officer of Tyco International Ltd., a provider of diversified industrial products and services, from January 2004 to September 2012. Between 1997 and 2004, Mr. Davidson held a variety of leadership roles at Dell Inc., a computer and technology services company, including the positions of Vice President, Audit, Risk and Compliance, and Vice President, Corporate Controller. From 1981 to 1997, Mr. Davidson held a variety of accounting and financial leadership roles at Eastman Kodak Company, a provider of imaging technology products and services. He holds a Bachelor of Science in Accounting from St. John Fisher College and an MBA from the University of Rochester.

#### Age 63

**Director since 2020**

**Current Public Company Directorships**

- KBR, Inc.
- Micron Technology Inc.

**Other Public Company Directorships within the past five years**

- State Street Corporation

#### Lynn A. Dugle

Ms. Dugle joined Engility in 2016 and formerly served as Engility's (NYSE: EGL) chief executive officer, president and chairman of the board of directors before leading the sale of the company to SAIC (NYSE: SAIC) in 2019. Prior to joining Engility, Ms. Dugle spent more than a decade in senior management positions at Raytheon and retired from the company in March 2015 as a Raytheon Company vice president and President of Raytheon Intelligence, Information and Services (IIS) which housed Raytheon's Cyber and Special Operations division. Prior to her President's role, Ms. Dugle was vice president of engineering, technology and quality for the former Raytheon Network Centric Systems (NCS). Before joining Raytheon in April 2004, Ms. Dugle held a number of officer-level positions culminating in a general management role with ADC Telecommunications. Ms. Dugle earned a bachelor's of science in technical management and a bachelor's of arts in Spanish from Purdue University. She received a master's of business administration from The University of Texas at Dallas. Ms. Dugle also serves on the Board of Directors of Avantus Federal, a privately held company.



**Age 62**

**Director since 2012**

**Current Public Company Directorships**

- None

**Other Public Company Directorships within the past five years**

- None

**William A. Jeffrey**

The Honorable Dr. William A. Jeffrey served as Chief Executive Officer of SRI International, a research and development organization serving government and industry, from September 2014 to December 2021. From September 2008 through August 2014, Dr. Jeffrey was Chief Executive Officer and President of HRL Laboratories, LLC, an automotive, aerospace and defense research and development laboratory. From 2007 through 2008, he was the Director of the Science and Technology Division of the Institute for Defense Analyses and prior to that he was Director of the National Institute of Standards and Technology from 2005. From 2002 to 2005, Dr. Jeffrey served in the White House as Senior Director of Homeland and National Security and Assistant Director of Space and Aeronautics in the Executive Office of the President, Office of Science and Technology Policy. He began his career at the Institute for Defense Analyses in 1988. Mr. Jeffrey also serves on the Board of Directors of the following privately held companies: Airstream Venture Partners, Diraq and Rising Sky.

**Age 68**

**Director since 2007**

**Non-Executive Chairman since 2018**

**Current Public Company Directorships**

- Automatic Data Processing, Inc.
- Cummins Inc.

**Other Public Company Directorships within the past five years**

- Thermo Fisher Scientific Inc

**Thomas J. Lynch**

Mr. Lynch has served as the Non-Executive Chairman of TE Connectivity since March 2018 and was Executive Chairman from March 2017. He served as Chief Executive Officer of TE Connectivity from January 2006 to March 2017. Previously, he was President of Tyco Engineered Products and Services since joining Tyco International in September 2004. Prior to joining Tyco International, Mr. Lynch was at Motorola where he was Executive Vice President and President and Chief Executive Officer, Personal Communications Sector from August 2002 to September 2004; Executive Vice President and President, Integrated Electronic Systems Sector from January 2001 to August 2002; Senior Vice President and General Manager, Satellite & Broadcast Network Systems, Broadband Communications Sector from February 2000 to January 2001; and Senior Vice President and General Manager, Satellite & Broadcast Network Systems, General Instrument Corporation from May 1998 to February 2000. Mr. Lynch holds a Bachelor of Science degree in commerce from Rider University

Age 74

Director since 2012

Current Public Company Directorships

- DL E&C Co., Ltd (Chair)

Other Public Company Directorships within the past five years

- Daelim Industrial Co. Ltd.

