TE Connectivity Ltd.
Form 10-Q
April 30, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 30, 2012

Or

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

001-33260
(Commission File Number)

TE CONNECTIVITY LTD.

(Exact name of registrant as specified in its charter)

Switzerland	**98-0518048**
(Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

Rheinstrasse 20
CH-8200 Schaffhausen, Switzerland
(Address of principal executive offices)

+41 (0)52 633 66 61
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The number of common shares outstanding as of April 24, 2012 was 427,574,960.

TE CONNECTIVITY LTD.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Quarters Ended March 30, 2012	For the Quarters Ended March 25, 2011	For the Six Months Ended March 30, 2012	For the Six Months Ended March 25, 2011
	(in millions, except per share data)			
Net sales	$ 3,249	$ 3,339	$ 6,419	$ 6,446
Cost of sales	2,228	2,331	4,455	4,447
Gross margin	1,021	1,008	1,964	1,999
Selling, general, and administrative expenses	427	431	810	820
Research, development, and engineering expenses	173	173	350	329
Acquisition and integration costs	4	1	8	18
Restructuring and other charges, net	32	11	50	50
Operating income	385	392	746	782
Interest income	7	6	12	11
Interest expense	(44)	(43)	(83)	(78)
Other income, net	11	6	12	18
Income from continuing operations before income taxes	359	361	687	733
Income tax expense	(91)	(69)	(179)	(177)
Income from continuing operations	268	292	508	556
Income (loss) from discontinued operations, net of income taxes	(10)	8	12	10
Net income	258	300	520	566
Less: net income attributable to noncontrolling interests	(1)	(1)	(3)	(2)
Net income attributable to TE Connectivity Ltd.	$ 257	$ 299	$ 517	$ 564
Amounts attributable to TE Connectivity Ltd.:				
Income from continuing operations	$ 267	$ 291	$ 505	$ 554
Income (loss) from discontinued operations	(10)	8	12	10
Net income	$ 257	$ 299	$ 517	$ 564
Basic earnings per share attributable to TE Connectivity Ltd.:				
Income from continuing operations	$ 0.63	$ 0.66	$ 1.19	$ 1.25
Income (loss) from discontinued operations	(0.03)	0.01	0.02	0.02
Net income	$ 0.60	$ 0.67	$ 1.21	$ 1.27

Diluted earnings per share attributable to TE Connectivity Ltd.:								
Income from continuing operations	$	0.62	$	0.65	$	1.17	$	1.23
Income (loss) from discontinued operations		(0.02)		0.02		0.03		0.03
Net income	$	0.60	$	0.67	$	1.20	$	1.26
Dividends and cash distributions paid per common share of TE Connectivity Ltd.	$	0.18	$	0.16	$	0.36	$	0.32
Weighted-average number of shares outstanding:								
Basic		427		443		426		444
Diluted		431		449		430		449

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 30, 2012	September 30, 2011
	(in millions, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,866	$ 1,218
Accounts receivable, net of allowance for doubtful accounts of $40 and $38, respectively	2,288	2,341
Inventories	1,833	1,878
Prepaid expenses and other current assets	453	634
Deferred income taxes	402	402
Assets held for sale	469	508
Total current assets	8,311	6,981
Property, plant, and equipment, net	3,107	3,140
Goodwill	3,283	3,288
Intangible assets, net	606	631
Deferred income taxes	2,290	2,364
Receivable from Tyco International Ltd. and Covidien plc	1,167	1,066
Other assets	265	253
Total Assets	$ 19,029	$ 17,723
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 1,285	$
Accounts payable	1,367	1,454
Accrued and other current liabilities	1,555	1,733
Deferred revenue	98	143
Liabilities held for sale	66	80
Total current liabilities	4,371	3,410
Long-term debt	2,687	2,667
Long-term pension and postretirement liabilities	1,173	1,202
Deferred income taxes	333	333
Income taxes	2,264	2,122
Other liabilities	518	505
Total Liabilities	11,346	10,239
Commitments and contingencies (Note 10)		
Equity:		
TE Connectivity Ltd. Shareholders' Equity:		
Common shares, 463,080,684 shares authorized and issued, CHF 1.37 par value	204	593
Contributed surplus	7,592	7,604
Accumulated earnings	601	84
Treasury shares, at cost, 35,579,778 and 39,303,550 shares, respectively	(1,112)	(1,235)
Accumulated other comprehensive income	389	428
Total TE Connectivity Ltd. shareholders' equity	7,674	7,474

Noncontrolling interests		9		10
Total Equity		7,683		7,484
Total Liabilities and Equity	$	19,029	$	17,723

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended March 30, 2012	For the Six Months Ended March 25, 2011
	(in millions)	
Cash Flows From Operating Activities:		
Net income	$ 520	$ 566
Income from discontinued operations, net of income taxes	(12)	(10)
Income from continuing operations	508	556
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	279	276
Deferred income taxes	78	97
Provision for losses on accounts receivable and inventories	35	12
Share-based compensation expense	35	39
Other	(15)	(4)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable, net	(16)	(38)
Inventories	(9)	(172)
Inventoried costs on long-term contracts	(5)	29
Prepaid expenses and other current assets	101	50
Accounts payable	(46)	34
Accrued and other current liabilities	(188)	(256)
Income taxes	(67)	14
Deferred revenue	(44)	(37)
Long-term pension and postretirement liabilities	20	44
Other	10	25
Net cash provided by continuing operating activities	676	669
Net cash provided by discontinued operating activities	53	42
Net cash provided by operating activities	729	711
Cash Flows From Investing Activities:		
Capital expenditures	(270)	(227)
Proceeds from sale of property, plant, and equipment	7	12
Proceeds from sale of short-term investments		155
Acquisition of business, net of cash acquired		(717)
Other	(7)	(9)
Net cash used in continuing investing activities	(270)	(786)
Net cash used in discontinued investing activities	(1)	(4)
Net cash used in investing activities	(271)	(790)
Cash Flows From Financing Activities:		
Net increase (decrease) in commercial paper	569	(100)
Proceeds from long-term debt	748	249
Repayment of long-term debt		(470)

Proceeds from exercise of share options	48	65
Repurchase of common shares	(17)	(281)
Payment of common share dividends and cash distributions to shareholders	(153)	(141)
Other	40	32
Net cash provided by (used in) continuing financing activities	1,235	(646)
Net cash used in discontinued financing activities	(52)	(38)
Net cash provided by (used in) financing activities	1,183	(684)
Effect of currency translation on cash	7	12
Net increase (decrease) in cash and cash equivalents	1,648	(751)
Cash and cash equivalents at beginning of period	1,218	1,990
Cash and cash equivalents at end of period	$ 2,866	$ 1,239

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements of TE Connectivity Ltd. ("TE Connectivity" or the "Company," which may be referred to as "we," "us," or "our") have been prepared in United States Dollars, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the Condensed Consolidated Financial Statements in conformity with GAAP requires management to make use of 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 materially from these estimates. In management's opinion, the unaudited Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire fiscal year or any subsequent interim period.

The Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The year-end balance sheet data was derived from audited financial statements, but does not include all of the information and disclosures required by GAAP. These financial statements should be read in conjunction with our audited Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

Unless otherwise indicated, references in the Condensed Consolidated Financial Statements to fiscal 2012 and fiscal 2011 are to our fiscal years ending September 28, 2012 and September 30, 2011, respectively.

Reclassifications

We have reclassified certain items on our Condensed Consolidated Financial Statements to conform to the current year presentation.

2. Accounting Pronouncements

Recently Issued Accounting Pronouncements

In December 2011 and June 2011, the Financial Accounting Standards Board ("FASB") issued updates to guidance in Accounting Standards Codification ("ASC") 220, *Comprehensive Income*, that change the presentation and disclosure requirements of comprehensive income in interim and annual financial statements. These updates to ASC 220 are effective for us in the first quarter of fiscal 2013 with early adoption permitted. Adoption is not expected to have a material impact on our Condensed Consolidated Financial Statements.

