

TE Connectivity Ltd.  
Form 10-K  
November 10, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended September 25, 2015

or

**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**  
(Jurisdiction of Incorporation)

**98-0518048**  
(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)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class               | Name of each exchange on which registered |
|-----------------------------------|---|
| Common Shares, Par Value CHF 0.57 | New York Stock Exchange                   |

**Securities registered pursuant to Section 12(g) of the Act: None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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       Accelerated filer       Non-accelerated filer       Smaller reporting company

(Do not check if a  
smaller reporting company)

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

The aggregate market value of the registrant's common shares held by non-affiliates of the registrant was \$28.7 billion as of March 27, 2015, the last business day of the registrant's most recently completed second fiscal quarter. Directors and executive officers of the registrant are considered affiliates for purposes of this calculation but should not necessarily be deemed affiliates for any other purpose.

The number of common shares outstanding as of November 5, 2015 was 386,305,893.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed in connection with the registrant's 2016 annual general meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

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**SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

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

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

The risk factors discussed in "Risk Factors" and other risks identified in this Annual Report could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

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**PART I**

**ITEM 1. BUSINESS**

**General**

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

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. Our segments manufacture and distribute our products and solutions to a number of end markets. The table below provides a summary of our reportable segments and the key products and industry end markets that we serve:

| <b>Segment</b>           | <b>Key Products</b>             | <b>Key Markets</b>               |
|--------------------------|---------------------------------|----------------------------------|
| Transportation Solutions | Terminals and connector systems | Automotive                       |
|                          | Sensors                         | Commercial transportation        |
|                          | Relays                          | Sensors                          |
|                          | Application tooling             |                                  |
| Industrial Solutions     | Wire and heat shrink tubing     |                                  |
|                          | Terminals and connector systems | Industrial equipment             |
|                          | Heat shrink tubing              | Aerospace, defense, oil, and gas |
|                          | Relays                          | Energy                           |

|                          |                                    |                       |
|--------------------------|------------------------------------|-----------------------|
| Communications Solutions | Wire and cable                     |                       |
|                          | Terminals and connector systems    | Data and devices      |
|                          | Undersea telecommunication systems | Subsea communications |
|                          |                                    | Appliances            |
|                          | Circuit protection devices         |                       |
|                          | Antennas                           |                       |
|                          | Relays                             |                       |
|                          | Heat shrink tubing                 |                       |
|                          |                                    |                       |
|                          |                                    |                       |

**Our Competitive Strengths**

We believe that we have the following competitive strengths:

*Portfolio of market-leading connectivity and sensors businesses.* We are a leader in many of the markets we serve, and the opportunity for growth in those markets is significant. We believe our three segments serve a combined market of approximately \$170 billion that is expected to grow at an estimated annual growth rate of approximately 6% over the next five years.

*Global leader in passive components.* With net sales of \$12.2 billion in fiscal 2015, we are significantly larger than many of our competitors. In the fragmented connector industry, which we estimated to be approximately \$50 billion in fiscal 2015, our net sales were approximately \$8.4 billion. We have established a global leadership position in the connector industry. Our scale provides us the opportunity to accelerate our sales growth by making larger investments in existing and new technologies and businesses in our core markets, and to expand our presence in emerging markets. Our leadership position also provides us the opportunity to lower our purchasing costs by developing lower cost sources of supply and to maintain a flexible manufacturing footprint worldwide that is close to our customers' locations.

*Strong customer relationships.* As an industry leader, we have established close working relationships with many of our customers. These relationships allow us to better anticipate and

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respond to customer needs when designing new products and new technical solutions. By working with our customers in developing new products and technologies, we believe we are able to identify and act on trends and leverage knowledge about next-generation technology across our products.

*Process and product technology leadership.* We employ approximately 7,200 engineers dedicated to product research, development, and engineering. Our investment of over \$625 million in product and process engineering and development and our capital spending of \$600 million in fiscal 2015 enable us to consistently provide innovative, high-quality products with efficient manufacturing methods. In fiscal 2015, we derived approximately 20% of our net sales from new products, including product extensions, introduced within the previous three fiscal years.