Age 54

Director since 2022

Current Public Company Directorships

- Langham Hospitality Investments

Other Public Company Directorships within the past five years

- Swire Pacific
- Mercuries Life Insurance

Age 51

Director since 2021

Current Public Company Directorships

- Columbus McKinnon Corporation

Other Public Company Directorships within the past five years

- None

### Yong Nam

Mr. Nam has served as an advisor to the chief executive officer of DL E&C (formerly Daelim Industrial Co., Ltd) since April 2013 and an advisor to the CEO of DL Chemical since January 2021, both of which are wholly-owned subsidiaries of DL Group, a Korean company. From April 2011 until March 2015, he served as an advisor to LG Electronics, Inc., a global provider of consumer electronics, mobile communications and home appliances. From 2007 through March 2011, Mr. Nam served as Vice Chairman and Chief Executive Officer of LG Electronics. He previously served as President of LG Corp., the global conglomerate of the LG group of companies, from 2006 to 2007, and as Chief Executive Officer of LG Telecom from 1998 until 2006. Mr. Nam's 35 year career with LG began in 1976. Mr. Nam received a bachelor's degree in economics from Seoul National University. Mr. Nam is a Director of ADT Korea, a commercial and residential security services provider since June 2014 and previously served as a director of GS Retail, a South Korean retailer, until May 2014 and Pohang Iron and Steel Company (POSCO) until March 2013. Mr. Nam also serves as Chairman of the Board of Directors of Kraton Corporation.

### Syaru Shirley Lin

Professor Lin has been Research Professor since 2022 and had previously been Compton Visiting Professor of World Politics since 2019 at the Miller Center of Public Affairs at the University of Virginia. She is also a Nonresident Senior Fellow in the Foreign Policy Program at the Brookings Institution and an Adjunct Professor at the Chinese University of Hong Kong and chairs the Center for Asia-Pacific Resilience and Innovation (CAPRI). Previously, she was with The Goldman Sachs Group, Inc. holding multiple positions, including Managing Director and Partner, Principal Investment Area, based in Hong Kong from 2000 to 2003, Vice President, Principal Investment Area from 1997 to 2000, and Associate, Corporate Finance, Investment Banking from 1994 to 1997. Prof. Lin earned a doctoral degree in Politics and Public Administration in 2010 from the University of Hong Kong; a master's degree in International and Public Affairs, in 2005 from the University of Hong Kong and an A.B. degree in East Asian Studies, in 1990 from Harvard College. Ms. Lin also serves as a Member of the Board of Directors of Goldman Sachs Asia Bank.

### Heath A. Mitts

Mr. Mitts has been Executive Vice President and Chief Financial Officer at TE Connectivity since September 2016. Previously he was Senior Vice President and Chief Financial Officer at IDEX Corporation, a globally diversified company specializing in fluid, metering, health and science technologies, as well as fire, safety and other products, from March 2011 until September 2016. Mr. Mitts joined IDEX as Vice President, Corporate Finance in September 2005. Mr. Mitts holds an MBA in finance from Pennsylvania State University and a Bachelor's degree in finance and political science from Southern Methodist University.

**Age 58**

**Director since 2017**

**Current Public Company Directorships**

- Advanced Micro Devices, Inc.
- iRhythm Technologies (Chair)
- Lam Research Corporation (Chair)

**Other Public Company Directorships within the past five years**

- None

**Abhijit Y. Talwalkar**

Mr. Talwalkar is the former President and Chief Executive Officer of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets, a position he held from May 2005 until the completion of LSI's merger with Avago Technologies in May 2014. From 1993 to 2005, Mr. Talwalkar was employed by Intel Corporation, the largest semiconductor manufacturer in the industry. At Intel, he held a number of senior management positions, including Corporate Vice President and Co-General Manager of the Digital Enterprise Group, which was comprised of Intel's business client, server, storage and communications businesses, and as Vice President and General Manager for the Intel Enterprise Platform Group, where he focused on developing, marketing, and driving Intel business strategies for enterprise computing. Prior to joining Intel, Mr. Talwalkar held senior engineering and marketing positions at Sequent Computer Systems, a multiprocessing computer systems design and manufacturer that later became a part of IBM; Bipolar Integrated Technology, Inc., a VLSI bipolar semiconductor company; and Lattice Semiconductor Inc., a service driven developer of programmable design solutions widely used in electronic systems. Mr. Talwalkar has a Bachelor of Science degree in electrical engineering from Oregon State University.