In December 2011, the FASB issued an update to guidance in ASC 210, *Balance Sheet*, that enhances the disclosure requirements related to offsetting assets and liabilities. This update to ASC 210 is effective for us in the first quarter of fiscal 2014. Adoption is not expected to have a material impact on our Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net

Charges (credits) to operations by segment were as follows:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Transportation Solutions	$ 2	$ (6)	$ (2)	$ (5)
Communications and Industrial Solutions	18		35	3
Network Solutions	12	17	17	52
Restructuring and related charges, net	$ 32	$ 11	$ 50	$ 50

Amounts recognized on the Condensed Consolidated Statements of Operations were as follows:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Cash charges	$ 34	$ 6	$ 53	$ 45
Non-cash charges (credits)	(2)	5	(3)	5
Restructuring and related charges, net	$ 32	$ 11	$ 50	$ 50

Restructuring and Related Cash Charges

Activity in our restructuring reserves during the first six months of fiscal 2012 is summarized as follows:

	Balance at September 30, 2011	Charges	Utilization	Changes in Estimate	Currency Translation	Balance at March 30, 2012
	(in millions)					
Fiscal 2012 Actions:						
Employee severance	$	$ 50	$ (14)	$	$	$ 36
Facilities exit costs						
Other						
Total		50	(14)			36
Fiscal 2011 Actions:						
Employee severance	104	5	(41)	(9)	2	61
Facilities exit costs	4	1	(2)			3
Other	1		(1)			
Total	109	6	(44)	(9)	2	64
Pre-Fiscal 2011 Actions:						

Employee severance	33	3	(12)			24
Facilities exit costs	31	3	(4)		(1)	29
Other	2		(1)			1
Total	66	6	(17)		(1)	54
Total Activity	$ 175	$ 62	$ (75)	$ (9)	$ 1	$ 154

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

Fiscal 2012 Actions

We initiated restructuring programs during fiscal 2012 which were primarily associated with headcount reductions in our Communications and Industrial Solutions segment. In connection with these actions, during the six months ended March 30, 2012, we recorded net restructuring charges of $50 million primarily related to employee severance and benefits. We expect to complete all restructuring activities commenced in fiscal 2012 by the end of fiscal 2013 and to incur total charges of approximately $51 million, primarily related to employee severance and benefits. Cash spending related to this plan was $14 million in the first six months of fiscal 2012. We expect total cash spending to be approximately $42 million and $9 million in fiscal 2012 and 2013, respectively.

The following table summarizes charges incurred and total charges expected to be incurred for fiscal 2012 actions by segment:

	Charges Incurred		
	For the Quarter Ended March 30, 2012	For the Six Months Ended March 30, 2012	Total Charges Expected To Be Incurred
		(in millions)	
Transportation Solutions	$ 1	$ 4	$ 4
Communications and Industrial Solutions	18	32	33
Network Solutions	9	14	14
Total	$ 28	$ 50	$ 51

Fiscal 2011 Actions

We initiated restructuring programs during fiscal 2011 which were primarily associated with the acquisition of ADC Telecommunications, Inc. ("ADC") and related headcount reductions in the Network Solutions segment. Additionally, we increased reductions in force as a result of economic conditions, primarily in the Communications and Industrial Solutions segment. In connection with these actions, during the six months ended March 30, 2012 and March 25, 2011, we recorded net restructuring credits of $3 million and charges of $56 million, respectively, which primarily related to employee severance and benefits. We expect to complete all restructuring activities commenced in fiscal 2011 by the end of fiscal 2012 and to incur total charges of approximately $155 million, primarily related to employee severance and benefits. Cash spending related to this plan was $44 million in the first six months of fiscal 2012. We expect total cash spending to be approximately $96 million and $13 million in fiscal 2012 and 2013, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

The following table summarizes charges incurred and total charges expected to be incurred for fiscal 2011 actions by segment:

	Charges Incurred For the Quarter Ended March 30, 2012	Charges Incurred For the Six Months Ended March 30, 2012	Cumulative	Total Charges Expected To Be Incurred
	(in millions)			
Transportation Solutions	$ 1	$ (6)	$ 2	$ 2
Communications and Industrial Solutions		2	70	71
Network Solutions	1	1	80	82
Total	$ 2	$ (3)	$ 152	$ 155

Pre-Fiscal 2011 Actions

We initiated restructuring programs during fiscal 2010 primarily relating to headcount reductions in the Transportation Solutions segment. We initiated restructuring programs during fiscal 2009 primarily relating to headcount reductions and manufacturing site closures across all segments in response to economic conditions and the implementation of our manufacturing simplification plan. We have completed all restructuring activities commenced in fiscal 2010 and 2009. In connection with these pre-fiscal 2011 actions, during the six months ended March 30, 2012 and March 25, 2011, we recorded net restructuring charges of $6 million and credits of $11 million, respectively. Cash spending related to these plans was $17 million in the first six months of fiscal 2012, and we expect total cash spending of approximately $35 million and $14 million in fiscal 2012 and 2013, respectively.

During fiscal 2002, we recorded restructuring charges related to a significant downturn in the telecommunications industry and certain other end markets. These actions have been completed. As of March 30, 2012, the remaining restructuring reserves related to fiscal 2002 actions were $30 million, primarily relating to exited lease facilities in the Subsea Communications business in the Network Solutions segment. We expect that the remaining reserves will continue to be paid out over the expected terms of the obligations which range from one to fifteen years.

Total Restructuring Reserves

Restructuring reserves by segment were as follows:

	March 30, 2012	September 30, 2011
	(in millions)	
Transportation Solutions	$ 21	$ 32
Communications and Industrial Solutions	66	65
Network Solutions	67	78
Restructuring reserves	$ 154	$ 175

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

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

	March 30, 2012	September 30, 2011
	(in millions)	
Accrued and other current liabilities	$ 118	$ 129
Other liabilities	36	46
Restructuring reserves	$ 154	$ 175

4. Discontinued Operations

In March 2012, we authorized the sale of our Touch Solutions and TE Professional Services businesses. These businesses met the held for sale and discontinued operations criteria in the second quarter of fiscal 2012 and have been included in discontinued operations in all periods presented. Based on an estimated sales price, we determined that the carrying value of the TE Professional Services business was in excess of its fair value. In the second quarter of fiscal 2012, we recorded a pre-tax impairment charge of $28 million, which is included in income (loss) from discontinued operations, net of income taxes on the Condensed Consolidated Statements of Operations, to write the carrying value of the business down to its estimated fair value less costs to sell. Prior to reclassification to discontinued operations, the Touch Solutions and TE Professional Services businesses were included in the Communications and Industrial Solutions and Network Solutions segments, respectively. See Note 21 for additional information regarding the divestiture of these businesses.

On December 27, 2011, the New York Court of Claims entered judgment in our favor in the amount of $25 million, payment of which was received in the second quarter of fiscal 2012, in connection with our former Wireless Systems business's State of New York contract. This judgment resolved all outstanding issues between the parties in this matter. This partial recovery of a previously recognized loss, net of legal fees, is reflected in pre-tax income from discontinued operations on the Condensed Consolidated Statement of Operations for the six months ended March 30, 2012.