*Diverse product mix and customer base.* We manufacture and sell a broad portfolio of products to customers in various industries. Our customers include many of the leaders in their respective industries, and our relationships with them typically date back many years. We believe that this diversified customer base provides us an opportunity to leverage our skills and experience across markets and reduce our exposure to individual end markets, thereby reducing the variability of our financial performance. Additionally, we believe that the diversity of our customer base reduces the level of cyclical in our results and distinguishes us from our competitors.

*Global presence.* We have an established manufacturing presence in over 20 countries and global sales distribution. Our global coverage positions us near our customers' locations and allows us to assist them in consolidating their supply base and lowering their production costs. We believe our balanced sales distribution lowers our exposure to any particular geography and improves our financial profile.

*Strong management team and employee base.* We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our chief executive officer, president, and segment leaders average approximately 25 years of industry experience. They are supported by an experienced and talented management team who is dedicated to maintaining and expanding our position as a global leader in the industry.

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

**Segments**

During fiscal 2015, we reorganized our management structure and segments to better align the organization around our strategy. Prior period segment results have been revised to conform to the current segment reporting structure. See Notes 1 and 22 to the Consolidated Financial Statements for additional segment and geographic information relating to our business. Below is a description of our reportable segments and the primary products sold by each segment.

**Transportation Solutions**

The Transportation Solutions segment is a leader in connectivity and sensor technologies. Our products, which must withstand harsh conditions, are used in the automotive, commercial transportation, and sensors markets. The following are the primary product families sold by the segment:

*Terminals and connector systems and components.* We offer an extensive range of electrical and electronic interconnection products. These connectors include a wide variety of pin and socket,

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terminal, USB, coaxial, input/output, fiber optic, power, and circular connectors, as well as ambient lighting assemblies, special purpose cable assemblies, sophisticated interconnection products used in complex commercial equipment, and custom connectivity solutions for harsh environment applications. This product family represents approximately 80% of the segment's net sales.

*Sensors.* We offer a customized engineered portfolio of non-contact position and speed sensor technologies mainly for the automotive and commercial vehicle industries that include high measurement standards, robust housing technologies, and temperature stable designs for a variety of powertrain, safety, and chassis applications.

*Relays.* Our relay products can be used in a wide range of applications in the automotive and commercial vehicle industries, including electric sunroofs, anti-lock braking systems, and fuel injection coils.

*Application tooling.* We offer a broad portfolio of hand tools, semi-automatic bench machines, and fully-automatic machine systems for processing terminal products.

*Wire and heat shrink tubing.* We provide a complete solution of reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses. We also provide high temperature wire for harsh environments on passenger and commercial vehicles.

**Industrial Solutions**

The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. Our products are used in the industrial equipment; aerospace, defense, oil, and gas; and energy markets. The following are the primary product families sold by the segment:

*Terminals and connector systems and components.* We offer connector products including a wide variety of pin and socket, terminal, USB, coaxial, input/output, fiber optic, and power connectors, as well as sophisticated interconnection products used in equipment offered to the aerospace, defense, oil, gas, and medical industries. Additionally, we serve the aerospace, defense, oil, and gas industries by offering custom connectivity solutions for harsh environment applications.

*Heat shrink tubing.* We provide a complete solution of reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses. We also provide customized harnessing design, prototype, and build services.

*Relays.* Our relay products can be used in a wide range of applications in the industrial and aerospace, defense, oil, and gas industries, including high-performance applications used in harsh environments.

*Wire and cable.* We provide highly-engineered cable and wire products and a broad range of cables suitable for use in rugged applications within the aerospace, defense, oil, and gas industries. Additionally, we provide wire and cable for extreme environment applications, including copper and fiber optic distribution cables, shielded and unshielded twisted-pair cables, and armored cable.

**Communications Solutions**

The Communications Solutions segment is a top supplier of electronic components for the data and devices and appliances markets. We are also a leader in developing, manufacturing, installing, and



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maintaining some of the world's most advanced subsea fiber optic communications systems. The following are the primary product families sold by the segment:

*Terminals and connector systems and components.* We provide connector products including a broad range of electronic grounding, shielding, and contact; SIM memory card; terminal; USB; input/output; and a variety of board level signal and power connectors as well as memory and CPU sockets. Also, we design and manufacture power cables and cable assemblies for high data rate transmission and sophisticated interconnection products used in smartphone, computing, tablet computer, appliances, and consumer electronics OEM products.