**Age 61**

**Director since 2016**

**Current Public Company Directorships**

- None

**Other Public Company Directorships within the past five years**

- Mallinckrodt plc

**Mark C. Trudeau**

Mr. Trudeau served from June 2013 until June 2022 as the President, Chief Executive Officer and a director of Mallinckrodt plc, a global business that develops, manufactures, markets and distributes specialty pharmaceuticals and therapies, which filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in October 2020. Prior to that, Mr. Trudeau served as Senior Vice President and President of the Pharmaceuticals business of Covidien plc beginning in February 2012. He joined Covidien from Bayer HealthCare Pharmaceuticals LLC USA, the U.S. healthcare business of Bayer AG, where he served as Chief Executive Officer. He simultaneously served as President of Bayer HealthCare Pharmaceuticals, the U.S. organization of Bayer's global pharmaceuticals business. In addition, he served as Interim President of the global specialty medicine business unit from January to August 2010. Prior to joining Bayer in 2009, Mr. Trudeau headed the immuno science Division at Bristol Myers Squibb. During his 10 plus years at Bristol Myers Squibb, he served in multiple senior roles, including President of the Asia/Pacific region, President and General Manager of Canada and General Manager/Managing Director in the United Kingdom. Mr. Trudeau also served in a variety of executive positions at Abbott Laboratories from 1988 to 1998. Mr. Trudeau holds a Bachelor's degree in Chemical Engineering and an MBA, both from the University of Michigan.

Age 53

Director since 2020

Current Public Company Directorships

- J. M. Smucker Company

Other Public Company Directorships within the past five years

- None

### **Dawn C. Willoughby**

Ms. Willoughby was the Executive Vice President and Chief Operating Officer of The Clorox Company, a manufacturer and marketer of consumer and professional products, from September 2014 through January 2019. She also served as the company's Senior Vice President and General Manager, Clorox Cleaning Division; Vice President and General Manager, Home Care Products; and Vice President and General Manager, Glad Products, along with several other positions since she began there in 2001. Prior to her career at The Clorox Company, Ms. Willoughby spent nine years with The Procter & Gamble Company, where she held several positions in sales management. Ms. Willoughby obtained a Bachelor of Arts in sports management from the University of Minnesota and an MBA from the University of California, Los Angeles Anderson School of Business. Ms. Willoughby serves on the board of directors of Wine.com.

Age 62

Director since 2014

Current Public Company Directorships

- Spirit AeroSystems Holdings, Inc.
- CMS Energy, and its subsidiary Consumers Energy
- Joby Aviation

Other Public Company Directorships within the past five years

- None

### **Laura H. Wright**

Ms. Wright retired in 2012 as Chief Financial Officer of Southwest Airlines, a provider of air transportation in the United States. During her 25 year career at Southwest, she served in a variety of financial roles including Chief Financial Officer, Senior Vice President Finance, Treasurer and Assistant Treasurer. She began her career at Arthur Young & Co. in 1982 as a member of their tax staff, following which she became a Tax Manager from 1986 through 1988. Ms. Wright holds Bachelor and Master of Science degrees in accounting from the University of North Texas and is a Certified Public Accountant. Ms. Wright also serves on the Board of Directors of SRI International and on the Board of Regents for the University of North Texas System.

## **Executive Management**

The biographical information for Mr. Curtin and Mr. Mitts is set forth above under Directors.

**John S. Jenkins, Jr.** is the Executive Vice President, General Counsel of TE Connectivity. Mr. Jenkins is responsible for the Company's global legal, compliance, corporate governance, government affairs, intellectual property, security and risk management, and corporate social responsibility activities. He is also responsible for bringing TE's industry-leading connectivity solutions, engineering, and operations expertise to the emerging markets with focus on India, China, and South America. He joined TE Connectivity in October 2012.

Prior to joining TE Connectivity, Mr. Jenkins was with Tyco International for ten years and was the Vice President, Corporate Secretary, and International General Counsel. He was responsible for the Board of Directors activities, securities and capital markets transactions and reporting, mergers and acquisitions, executive compensation, global procurement, real estate, and tax planning.

Prior to 2003, Mr. Jenkins worked as a litigator with McGuireWoods, LLP. He began his career in 1987 as an Officer in the United States Navy and served as a judge advocate both as Military Prosecutor and Senior Defense Counsel, and finally as Legislative Counsel to the Secretary of the Navy.

**Shadrak W. Kroeger** has been President, Industrial Solutions at TE Connectivity since October 2020. Previously he was President, Communications Solutions at TE Connectivity from November 2017 to September 2020. Previously, Mr. Kroeger served as the Senior Vice President and General Manager for the Appliances business unit at TE Connectivity from 2013 to 2017. Since joining TE Connectivity in 1995, Mr. Kroeger has held leadership positions in general management, strategy, product management, sales and engineering and his roles have spanned the automotive, industrial and consumer markets.