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

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Net sales	$ 140	$ 133	$ 279	$ 226
Pre-tax income (loss) from discontinued operations	$ (15)	$ 13	$ 15	$ 22
Pre-tax loss on sale of discontinued operations				(4)
Income tax (expense) benefit	5	(5)	(3)	(8)
Income (loss) from discontinued operations, net of income taxes	$ (10)	$ 8	$ 12	$ 10

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Discontinued Operations (Continued)

The following table presents balance sheet information for assets and liabilities held for sale:

	March 30, 2012	September 30, 2011
	(in millions)	
Accounts receivable, net	$ 92	$ 84
Inventories	55	61
Prepaid expenses and other current assets	10	14
Property, plant, and equipment, net	16	23
Goodwill	280	298
Intangible assets, net	14	24
Other assets	2	4
Total assets	$ 469	$ 508
Accounts payable	$ 39	$ 29
Accrued and other current liabilities	15	40
Deferred revenue	4	2
Other liabilities	8	9
Total liabilities	$ 66	$ 80

5. Inventories

Inventories consisted of the following:

	March 30, 2012	September 30, 2011
	(in millions)	
Raw materials	$ 298	$ 301
Work in progress	532	541
Finished goods	935	973
Inventoried costs on long-term contracts	68	63
Inventories	$ 1,833	$ 1,878

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

6. Goodwill

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

	Transportation Solutions	Communications and Industrial Solutions	Network Solutions	Total
		(in millions)		
Balance at September 30, 2011:				
Goodwill	$ 2,712	$ 3,034	$ 2,217	$ 7,963
Accumulated impairment losses	(2,191)	(1,459)	(1,025)	(4,675)
Goodwill, net of impairment losses	521	1,575	1,192	3,288
Changes in goodwill:				
Currency translation		(2)	(3)	(5)
Balance at March 30, 2012:				
Goodwill	2,712	3,032	2,214	7,958
Accumulated impairment losses	(2,191)	(1,459)	(1,025)	(4,675)
Goodwill, net of impairment losses	$ 521	$ 1,573	$ 1,189	$ 3,283

7. Intangible Assets, Net

Intangible assets were as follows:

	March 30, 2012			September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in millions)			
Intellectual property	$ 832	$ (409)	$ 423	$ 831	$ (389)	$ 442
Customer relationships	166	(21)	145	165	(12)	153
Other	56	(18)	38	53	(17)	36
Total	$ 1,054	$ (448)	$ 606	$ 1,049	$ (418)	$ 631

Intangible asset amortization expense was $14 million and $22 million for the quarters ended March 30, 2012 and March 25, 2011, respectively, and $29 million and $33 million for the six months ended March 30, 2012 and March 25, 2011 respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

7. Intangible Assets, Net (Continued)

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

	(in millions)
Remainder of fiscal 2012	$ 29
Fiscal 2013	58
Fiscal 2014	57
Fiscal 2015	57
Fiscal 2016	57
Fiscal 2017	57
Thereafter	291
Total	$ 606

8. Debt

Debt was as follows:

	March 30, 2012	September 30, 2011
	(in millions)	
6.00% senior notes due 2012	$ 715	$ 716
5.95% senior notes due 2014	300	300
1.60% senior notes due 2015	250	
6.55% senior notes due 2017	734	736
4.875% senior notes due 2021	265	269
3.50% senior notes due 2022	498	
7.125% senior notes due 2037	475	475
3.50% convertible subordinated notes due 2015	90	90
Commercial paper, at a weighted-average interest rate of 0.52% at March 30, 2012	569	
Other	76	81
Total debt(1)	3,972	2,667
Less current maturities of long-term debt(2)	1,285	
Long-term debt	$ 2,687	$ 2,667

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

(2) The current maturities of long-term debt at March 30, 2012 was comprised of the 6.00% senior notes due 2012, commercial paper, and a portion of amounts shown as other.

During February 2012, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, issued $250 million aggregate principal amount of 1.60% senior notes due February 3, 2015 and $500 million aggregate principal amount of 3.50% senior notes due February 3, 2022. The notes were offered and sold pursuant to an effective registration statement on Form S-3 filed on January 21, 2011. Interest on the notes is payable semi-annually on February 3 and August 3 of each year, beginning

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

8. Debt (Continued)

August 3, 2012. 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. Net proceeds from the issuance of the notes due 2015 and 2022, were approximately $250 million and $498 million, respectively. In connection with the issuance of the senior notes in February 2012, the commitments of the lenders under the $700 million 364-day credit agreement, dated as of December 20, 2011, automatically terminated.

In June 2011, TEGSA entered into a five-year unsecured senior revolving credit facility ("Credit Facility"), with total commitments of $1,500 million. TEGSA had no borrowings under the Credit Facility at March 30, 2012 and September 30, 2011.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 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.

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

We have used, and continue to use, derivative instruments to manage interest rate risk. See Note 11 for information on options to enter into interest rate swaps ("swaptions"), forward starting interest rate swaps, and interest rate swaps.

The fair value of our debt, based on indicative valuations, was approximately $4,201 million and $2,968 million at March 30, 2012 and September 30, 2011, respectively.

9. Guarantees

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, upon separation from Tyco International Ltd. ("Tyco International") on June 29, 2007, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien plc ("Covidien"). Under these agreements, principally the Tax Sharing Agreement, we, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. In addition, Tyco International and Covidien are responsible for their tax liabilities that are not subject to the Tax Sharing Agreement's sharing formula. Our indemnification created under the Tax Sharing Agreement qualifies as a guarantee of a third party entity's debt under ASC 460, *Guarantees*.

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

9. Guarantees (Continued)

At March 30, 2012, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of $244 million of which $238 million was reflected in other liabilities and $6 million was reflected in accrued and other current liabilities on the Condensed Consolidated Balance Sheet. At September 30, 2011, the liability was $249 million and consisted of $228 million in other liabilities and $21 million in accrued and other current liabilities. The amount reflected in accrued and other current liabilities is our estimated cash obligation under the Tax Sharing Agreement to Tyco International and Covidien in connection with pre-separation tax matters that could be resolved within the next twelve months.

We have assessed the probable future cash payments to Tyco International and Covidien for pre-separation income tax matters pursuant to the terms of the Tax Sharing Agreement and determined that $244 million remains sufficient to satisfy these expected obligations.

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 have no reason to believe that these uncertainties would have a material adverse effect on our results of operations, financial position, or cash flows.

At March 30, 2012, we had outstanding letters of credit and letters of guarantee in the amount of $377 million.

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

We generally record estimated product warranty costs when contract revenues are recognized under the percentage-of-completion method for construction related contracts and at the time of sale for products. The estimation is primarily based on historical experience and actual warranty claims. Amounts accrued for warranty claims at March 30, 2012 and September 30, 2011 were $51 million and $54 million, respectively.

10. Commitments and Contingencies

TE Connectivity Legal Proceedings

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

At March 30, 2012, we had a contingent purchase price commitment of $80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Commitments and Contingencies (Continued)

shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida was completed and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as we do not believe that any payment is probable or reasonably estimable at this time.

Legal Matters under Separation and Distribution Agreement

The Separation and Distribution Agreement among us, Tyco International, and Covidien provided for the allocation among the parties of Tyco International's assets, liabilities, and obligations attributable to periods prior to our and Covidien's separations from Tyco International on June 29, 2007. Under the Separation and Distribution Agreement, we assumed the liability for, and control of, all pending and threatened legal matters at separation related to our business or assumed or retained liabilities. We were responsible for 31% of certain liabilities that arose from litigation pending or threatened at separation that was not allocated to one of the three parties, and Tyco International and Covidien were responsible for 27% and 42%, respectively, of such liabilities. If any party defaults in payment of its allocated share of any such liability, each non-defaulting party will be responsible for an equal portion of the amount in default together with any other non-defaulting party, although any such payments will not release the obligation of the defaulting party. Subject to the terms and conditions of the Separation and Distribution Agreement, Tyco International manages and controls all the legal matters related to the shared contingent liabilities, including the defense or settlement thereof, subject to certain limitations. All costs and expenses that Tyco International incurs in connection with the defense of such litigation, other than the amount of any judgment or settlement, which is allocated in the manner described above, will be borne equally by Tyco International, Covidien, and us. At the present time, all significant matters for which we shared responsibility with Tyco International and Covidien under the Separation and Distribution Agreement, which as previously reported in our periodic filings generally related to securities class action cases and other securities cases, have been settled. Other than matters described below under "Compliance Matters," we presently are not aware of any additional legal matters which may arise for which we would bear a portion of the responsibility under the Separation and Distribution Agreement.