*Undersea telecommunication systems.* We design, build, maintain, and test undersea fiber optic networks for the telecommunication and oil and gas markets.

*Circuit protection devices.* We offer a diverse range of circuit protection devices, which limit the flow of current during fault conditions and automatically reset after the fault is cleared and power to the circuit is restored. We also offer surface-mount chip fuses, gas discharge tubes for overvoltage protection, electrostatic discharge protection devices, and hybrid protection devices.

*Antennas.* We offer application specific and standard antenna products in a variety of structures to enable our customers to complete the transmission of wireless voice and data over a full range of protocols.

*Relays.* We provide relay products for a wide range of applications in the data and devices and appliances markets.

*Heat shrink tubing.* We offer hundreds of reliable, cost-effective products to seal, connect, insulate, protect, hold, and bundle high-performance electrical harnesses.

**Markets**

We sell our products to manufacturers and distributors in a number of major markets. The approximate percentage of our total net sales by end market in fiscal 2015 was as follows:

| <b>Markets</b>                   | <b>Percentage</b> |
|----------------------------------|-------------------|
| Automotive                       | 39%               |
| Data and Devices                 | 11                |
| Industrial Equipment             | 11                |
| Aerospace, Defense, Oil, and Gas | 9                 |
| Commercial Transportation        | 7                 |
| Sensors                          | 6                 |
| Subsea Communications            | 6                 |
| Energy                           | 6                 |
| Appliances                       | 5                 |
| Total                            | 100%              |

Our major markets are as follows:

*Automotive.* We are one of the leading providers of advanced automobile connectivity solutions. The automotive industry uses our products in automotive technologies for body and chassis systems, convenience applications, driver information, infotainment solutions, miniaturization solutions, motor and powertrain applications, and safety and security systems.

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Hybrid and electronic mobility solutions include in-vehicle technologies, battery technologies, and charging solutions.

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*Data and devices.* We deliver a range of connectivity solutions for the Internet of Things, wearables, smart phones, tablet computers, and notebooks to help our customers meet their current challenges and future innovations. In addition, our products and solutions are used in a variety of equipment architectures within the networking equipment, data center equipment, and wireless infrastructure industries.

*Industrial equipment.* Our products are used in factory automation and process control systems such as industrial controls, robotics, human machine interface, industrial communication, and power distribution. Our intelligent building products are used to connect lighting, HVAC, elevators/escalators, and security. Our rail products are used in high-speed trains, metros, light rail vehicles, locomotives, and signaling switching equipment. The medical industry uses our products in diagnostic, therapeutic, surgical, and interventional applications. Also, our products are used by the solar and lighting industry.

*Aerospace, defense, oil, and gas.* We provide components and solutions for the commercial aerospace industry, from the initial stages of aircraft design to aftermarket support. Our defense products include ruggedized electronic interconnects serving military aviation, marine, and ground vehicles including electronic warfare and space systems. Our oil and gas products include cables and electronics used for harsh subsea environments in the offshore oil and gas and civil marine industries and in shipboard, subsea, and sonar applications.

*Commercial transportation.* We deliver reliable connectivity products designed to withstand harsh environmental conditions for on-and off-highway vehicles and recreational transportation, including construction, agriculture, buses, and other recreational vehicles.

*Sensors.* We offer a portfolio of intelligent, efficient, and high-performing sensor solutions that are used by customers across multiple industries, from automotive, industrial and commercial transportation, and aerospace and defense, to medical solutions and consumer applications.

*Subsea communications.* Our products are used in undersea fiber optic telecommunication systems. With vertically integrated undersea communications systems and services, we support the telecommunications and oil and gas industries and other customers seeking marine services.

*Energy.* Our products are used by OEMs and utility companies in the electrical power industry and include a wide range of solutions for the electrical power generation, transmission, distribution, and industrial markets.