**Steven T. Merkt** has been President, Transportation Solutions at TE Connectivity since August 2012. Prior to this position, Mr. Merkt served as President of TE Connectivity's Automotive business since May 2011 and has held various leadership positions in general management, operations, engineering, marketing, supply chain and new product launches since joining TE Connectivity in 1989. Mr. Merkt serves as a Director for Livent Corporation.

**Timothy J. Murphy** has been Senior Vice President and Chief Human Resources Officer, Global Human Resources at TE Connectivity since March 2016. Previously he was Vice President, Human Resources for the Transportation Solutions business segment from January 2015 to February 2016 and Vice President, Global Talent Management for TE Connectivity from November 2011 to December 2014. Prior to joining TE, Mr. Murphy held various business partner positions and served for three years in international human resource assignments over a nearly 20 year human resource career at Merck.

**Aaron K. Stucki** has been President, Communications Solutions at TE Connectivity since October 2020. Previously, Mr. Stucki was the General Manager of the Industrial & Commercial Transportation (ICT) business unit, since May 2017. From April 2015 to May 2017, Mr. Stucki served as Senior Vice President & General Manager SubCom. From October 2013 to April 2015, Mr. Stucki served as Senior Vice President & General Manager Consumer Devices. From July 2011 to October 2013, Mr. Stucki served as Vice President and Chief Financial Officer Consumer Solutions segment. Prior to joining TE in 2011, Mr. Stucki spent 13 years at General Electric.

## **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 30, 2022.

### **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 compensation, 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 30, 2022 complies with Swiss law and articles 14 – 16 of the Ordinance.

### **Deloitte AG**

/s/ Andreas Bodenmann  
Licensed audit expert  
Auditor in charge

/s/ Dominik Voegtli  
Licensed audit expert

Zurich, December 21, 2022

# BOARD OF DIRECTORS

**Thomas J. Lynch**

Non-Executive Chairman  
and Former CEO,  
TE Connectivity Ltd.

**Terrence R. Curtin**

Director and  
Chief Executive Officer,  
TE Connectivity Ltd.

**Carol A. “John” Davidson\***

Former Senior Vice President,  
Controller and  
Chief Accounting Officer,  
Tyco International Ltd.

**Lynn A. Dugle**

Former CEO and President,  
Engility Holdings, Inc.

**Dr. William A. Jeffrey**

Retired Chief Executive Officer,  
SRI International

**Syaru Shirley Lin**

Research Professor,  
University of Virginia

**Heath A. Mitts**

Director and Executive Vice  
President, Chief Financial Officer  
TE Connectivity Ltd.

**Yong Nam**

Former Chief Executive Officer,  
LG Electronics Inc.

**Abhijit Y. Talwalkar**

Former President and  
Chief Executive Officer,  
LSI Corporation

**Mark C. Trudeau**

Former President and  
Chief Executive Officer,  
Mallinckrodt plc

**Dawn C. Willoughby**

Former Executive Vice President  
and COO,  
The Clorox Company

**Laura H. Wright**

Former Chief Financial Officer,  
Southwest Airlines Co.

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

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# LEADERSHIP TEAM AND OFFICERS

**Terrence R. Curtin**

Chief Executive Officer  
and Director

**Claudia Anderson**

Vice President and  
Chief Continuous  
Improvement Officer

**Teresa Dickerson**

Vice President,  
Chief Supply Chain Officer

**Jennifer Diener**

Senior Vice President,  
General Manager, Channel

**Joel Dubs**

Senior Vice President,  
Operations

**Joseph F. Eckroth, Jr.**

Senior Vice President,  
Chief Information Officer

**Jean-Jacques Fotzeu**

Senior Vice President,  
Treasurer

**John S. Jenkins, Jr.**

Executive Vice President,  
General Counsel

**Arvind Kaushal**

Senior Vice President,  
Chief Strategy Officer

**Ralf Kläedtke**

Vice President and  
Chief Technology Officer,  
Transportation Solutions

**Shad W. Kroeger**

President,  
Industrial Solutions

**Steven T. Merkt**

President,  
Transportation Solutions

**Heath A. Mitts**

Executive Vice President,  
Chief Financial Officer and  
Director

**Timothy J. Murphy**

Senior Vice President and  
Chief Human Resources Officer

**Maushumi Nerurkar**

Senior Vice President and  
Chief Tax Officer

**Robert J. Ott**

Senior Vice President,  
Corporate Controller

**Jeanne Quirk**

Senior Vice President,  
Mergers and Acquisitions

**Aaron K. Stucki**

President, Communications  
Solutions