Compliance Matters

As previously reported in our periodic filings, Tyco International received and has responded to various allegations that certain improper payments were made by Tyco International subsidiaries, including our subsidiaries, in recent years prior to the separation. Tyco International reported to the U.S. Department of Justice and the Securities and Exchange Commission the investigative steps and remedial measures that it had taken in response to the allegations, including that it retained outside counsel to perform a company-wide baseline review of its policies, controls, and practices with respect to compliance with the Foreign Corrupt Practices Act ("FCPA"), and that it would continue to investigate and make periodic progress reports to these agencies. To date, our baseline review has revealed that some of our former business practices may not have complied with FCPA requirements.

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Commitments and Contingencies (Continued)

At this time, we believe we have adequate amounts recorded related to these matters, the amounts of which are not significant. Any judgment, settlement, or other cost incurred by Tyco International in connection with these matters not specifically allocated to Tyco International, Covidien, or us would be subject to the liability sharing provisions of the Separation and Distribution Agreement.

Income Taxes

In prior years, in connection with the Internal Revenue Service ("IRS") audit of various fiscal years, Tyco International submitted to the IRS proposed adjustments to prior period U.S. federal income tax returns resulting in a reduction in the taxable income previously filed. The IRS accepted substantially all of the proposed adjustments for fiscal 1997 through 2000 for which the IRS had completed its field work. On the basis of previously accepted amendments, we have determined that acceptance of adjustments presented for additional periods through fiscal 2006 is more likely than not to be accepted and, accordingly, have recorded them, as well as the impacts of the adjustments accepted by the IRS, on the Condensed Consolidated Financial Statements.

As our tax return positions continue to be updated for periods prior to separation, additional adjustments may be identified and recorded on the Condensed Consolidated Financial Statements. While the final adjustments cannot be determined until the income tax return amendment process is completed and accepted by the IRS, we believe that any resulting adjustments will not have a material impact on our results of operations, financial position, or cash flows. Additionally, adjustments may be recorded to equity in the future for the impact of filing final or amended income tax returns in certain jurisdictions where those returns include a combination of Tyco International, Covidien, and/or our subsidiaries for the periods prior to the separation.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the 1997 through 2000 period. Tyco International has appealed certain proposed adjustments totaling approximately $1 billion. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. Based upon statutory guidelines, Tyco International estimates the proposed penalties could range between $30 million and $50 million. The penalty is asserted against a prior subsidiary of Tyco International that was distributed to us in connection with the separation. Any penalty ultimately imposed upon our subsidiary would be subject to sharing with Tyco International and Covidien under the Tax Sharing Agreement. It is our understanding that Tyco International continues to make progress towards resolving a substantial number of proposed tax adjustments for the years 1997 through 2000; however, several significant matters remain in dispute. The remaining issues in dispute involve the tax treatment of certain intercompany debt transactions. Tyco International has indicated that it is unlikely to achieve the resolution of these contested adjustments through the IRS appeals process, and therefore may be required to litigate the disputed issues. In the second quarter of fiscal 2012, we made payments of $52 million to the IRS for tax deficiencies related to undisputed tax adjustments for the years 1997 through 2000. Concurrent with remitting these payments, we were reimbursed $43 million from Tyco International and Covidien pursuant to their indemnifications for pre-separation tax matters. For those issues not in dispute, we expect the IRS to complete its examination for the years 1997 through 2000

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Commitments and Contingencies (Continued)

and issue special agreement Forms 870-AD during the second half of fiscal 2012. Over the next twelve months, we expect to pay approximately $26 million, inclusive of related indemnification payments, in connection with these pre-separation tax matters.

During fiscal 2011, the IRS completed its field examination of certain Tyco International income tax returns for the years 2001 through 2004, issued Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the 2001 through 2004 period, and issued certain notices of deficiency. In connection with the completion of fieldwork and the settlement of certain tax matters, we made net cash payments of $154 million related to pre-separation deficiencies in the fourth quarter of fiscal 2011.

The IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007 in fiscal 2011.

During the first quarter of fiscal 2012, the IRS indicated that it would begin the audit of our income tax returns for the years 2008 through 2010 in fiscal 2012.

At March 30, 2012 and September 30, 2011, we have reflected $71 million and $232 million, respectively, of income tax liabilities related to the audits of Tyco International's and our income tax returns in accrued and other current liabilities as certain of these matters could be resolved within the next twelve months.

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

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 March 30, 2012, we concluded that it was probable that we would incur remedial costs in the range of $11 million to $21 million. As of March 30, 2012, we concluded that the best estimate within this range is $12 million, of which $8 million is included in accrued and other current liabilities and $4 million is included in other liabilities on the Condensed Consolidated Balance Sheet. In view of our financial position and reserves for environmental matters of $12 million, we believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

11. Financial Instruments

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Financial Instruments (Continued)

Foreign Exchange Risks

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

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

Interest Rate and Investment Risk Management

We issue debt, from time to time, to fund our operations and capital needs. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt. We use forward starting interest rate swaps and swaptions to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. We also utilize interest rate and investment swap contracts to manage interest rate and earnings exposure on certain non-qualified deferred compensation liabilities.

During the second quarter of fiscal 2012, in conjunction with the issuance of the 1.60% senior notes due 2015 and 3.50% senior notes due 2022, we terminated forward starting interest rate swaps and swaptions designated as cash flow hedges on notional amounts of $400 million for a cash payment of $24 million. The effective portion of the forward starting interest rate swaps, approximately $24 million, was recorded in accumulated other comprehensive income and will be reclassified to interest expense over a four year period. The ineffective portion of the forward starting interest rate swaps and the remaining unamortized premium of the swaptions were insignificant and were recorded in interest expense during the second quarter of fiscal 2012. Also during the second quarter of fiscal 2012 and in conjunction with the debt issuance (see Note 8 for additional information regarding the debt issuance), we entered into, and subsequently terminated, a cash flow hedge-designated interest rate swap on a notional amount of $300 million of the 3.50% senior notes due 2022 for a cash payment of $2 million. That cash payment was recorded in accumulated other comprehensive income and will be reclassified to interest expense over a ten year period.

Commodity Hedges

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

At March 30, 2012 and September 30, 2011, our commodity hedges had notional values of $220 million and $211 million, respectively. We expect that significantly all of the balance in accumulated other comprehensive income associated with the commodities hedges will be reclassified into the Condensed Consolidated Statements of Operations within the next twelve months.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Financial Instruments (Continued)

Hedges of Net Investment

We hedge our net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was $1,557 million and $1,542 million at March 30, 2012 and September 30, 2011, respectively. We recorded foreign exchange gains of $8 million and losses of $116 million during the quarters ended March 30, 2012 and March 25, 2011, respectively, and gains of $60 million and losses of $102 million during the six months ended March 30, 2012 and March 25, 2011, respectively, to currency translation, a component of accumulated other comprehensive income, offsetting foreign exchange gains or losses attributable to the translation of the net investment. See additional information in Note 18.

Derivative Instrument Summary

The fair value of our derivative instruments is summarized below.