*Appliances.* We provide solutions to meet the daily demands of home appliances. Our products are used in many household appliances, including washers, dryers, refrigerators, air conditioners, dishwashers, cooking appliances, water heaters, and microwaves. Our expansive range of standard products is supplemented by an array of custom-designed solutions.

**Customers**

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

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

|                                    | Fiscal |      |      |
|------------------------------------|--------|------|------|
|                                    | 2015   | 2014 | 2013 |
| Americas <sup>(2)</sup>            | 34%    | 30%  | 30%  |
| Asia Pacific                       | 33     | 35   | 35   |
| Europe/Middle East/Africa ("EMEA") | 33     | 35   | 35   |
| Total                              | 100%   | 100% | 100% |

- 
- (1) Net sales to external customers are attributed to individual countries based on the legal entity that records the sale.
- (2) The Americas includes our subsea communications business.

There is no single customer that accounted for a significant amount of our net sales in fiscal 2015, 2014, or 2013.

**Sales, Marketing, and Distribution**

We sell our products into approximately 150 countries primarily through direct selling efforts to manufacturers. We also sell some of our products indirectly via third-party distributors. In fiscal 2015, our direct sales represented 80% of net sales.

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

**Seasonality and Backlog**

We experience a slight seasonal pattern to our business. Overall, the third fiscal quarter is typically the strongest quarter of our fiscal year, whereas the first and fourth fiscal quarters are negatively affected by winter holidays and European holidays, respectively. The second fiscal quarter may be affected by adverse winter weather conditions in some of our markets.

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

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

|   | Fiscal Year End |          |
|---|-----------------|----------|
|   | 2015            | 2014     |
|   | (in millions)   |          |
| Transportation Solutions                | \$ 1,208        | \$ 989   |
| Industrial Solutions                    | 814             | 850      |
| Communications Solutions <sup>(1)</sup> | 1,310           | 1,158    |
| Total                                   | \$ 3,332        | \$ 2,997 |

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(1) Includes our subsea communications business' backlog of \$995 million and \$774 million at fiscal year end 2015 and 2014, respectively.

We expect that the majority of our backlog at September 25, 2015 will be filled during fiscal 2016.

### **Competition**

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

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

*Industrial Solutions.* This segment competes primarily against Amphenol, Esterline, Molex, Belden, Phoenix Contact, Hubbell, and Carlisle Companies.

*Communications Solutions.* This segment's major competitors include Amphenol, Molex, FCI Electronics, JST, Korea Electric Terminal (KET), and Bourns. Also, the subsea communications business competes against Alcatel-Lucent and NEC.

### **Raw Materials**

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

### **Research and Development**

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



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Our research and development expense was as follows:

|                          | Fiscal        |        |        |
|--------------------------|---------------|--------|--------|
|                          | 2015          | 2014   | 2013   |
|                          | (in millions) |        |        |
| Transportation Solutions | \$ 262        | \$ 196 | \$ 199 |
| Industrial Solutions     | 128           | 128    | 121    |
| Communications Solutions | 150           | 160    | 174    |
| Total                    | \$ 540        | \$ 484 | \$ 494 |

**Intellectual Property**

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

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

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

**Employees**

As of September 25, 2015, we employed approximately 72,000 people worldwide, of whom 22,000 were in the Americas region, 25,000 were in the Asia Pacific region, and 25,000 were in the EMEA region. Of our total employees, approximately 45,000 were employed in manufacturing.

**Government Regulation and Supervision**

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

**Environmental**

Our operations are subject to numerous environmental, health, and safety laws and regulations, including those regulating the discharge of materials into the environment, greenhouse gas emissions, hazardous materials in products, and chemical usage. We are committed to complying with these laws and to the protection of our employees and the environment. We maintain a global environmental, health, and safety program that includes appropriate policies and standards; staff dedicated to

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environmental, health, and safety issues; periodic compliance auditing; training; and other measures. We also have a program for compliance with the European Union ("EU") Restriction of Hazardous Substances and Waste Electrical and Electronics Equipment Directives, the China Restriction of Hazardous Substances law, the EU Registration, Evaluation, Authorization, and Restriction of Chemicals ("REACH") Regulation, and similar laws.