	March 30, 2012		September 30, 2011	
	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign currency contracts(3)	$ 1	$ 1	$ 1	$ 1
Interest rate swaps and swaptions	17		21	21
Commodity swap contracts	7	8	13	14
Total derivatives designated as hedging instruments	25	9	35	36
Derivatives not designated as hedging instruments:				
Foreign currency contracts(3)	5	3	6	10
Investment swaps	3			5
Total derivatives not designated as hedging instruments	8	3	6	15
Total derivatives	$ 33	$ 12	$ 41	$ 51

(1) All foreign currency, commodity swap, investment swap, and interest rate swap and swaption derivatives in asset positions that mature within one year of the balance sheet date are recorded in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets, except where a right of offset against liability positions exists. Derivative instruments in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets totaled $16 million and $12 million at March 30, 2012 and September 30, 2011, respectively. Interest rate swaps and swaptions and commodity swap contracts in asset positions that mature more than one year from the balance sheet date are recorded in other assets on the Condensed Consolidated Balance Sheets and totaled $17 million and $21 million at March 30, 2012 and September 30, 2011, respectively.

(2) All foreign currency, commodity swap, investment swap, and interest rate swap and swaption derivatives in liability positions that mature within one year of the balance sheet date are recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets, except where a right of offset against asset positions exists. Derivative instruments in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled $12 million and $43 million at March 30, 2012 and September 30, 2011, respectively. Interest rate swaps and swaptions and commodity swap contracts in liability positions that mature more than one year from the balance sheet date are recorded in other liabilities on the Condensed

Consolidated Balance Sheets; there were no derivatives in other liabilities at March 30, 2012 and September 30, 2011.

(3) Contracts are presented gross without regard to any right of offset that exists.

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Financial Instruments (Continued)

The effects of derivative instruments designated as fair value hedges on the Condensed Consolidated Statements of Operations were as follows:

Derivatives Designated as Fair Value Hedges	**Location**	**Gain Recognized For the Quarters Ended March 30, 2012**	**Gain Recognized For the Quarters Ended March 25, 2011**	**For the Six Months Ended March 30, 2012**	**For the Six Months Ended March 25, 2011**
		(in millions)			
Interest rate swaps[1]	Interest expense	$ 1	$ 1	$ 3	$ 3

(1) Certain interest rate swaps designated as fair value hedges were terminated in December 2008. Terminated interest rate swaps resulted in all gains presented in this table. Interest rate swaps in place at March 30, 2012 had no gain or loss recognized on the Condensed Consolidated Statements of Operations during the periods.

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statements of Operations for the quarters ended were as follows:

Derivatives Designated as Cash Flow Hedges	**Gain (Loss) Recognized in OCI (Effective Portion)**	**Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**		**Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing)**	
	Amount	**Location**	**Amount**	**Location**	**Amount**
		(in millions)			
For the Quarter Ended March 30, 2012:					
Foreign currency contracts	$ 2	Cost of sales	$ (1)	Cost of sales	$
Commodity swap contracts	18	Cost of sales	4	Cost of sales	
Interest rate swaps and swaptions[1]	(4)	Interest expense	(3)	Interest expense	
Total	$ 16		$		$
For the Quarter Ended March 25, 2011:					
Foreign currency contracts	$	Cost of sales	$	Cost of sales	$
Commodity swap contracts	13	Cost of sales	8	Cost of sales	
Interest rate swaps and swaptions[1]		Interest expense	(1)	Interest expense	(1)
Total	$ 13		$ 7		$ (1)

(1) During the quarter ended March 30, 2012, we terminated forward starting interest rate swaps and swaptions designated as cash flow hedges. Prior to the termination, a loss of $2 million was recorded in other comprehensive income related to the effective portions of the hedges during the period. Amounts recognized as interest expense due to ineffectiveness were not material. Also during the quarter ended March 30, 2012, we entered into and terminated an interest rate swap designated as a cash flow hedge, recording a loss of $2 million in other comprehensive income. Losses reclassified from accumulated other comprehensive income to interest expense during the quarter ended March 30, 2012 include these terminated instruments as well as certain forward starting interest rate swaps designated as cash flow hedges that were terminated in

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Financial Instruments (Continued)

September 2007. Losses reclassified from accumulated other comprehensive income to interest expense during the quarter ended March 25, 2011 include only the forward starting interest rate swaps designated as cash flow hedges that were terminated in September 2007. Interest rate swaptions in place at March 25, 2011 resulted in losses of $1 million in interest expense as a result of amounts excluded from hedging relationship; there were no gains or losses recorded in other comprehensive income during the period.

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statements of Operations for the six months ended were as follows:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI (Effective Portion) Amount	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Amount	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing) Location	Amount
		(in millions)			
For the Six Months Ended March 30, 2012:					
Foreign currency contracts	$ (1)	Cost of sales	$ (1)	Cost of sales	$
Commodity swap contracts	14	Cost of sales	14	Cost of sales	
Interest rate swaps and swaptions(1)	(5)	Interest expense	(4)	Interest expense	
Total	$ 8		$ 9		$
For the Six Months Ended March 25, 2011:					
Foreign currency contracts	$	Cost of sales	$ 2	Cost of sales	$
Commodity swap contracts	25	Cost of sales	14	Cost of sales	
Interest rate swaps and swaptions(1)	6	Interest expense	(2)	Interest expense	1
Total	$ 31		$ 14		$ 1

(1) During the six months ended March 30, 2012, we terminated forward starting interest rate swaps and swaptions designated as cash flow hedges. Prior to the termination, a loss of $3 million was recorded in other comprehensive income related to the effective portions of the hedges during the period. Amounts recognized as interest expense due to ineffectiveness were not material. Also during the six months ended March 30, 2012, we entered into and terminated an interest rate swap designated as a cash flow hedge, recording a loss of $2 million in other comprehensive income. Gains of $6 million related to the effective portion of forward starting interest rate swaps in place at March 25, 2011 were recorded in other comprehensive income during the six months ended March 25, 2011. Losses reclassified from accumulated other comprehensive income to interest expense during the six months ended March 30, 2012 include these terminated instruments as well as certain forward starting interest rate swaps designated as cash flow hedges that were terminated in September 2007. Losses reclassified from accumulated other comprehensive income to interest expense during the six months ended March 25, 2011 include only the forward starting interest rate swaps designated as cash flow hedges that were terminated in September 2007. Interest rate swaptions in place at March 25, 2011 resulted in gains of $1 million in interest expense as a result of amounts excluded from hedging relationship; there were no gains or losses recorded in other comprehensive income during the period.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Financial Instruments (Continued)

The effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Operations were as follows:

Derivatives not Designated as Hedging Instruments	Location	Gain (Loss) Recognized For the Quarters Ended March 30, 2012	For the Quarters Ended March 25, 2011	For the Six Months Ended March 30, 2012	For the Six Months Ended March 25, 2011
		(in millions)			
Foreign currency contracts	Selling, general, and administrative expenses	$ 11	$ 5	$ (21)	$ 5
Investment swaps	Selling, general, and administrative expenses	4	5	7	4
Total		$ 15	$ 10	$ (14)	$ 9

During the quarter and six months ended March 30, 2012, we incurred gains of $11 million and losses of $21 million, respectively, as a result of marking foreign currency derivatives not designated as hedging instruments to fair value. These gains and losses were principally driven by Euro-denominated foreign currency contracts entered into in anticipation of the acquisition of Deutsch Group SAS and were offset by gains realized as a result of re-measuring certain Euro-denominated intercompany non-derivative financial instruments to the U.S. Dollar.

12. Fair Value Measurements

Guidance on fair value measurement in ASC 820, *Fair Value Measurements and Disclosures*, specifies a fair value hierarchy based upon the observability of the 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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Fair Value Measurements (Continued)

Financial assets and liabilities recorded at fair value on a recurring basis were as follows:

Description	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3	Fair Value
	(in millions)			
March 30, 2012:				
Assets:				
Commodity swap contracts	$ 7	$	$	$ 7
Interest rate swaps and swaptions		17		17
Foreign currency contracts[1]		6		6
Investment swap contracts		3		3
Rabbi trust assets	4	79		83
Total assets at fair value	$ 11	$ 105	$	$ 116
Liabilities:				
Commodity swap contracts	$ 8	$	$	$ 8
Foreign currency contracts[1]		4		4
Total liabilities at fair value	$ 8	$ 4	$	$ 12
September 30, 2011:				
Assets:				
Commodity swap contracts	$ 13	$	$	$ 13
Interest rate swaps and swaptions		21		21
Foreign currency contracts[1]		7		7
Rabbi trust assets	5	79		84
Total assets at fair value	$ 18	$ 107	$	$ 125
Liabilities:				
Commodity swap contracts	$ 14	$	$	$ 14
Interest rate swaps and swaptions		21		21
Investment swap contracts		5		5
Foreign currency contracts[1]		11		11
Total liabilities at fair value	$ 14	$ 37	$	$ 51

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(1) Contracts are presented gross without regard to any right of offset that exists. See Note 11 for a reconciliation of amounts to the Condensed Consolidated Balance Sheets.

The following is a description of the valuation methodologies used for the respective financial assets and liabilities measured at fair value on a recurring basis:

Commodity swap contracts Fair value of these assets and liabilities is determined using quoted prices on futures exchanges (level 1).

Interest rate swaps and swaptions Fair value of these assets and liabilities is determined based on observable inputs other than quoted prices. The positions are primarily valued using market approach models that use readily observable interest rates as their basis (level 2).

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Fair Value Measurements (Continued)

Investment swap contracts Fair value of these assets is determined based on observable inputs other than quoted prices. The positions are primarily valued using market approach models that use readily observable equity returns as their basis (level 2).

Foreign currency contracts Fair value of these assets and liabilities is determined using the market approach. Values are based on observable market transactions of spot and forward currency rates (level 2).

Rabbi trust assets Rabbi trust assets are principally comprised of comingled equity funds that are marked to fair value based on unadjusted quoted prices in active markets (level 1) and fixed income securities that are marked to fair value based on quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

The majority of derivatives that we enter into are valued using the over-the-counter quoted market prices for similar instruments. We do not believe that fair values of these derivative instruments materially differ from the amounts that could be realized upon settlement or maturity.

Other Financial Instruments

Financial instruments other than derivative instruments include cash and cash equivalents, accounts receivable, accounts payable and long-term debt. These instruments are recorded in our Condensed Consolidated Balance Sheets at book value, which we believe approximates fair value (see Note 8 for disclosure of the fair value of long-term debt). The following is a description of the valuation methodologies used for the respective financial instruments:

Cash and cash equivalents Cash and cash equivalents are valued at book value, which we consider to be equivalent to unadjusted quoted prices (level 1).

Accounts receivable Accounts receivable are valued based on the net value expected to be realized. The net realizable value generally represents an observable contractual agreement (level 2).

Accounts payable Accounts payable are valued based on the net value expected to be paid, generally supported by an observable contractual agreement (level 2).

Long-term debt The fair value of long-term debt, including both current and non-current maturities, as presented in Note 8, 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).

As of March 30, 2012, we did not have significant financial assets or liabilities that were measured at fair value on a non-recurring basis.

During the second quarter of fiscal 2012, we used significant other observable inputs (level 2) to calculate an impairment charge related to the TE Professional Services business that was presented as held for sale as of March 30, 2012. See Note 4 for additional information.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Retirement Plans

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

	U.S. Plans		Non-U.S. Plans	
	For the Quarters Ended		For the Quarters Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Service cost	$ 1	$ 2	$ 13	$ 17
Interest cost	13	13	19	22
Expected return on plan assets	(14)	(16)	(14)	(14)
Amortization of prior service credit			(2)	
Amortization of net actuarial loss	11	9	8	10
Net periodic benefit pension cost	$ 11	$ 8	$ 24	$ 35

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

	U.S. Plans		Non-U.S. Plans	
	For the Six Months Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Service cost	$ 3	$ 4	$ 26	$ 33
Interest cost	26	26	38	43
Expected return on plan assets	(29)	(32)	(27)	(28)
Amortization of prior service credit			(4)	
Amortization of net actuarial loss	21	18	16	20
Net periodic benefit pension cost	$ 21	$ 16	$ 49	$ 68

The net periodic benefit cost for postretirement benefit plans was immaterial for the quarters and six months ended March 30, 2012 and March 25, 2011.

We anticipate that, at a minimum, we will make the minimum required contributions to our pension plans in fiscal 2012 of $3 million for U.S. plans and $97 million for non-U.S. plans. During the six months ended March 30, 2012, we contributed $1 million to our U.S. plans and $49 million to our non-U.S. plans.

We expect to make contributions to our postretirement benefit plans of $2 million in fiscal 2012. During the six months ended March 30, 2012, contributions to our postretirement benefit plans were insignificant.

14. Income Taxes

We recorded a tax provision of $91 million, for an effective income tax rate of 25.3%, and a tax provision of $69 million, for an effective income tax rate of 19.1%, for the quarters ended March 30,

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Income Taxes (Continued)

2012 and March 25, 2011, respectively. The effective income tax rate for the quarter ended March 30, 2012 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2012 in certain entities operating in lower tax rate jurisdictions. In addition, the effective income tax rate for the quarter ended March 30, 2012 reflects accruals of interest related to uncertain tax positions partially offset by tax benefits recognized due to the lapse of statutes of limitations in certain non-U.S. locations. The effective income tax rate for the quarter ended March 25, 2011 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2011 in certain entities operating in lower tax rate jurisdictions partially offset by accruals of interest related to uncertain tax positions. In addition, the effective income tax rate for the quarter ended March 25, 2011 reflects tax benefits associated with certain ADC related restructuring charges and acquisition costs as well as tax benefits related to a favorable tax settlement.

We recorded a tax provision of $179 million, for an effective income tax rate of 26.1%, and a tax provision of $177 million, for an effective income tax rate of 24.1%, for the six months ended March 30, 2012 and March 25, 2011, respectively. The effective income tax rate for the six months ended March 30, 2012 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2012 in certain entities operating in lower tax rate jurisdictions. These benefits were partially offset by accruals of interest related to uncertain tax positions and income tax expense associated with certain non-U.S. tax rate changes enacted in the quarter ended December 30, 2011. The effective income tax rate for the six months ended March 25, 2011 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2011 in certain entities operating in lower tax rate jurisdictions partially offset by accruals of interest related to uncertain tax positions and tax benefits related to a favorable tax settlement.

We record accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of March 30, 2012, we had recorded $1,290 million of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheet, of which $1,254 million was recorded in income taxes and $36 million was recorded in accrued and other current liabilities. During the quarter and six months ended March 30, 2012, we recognized $28 million and $50 million, respectively, of expense related to interest and penalties on the Condensed Consolidated Statements of Operations. As of September 30, 2011, the balance of accrued interest and penalties was $1,287 million, of which $1,154 million was recorded in income taxes and $133 million was recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000. Tyco International is in the process of appealing certain tax adjustments proposed by the IRS related to this period. During fiscal 2011, the IRS completed its field examination of certain Tyco International income tax returns for the years 2001 through 2004 and issued Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the 2001 through 2004 period. Also, during fiscal 2011, the IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007. During the first quarter of fiscal 2012, the IRS indicated that it would begin the audit of our income tax returns for the years 2008 through 2010 in fiscal 2012. See Note 10 for additional information regarding the status of IRS examinations.