Compliance with these laws has increased our costs of doing business in a variety of ways and may continue to do so in the future. For example, laws regarding product content and chemical registration require extensive and costly data collection, management, and reporting, and laws regulating greenhouse gas emissions are likely to increase our costs for energy and certain materials and products. We also have projects underway at a number of current and former manufacturing facilities to investigate and remediate environmental contamination resulting from past operations. Based upon our experience, current information, and applicable laws, we believe that it is probable that we will incur remedial costs in the range of \$16 million to \$38 million, and that the best estimate within this range is \$19 million. We do not anticipate any material capital expenditures during fiscal 2016 for environmental control facilities or other costs of compliance with laws or regulations relating to greenhouse gas emissions.

**Corporate History**

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

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

Tyco Electronics Ltd. was incorporated in fiscal 2000 as a wholly-owned subsidiary of Tyco International. Effective June 29, 2007, Tyco International distributed all of our shares, as well as its shares of its former healthcare businesses ("Covidien"), to its common shareholders (referred to in this report as the "separation"). We became an independent, publicly traded company owning the former electronics businesses of Tyco International. On January 26, 2015, Covidien was acquired and now operates as a subsidiary of Medtronic plc.

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

We acquired Measurement Specialties, Inc. ("Measurement Specialties") and divested our Broadband Network Solutions ("BNS") business in fiscal 2015. See Notes 4 and 5 to the Consolidated Financial Statements for additional information regarding discontinued operations and acquisitions.

**Available Information**

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



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

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**ITEM 1A. RISK FACTORS**

*You should carefully consider the risks described below before investing in our securities. The risks described below are not the only ones facing us. Our business also is subject to general risks that affect many other companies. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business operations, financial condition, and liquidity.*

**Risks Relating to Our Business**

***Conditions in global or regional economies, capital and money markets, and banking systems and cyclical industry demand may adversely affect our results of operations, financial position, and cash flows.***

Our business and operating results have been and will continue to be affected by economic conditions regionally or globally, including the cost and availability of consumer and business credit, end demand from consumer and industrial markets, and concerns as to sovereign debt levels including credit rating downgrades and defaults on sovereign debt and significant bank failures or defaults, any of which could cause our customers to experience deterioration of their businesses, cash flow, and ability to obtain financing. As a result, existing or potential customers may delay or cancel plans to purchase our products and may not be able to fulfill their obligations to us in a timely fashion or in full. Further, our vendors may experience similar problems, which may impact their ability to fulfill our orders or meet agreed service and quality levels. If regional or global economic conditions deteriorate, our results of operations, financial position, and cash flows could be materially adversely affected. Also, deterioration in economic conditions could trigger the recognition of impairment charges for our goodwill or other long-lived assets. Impairment charges, if any, may be material to our results of operations and financial position.

***We are dependent on the automotive and other industries.***

We are dependent on end market dynamics to sell our products, and our operating results can be adversely affected by cyclical and reduced demand in these markets. Periodic downturns in our customers' industries can significantly reduce demand for certain of our products, which could have a material adverse effect on our results of operations, financial position, and cash flows.

Approximately 39% of our net sales for fiscal 2015 were to customers in the automotive industry. The automotive industry is dominated by large manufacturers that can exert significant price pressure on their suppliers. Additionally, the automotive industry has historically experienced significant downturns during periods of deteriorating global or regional economic or credit conditions. As a supplier of automotive electronics products, our sales of these products and our profitability have been and could continue to be negatively affected by significant declines in global or regional economic and credit conditions and changes in the operations, products, business models, part-sourcing requirements, financial condition, and market share of automotive manufacturers, as well as potential consolidations among automotive manufacturers.

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During fiscal 2015, approximately 11% of our net sales were to customers in the data and devices end market, 11% of our net sales were to customers in the industrial equipment end market, and 9% of our net sales were to customers in the aerospace, defense, oil, and gas end market. The data and devices industry can experience variability in demand depending on the underlying business and consumer demand for computer and consumer electronics products, as well as the market share of our customers. Demand for industrial equipment is dependent upon economic conditions. The aerospace and defense industry has undergone significant fluctuations in demand, depending on worldwide economic and political conditions. Demand in the oil and gas market is impacted by oil price volatility.