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Income Taxes (Continued)

Although it is difficult to predict the timing or results of certain pending examinations, it is our understanding that Tyco International continues to make progress towards resolving a substantial number of proposed tax adjustments for the years 1997 through 2000; however, several significant matters remain in dispute. The remaining issues in dispute involve the tax treatment of certain intercompany debt transactions. Tyco International has indicated that it is unlikely to achieve the resolution of these contested adjustments through the IRS appeals process, and therefore may be required to litigate the disputed issues. For those issues not in dispute, we expect the IRS to complete its examination for the years 1997 through 2000 and issue special agreement Forms 870-AD during the second half of fiscal 2012. While the ultimate resolution is uncertain, based upon the current status of these examinations, we estimate that up to approximately $200 million of unrecognized tax benefits, excluding the impacts 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 tax benefits reflected on the Condensed Consolidated Balance Sheet as of March 30, 2012.

15. Other Income, Net

We recorded net other income of $11 million and $6 million in the quarters ended March 30, 2012 and March 25, 2011, respectively, and $12 million and $18 million in the six months ended March 30, 2012 and March 25, 2011, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

16. Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to TE Connectivity Ltd. by the basic weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income attributable to TE Connectivity Ltd. by the weighted-average number of common shares outstanding adjusted for potentially dilutive unexercised share options and non-vested restricted share awards. The following table sets forth the denominators of the basic and diluted earnings per share computations:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Weighted-average shares outstanding:				
Basic	427	443	426	444
Dilutive share options and restricted share awards	4	6	4	5
Diluted	431	449	430	449

Certain share options were not included in the computation of diluted earnings per share because the instruments' underlying exercise prices were greater than the average market prices of our common

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Earnings Per Share (Continued)

shares and inclusion would be antidilutive. Such shares not included in the computation were 6 million and 10 million for the quarters ended March 30, 2012 and March 25, 2011, respectively, and 11 million and 14 million for the six months ended March 30, 2012 and March 25, 2011, respectively.

17. Equity

Common Shares

Subject to certain conditions specified in the articles of association, we are authorized to increase our share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. Additionally, in March 2011, our shareholders reapproved and extended through March 9, 2013 our board of directors' authorization to issue additional new shares, subject to certain conditions specified in the articles, in aggregate not exceeding 50% of the amount of our authorized shares. Although we state our par value in Swiss Francs ("CHF"), we continue to use the U.S. Dollar as our reporting currency for preparing our Condensed Consolidated Financial Statements.

Common Shares Held in Treasury

At March 30, 2012, approximately 36 million common shares were held in treasury, of which 12 million were owned by one of our subsidiaries. At September 30, 2011, approximately 39 million common shares were held in treasury, of which 15 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 Condensed Consolidated Balance Sheets.

In March 2012, our shareholders approved the cancellation of 23,988,560 shares purchased under our share repurchase program during the period from December 25, 2010 to December 30, 2011. The capital reduction by cancellation of shares is subject to a notice period and filing with the commercial register and is expected to be effective in the third quarter of fiscal 2012.

Contributed Surplus

Contributed surplus originally established during the Change of Domicile for Swiss tax and statutory purposes ("Swiss Contributed Surplus"), subject to certain conditions, is a freely distributable reserve.

Distributions to shareholders from Swiss Contributed Surplus are free from withholding tax. During the second quarter of fiscal 2012, we received a favorable outcome from the Swiss tax authorities related to our classification of Swiss Contributed Surplus that allows us to present Swiss Contributed Surplus as a free reserve on our statutory Swiss balance sheet. Also during the second quarter of fiscal 2012, our shareholders approved a resolution to reclassify Swiss Contributed Surplus in the amount of CHF 9,745 million from free reserves (contributed surplus) to legal reserves (reserves from capital contributions) on our Swiss statutory balance sheet, a provisional reclassification made while we were in discussions with the Swiss tax authorities. Based on the favorable outcome, we expect to reclassify our Swiss Contributed Surplus, currently presented as a legal reserve (reserves from capital contributions) to a free reserve (reserves from capital contributions) by September 28, 2012 and to seek shareholder approval for the change at our next shareholders' meeting. As of September 30, 2011, Swiss Contributed Surplus was $8,940 million (equivalent to CHF 9,745 million).

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

17. Equity (Continued)

Dividends and Distributions to Shareholders

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

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

In March 2012, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of CHF 0.80 (equivalent to $0.84) per share, payable in four equal quarterly installments of $0.21 per share beginning in the third quarter of fiscal 2012 through the second quarter of fiscal 2013 to shareholders of record on specified dates in each of the four quarters.

Upon approval by the shareholders of a dividend payment or cash distribution in the form of a capital reduction, we record a liability with a corresponding charge to contributed surplus or common shares. At March 30, 2012 and September 30, 2011, the unpaid portion of dividends and distributions recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled $359 million and $153 million, respectively.

Share Repurchase Program

During the first six months of fiscal 2012, we did not purchase any of our common shares under our share repurchase authorization. During the second quarter and first six months of fiscal 2011, we purchased approximately 7 million and 8 million, respectively, of our common shares for $252 million and $297 million, respectively. At March 30, 2012, we had $1,501 million of availability remaining under our share repurchase authorization.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

18. Comprehensive Income

Comprehensive income consisted of the following:

	For the Quarters Ended March 30, 2012	For the Quarters Ended March 25, 2011	For the Six Months Ended March 30, 2012	For the Six Months Ended March 25, 2011
	(in millions)			
Net income	$ 258	$ 300	$ 520	$ 566
Currency translation[1]	114	190	(59)	161
Gain (loss) on cash flow hedges, net of income taxes	14	5	(1)	16
Effects of unrecognized pension and postretirement benefit costs, net of income taxes	11	12	21	24
	397	507	481	767
Less: comprehensive income attributable to noncontrolling interests	(1)	(1)	(3)	(2)
Comprehensive income attributable to TE Connectivity Ltd.	$ 396	$ 506	$ 478	$ 765

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

19. Share Plans

Total share-based compensation costs were $18 million and $19 million during the quarters ended March 30, 2012 and March 25, 2011, respectively, and $36 million and $40 million during the six months ended March 30, 2012 and March 25, 2011, respectively. Share-based compensation costs were primarily presented in selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations. Share-based compensation expense of $1 million has been included within income (loss) from discontinued operations, net of tax in both the six months ended March 30, 2012 and March 25, 2011.

Pursuant to the acquisition of ADC, we exchanged unexercised ADC share options and stock appreciation rights for our share options and stock appreciation right awards. As a result of that exchange, we recognized $2 million of incremental share-based compensation expense during the first six months of fiscal 2011. Those costs, which are included in the total share-based compensation expense above, are presented in acquisition and integration costs on the Condensed Consolidated Statements of Operations.

On March 7, 2012, our shareholders approved an increase of 20 million shares in the number of shares available for awards under the TE Connectivity Ltd. Stock and Incentive Plan. As of March 30, 2012, we had 27 million shares available for issuance under the TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated, and 4 million shares available for issuance under ADC equity incentive plans.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

19. Share Plans (Continued)

Restricted Share Awards

A summary of restricted share award activity during the six months ended March 30, 2012 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 30, 2011	5,022,839	$ 26.48
Granted	1,693,291	34.53
Vested	(1,589,712)	23.98
Forfeited	(335,337)	27.78
Non-vested at March 30, 2012	4,791,081	$ 30.06

As of March 30, 2012, there was $108 million of unrecognized compensation cost related to non-vested restricted share awards. The cost is expected to be recognized over a weighted-average period of 2.0 years.

Share Options

A summary of share option award activity during the six months ended March 30, 2012 is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at September 30, 2011	21,920,451	$ 31.94		
Granted	3,381,900	34.51		
Exercised	(1,955,921)	23.21		
Expired	(1,100,675)	49.03		
Forfeited	(506,045)	28.80		
Outstanding at March 30, 2012	21,739,710	$ 32.33	5.8	$ 126
Vested and non-vested expected to vest at March 30, 2012	21,100,769	$ 32.41	5.8	$ 122
Exercisable at March 30, 2012	13,907,714	$ 33.63	4.2	$ 74

As of March 30, 2012, there was $52 million of unrecognized compensation cost related to non-vested share options granted under our share option plans. The cost is expected to be recognized over a weighted-average period of 2.1 years.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

19. Share Plans (Continued)

Share-Based Compensation Assumptions

The weighted-average grant-date fair value of options granted during the six months ended March 30, 2012 and the weighted-average assumptions we used in the Black-Scholes-Merton option pricing model for the six months then ended were as follows:

Weighted-average grant-date fair value	$ 9.50
Assumptions:	
Expected share price volatility	36%
Risk free interest rate	1.3%
Expected annual dividend per share	$ 0.84
Expected life of options (in years)	6.0

20. Segment Data

Net sales by segment was as follows:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Transportation Solutions	$ 1,457	$ 1,357	$ 2,862	$ 2,668
Communications and Industrial Solutions	975	1,111	1,949	2,249
Network Solutions	817	871	1,608	1,529
Total[(1)]	$ 3,249	$ 3,339	$ 6,419	$ 6,446

(1) Intersegment sales were not material and were recorded at selling prices that approximate market prices.

Operating income by segment was as follows:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(in millions)			
Transportation Solutions	$ 227	$ 211	$ 450	$ 400
Communications and Industrial Solutions	75	135	136	306
Network Solutions	83	46	160	76
Total	$ 385	$ 392	$ 746	$ 782

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

20. Segment Data (Continued)

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

	March 30, 2012	September 30, 2011
	(in millions)	
Transportation Solutions	$ 3,219	$ 3,187
Communications and Industrial Solutions	2,083	2,257
Network Solutions	1,926	1,915
Total segment assets(1)	7,228	7,359
Other current assets	4,190	2,762
Other non-current assets	7,611	7,602
Total assets	$ 19,029	$ 17,723

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

21. Subsequent Events

On April 3, 2012, we acquired 100% of the outstanding shares of Deutsch Group SAS ("Deutsch"). The total value paid for the transaction amounts to €1.55 billion (approximately $2.05 billion using an exchange rate of $1.33 per €1.00), net of cash acquired. The total value paid included the repayment of Deutsch's financial debt in an aggregate amount equal to approximately $660 million. Deutsch is a global leader in high-performance connectors for harsh environments, and the acquisition will significantly expand our product portfolio and enable us to better serve customers in the industrial and commercial transportation, aerospace, defense, and marine, and rail markets. This acquisition will be reported as part of our Transportation Solutions segment.

We have not yet completed the initial accounting for this business combination, including obtaining all of the information required for the valuation of contingencies, intangible assets, and goodwill. Also, because the initial accounting for the transaction is incomplete, we are unable to provide the supplemental pro forma revenue and earnings of the combined entity. The amounts recognized for the major classes of assets acquired and liabilities assumed as of the acquisition date and the pro forma revenue and earnings of the combined entity will be included in our Form 10-Q for the quarter ending June 29, 2012. For the quarter and six months ended March 30, 2012, we incurred Deutsch-related acquisition costs of $4 million and $8 million, respectively. These costs are presented in acquisition and integration costs on the Condensed Consolidated Statements of Operations.

On April 7, 2012, we entered into a definitive agreement to sell our TE Professional Services business for $24 million in cash. The sale of the TE Professional Services business is expected to close by the end of the third quarter fiscal of 2012.

On April 9, 2012, we entered into a definitive agreement to sell our Touch Solutions business for $380 million in cash. The agreement includes contingent earn-out provisions through 2015 based on business performance. Although we have not yet completed our accounting related to the divestiture of the Touch Solutions business, we currently expect to incur an income tax charge of approximately $65 million primarily as a result of being unable to fully realize a tax benefit from the write-off of goodwill at the time of the sale. We expect to make tax payments of approximately $10 million associated with this charge. The sale of the Touch Solutions business is expected to close by the end of the third quarter of fiscal 2012.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

22. Tyco Electronics Group S.A.

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Quarter Ended March 30, 2012

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 3,249	$	$ 3,249
Cost of sales			2,228		2,228
Gross margin			1,021		1,021
Selling, general, and administrative expenses, net	39	(50)	438		427
Research, development, and engineering expenses			173		173
Acquisition costs			4		4
Restructuring and other charges, net			32		32
Operating income (loss)	(39)	50	374		385
Interest income			7		7
Interest expense		(43)	(1)		(44)
Other income, net			11		11
Equity in net income of subsidiaries	309	285		(594)	
Equity in net loss of subsidiaries of discontinued operations	(10)	(10)		20	
Intercompany interest and fees	(3)	17	(14)		
Income from continuing operations before income taxes	257	299	377	(574)	359
Income tax expense			(91)		(91)
Income from continuing operations	257	299	286	(574)	268
Loss from discontinued operations, net of income taxes			(10)		(10)
Net income	257	299	276	(574)	258
Less: net income attributable to noncontrolling interests			(1)		(1)
Net income attributable to TE Connectivity Ltd., Tyco Electronics Group S.A., or Other Subsidiaries	$ 257	$ 299	$ 275	$ (574)	$ 257

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Quarter Ended March 25, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 3,339	$	$ 3,339
Cost of sales			2,331		2,331
Gross margin			1,008		1,008
Selling, general, and administrative expenses	49		382		431
Research, development, and engineering expenses			173		173
Acquisition and integration costs			1		1
Restructuring and other charges, net			11		11
Operating income (loss)	(49)		441		392
Interest income			6		6
Interest expense		(39)	(4)		(43)
Other income, net			6		6
Equity in net income of subsidiaries	346	359		(705)	
Equity in net income of subsidiaries of discontinued operations	8	8		(16)	
Intercompany interest and fees	(6)	26	(20)		
Income from continuing operations before income taxes	299	354	429	(721)	361
Income tax expense			(69)		(69)
Income from continuing operations	299	354	360	(721)	292
Income from discontinued operations, net of income taxes			8		8
Net income	299	354	368	(721)	300
Less: net income attributable to noncontrolling interests			(1)		(1)
Net income attributable to TE Connectivity Ltd., Tyco Electronics Group S.A., or Other Subsidiaries	$ 299	$ 354	$ 367	$ (721)	$ 299

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TE CONNECTIVITY LTD.

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FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Six Months Ended March 30, 2012

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 6,419	$	$ 6,419
Cost of sales			4,455		4,455
Gross margin			1,964		1,964
Selling, general, and administrative expenses, net	55	(49)	804		810
Research, development, and engineering expenses			350		350
Acquisition costs		2	6		8
Restructuring and other charges, net			50		50
Operating income (loss)	(55)	47	754		746
Interest income			12		12
Interest expense		(80)	(3)		(83)
Other income, net			12		12
Equity in net income of subsidiaries	565	565		(1,130)	
Equity in net income of subsidiaries of discontinued operations	12	12		(24)	
Intercompany interest and fees	(5)	33	(28)		
Income from continuing operations before income taxes	517	577	747	(1,154)	687
Income tax expense			(179)		(179)
Income from continuing operations	517	577	568	(1,154)	508
Income from discontinued operations, net of income taxes			12		12
Net income	517	577	580	(1,154)	520
Less: net income attributable to noncontrolling interests			(3)		(3)
Net income attributable to TE Connectivity Ltd., Tyco Electronics Group, S.A., or Other Subsidiaries	$ 517	$ 577	$ 577	$ (1,154)	$ 517

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Six Months Ended March 25, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 6,446	$	$ 6,446