***We encounter competition in substantially all areas of the electronic components industry.***

We operate in highly competitive markets for electronic components, and expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including the price, quality, and performance of our products; the level of customer service; the development of new technology; our ability to participate in emerging markets; and customers' expectations relating to socially responsible operations. The competition we experience across product lines from other companies ranges in size from large, diversified manufacturers to small, highly specialized manufacturers. The electronic components industry has become increasingly concentrated and globalized in recent years, and our major competitors have significant financial resources and technological capabilities. A number of these competitors compete with us primarily on price, and in some instances may enjoy lower production costs for certain products. We cannot provide assurance that additional competitors will not enter our markets, or that we will be able to compete successfully against existing or new competitors. Increased competition may result in price reductions, reduced margins, or loss of market share, any of which could materially and adversely affect our results of operations, financial position, and cash flows.

***We are dependent on market acceptance of new product introductions and product innovations for future revenue.***

Substantially all of the markets in which we operate are impacted by technological change or change in consumer tastes and preferences, which are rapid in certain end markets. Our operating results depend substantially upon our ability to continually design, develop, introduce, and sell new and innovative products; to modify existing products; and to customize products to meet customer requirements driven by such change. There are numerous risks inherent in these processes, including the risk that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market profitable new products and applications in time to satisfy customer demands.

***Like other suppliers to the electronics industry, we are subject to continuing pressure to lower our prices.***

We have historically experienced, and we expect to continue to experience, continuing pressure to lower our prices. In recent years, we have experienced price erosion averaging from 1% to 2% each year. In order to maintain our margins, we must continue to reduce our costs by similar amounts. We cannot provide assurance that continuing pressures to reduce our prices will not have a material adverse effect on our margins, results of operations, financial position, and cash flows.

***Our results are sensitive to raw material availability, quality, and cost.***

We are a large buyer of resin, copper, gold, silver, brass, steel, chemicals and additives, zinc, and other precious metals. Many of these raw materials are produced in a limited number of countries around the world or are only available from a limited number of suppliers. In addition, the price of many of these raw materials, including gold and copper, continues to fluctuate. Our results of operations, financial position, and cash flows may be materially and adversely affected if we have

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difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price increases for these raw materials. Any of these events could have a substantial impact on the price we pay for raw materials and, to the extent we cannot compensate for cost increases through productivity improvements or price increases to our customers, our margins may decline, materially affecting our results of operations, financial position, and cash flows. In addition, we use financial instruments to hedge the volatility of certain commodities prices. The success of our hedging program depends on accurate forecasts of planned consumption of the hedged commodity materials. We could experience unanticipated hedge gains or losses if these forecasts are inaccurate.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established annual disclosure and reporting requirements for those companies who use tin, tantalum, tungsten, or gold ("conflict minerals" or "3TG") mined from the Democratic Republic of Congo ("DRC") and adjoining countries (together with the DRC, the "Covered Countries") in their products. These requirements, which were effective for the calendar year beginning January 1, 2013, could affect the sourcing, pricing, and availability of 3TG used in the manufacture of certain of our products. As a result, there may only be a limited pool of suppliers who can demonstrate that they do not source any 3TG from the Covered Countries, and we cannot provide assurance that we will be able to obtain non-conflict 3TG in sufficient quantities or at competitive prices. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all conflict minerals used in our products through our due diligence procedures.

***Foreign currency exchange rates may adversely affect our results.***

A significant portion of our business is conducted outside the U.S., and changes in the relative values of currencies may have a significant effect on our results of operations, financial position, and cash flows.

We are exposed to the effects of changes in foreign currency exchange rates on our costs and revenue. Approximately 52% of our net sales for fiscal 2015 were invoiced in currencies other than the U.S. dollar, and we expect non-U.S. dollar revenue to represent a significant and likely increased portion of our future net revenue. We have elected not to hedge this foreign currency exposure. Therefore, when the U.S. dollar strengthens in relation to the currencies of the countries where we sell our products, such as the euro or Asian currencies, our U.S. dollar reported revenue and income will decrease.

We manage certain cash, intercompany, and other balance sheet currency exposures in part by entering into financial derivative contracts. In addition to the risk of non-performance by the counterparty to these contracts, our efforts to manage these risks might not be successful.

***We may be negatively affected as our customers and vendors continue to consolidate.***

Many of the industries to which we sell our products, as well as many of the industries from which we buy materials, have become more concentrated in recent years, including the automotive, computer, and aerospace and defense industries. Consolidation of customers may lead to decreased product purchases from us. In addition, as our customers buy in larger volumes, their volume buying power has increased, enabling them to negotiate more favorable pricing and find alternative sources from which to purchase. Our materials suppliers similarly have increased their ability to negotiate favorable pricing. These trends may adversely affect the profit margins on our products, particularly for commodity components.

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***The life cycles of our products can be very short.***

The life cycles of certain of our products can be very short relative to their development cycle. As a result, the resources devoted to product sales and marketing may not result in material revenue and, from time to time, we may need to write off excess or obsolete inventory or equipment. If we were to incur significant engineering expenses and investments in inventory and equipment that we were not able to recover, and we were not able to compensate for those expenses, our results of operations, financial position, and cash flows could be materially and adversely affected.

***Future acquisitions may not be successful.***

We regularly evaluate the possible acquisition of strategic businesses, product lines, or technologies which have the potential to strengthen our market position or enhance our existing product offerings. We cannot provide assurance that we will identify or successfully complete transactions with acquisition candidates in the future. We also cannot provide assurance that completed acquisitions will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our existing business, our results of operations, financial position, and cash flows could be materially and adversely affected.

***Future acquisitions could require us to issue additional debt or equity.***

If we were to make a substantial acquisition with cash, the acquisition may need to be financed in part through funding from banks, public offerings or private placements of debt or equity securities, or other arrangements. This acquisition financing might decrease our ratio of earnings to fixed charges and adversely affect other leverage measures. We cannot provide assurance that sufficient acquisition financing would be available to us on acceptable terms if and when required. If we were to make an acquisition partially or wholly funded by issuing equity securities or equity-linked securities, the issued securities may have a dilutive effect on the interests of the holders of our shares.

***Our future success is significantly dependent on our ability to attract and retain executive management employees and limitations affecting retention and hiring, including Swiss regulations, could have a negative impact on our business and increase our expenses.***

Our success depends to a significant extent upon our continued ability to retain our executive management employees and hire new executive management employees to replace, succeed, or add to members of our executive management team. Our executive management team has significant industry experience and would be difficult to replace. Competition for executive talent is intense, and we compete for these personnel with other companies that are regulated by the laws of jurisdictions that provide significantly greater flexibility than Switzerland, our jurisdiction of incorporation, in compensation practices for executive management employees.

***We could suffer significant business interruptions.***

Our operations and those of our suppliers and customers, and the supply chains that support their operations, may be vulnerable to interruption by natural disasters such as earthquakes, tsunamis, typhoons, or floods; or other disasters such as fires, explosions, acts of terrorism or war, disease, or failures of management information or other systems due to internal or external causes. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position, and cash flows could be materially adversely affected.

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***We may use components and products manufactured by third parties.***

We may rely on third-party suppliers for the components used in our products, and we may rely on third-party manufacturers to manufacture certain of our assemblies and finished products. Our results of operations, financial position, and cash flows could be adversely affected if such third parties lack sufficient quality control or if there are significant changes in their financial or business condition. If these third parties fail to deliver quality products, parts, and components on time and at reasonable prices, we could have difficulties fulfilling our orders, sales and profits could decline, and our commercial reputation could be damaged.

***Our ability to compete effectively depends, in part, on our ability to maintain the proprietary nature of our products and technology.***

The electronics industry is characterized by litigation regarding patent and other intellectual property rights. Within this industry, companies have become more aggressive in asserting and defending patent claims against competitors. There can be no assurance that we will not be subject to future litigation alleging infringement or invalidity of certain of our intellectual property rights or that we will not have to pursue litigation to protect our property rights. Depending on the importance of the technology, product, patent, trademark, or trade secret in question, an unfavorable outcome regarding one of these matters may have a material adverse effect on our results of operations, financial position, and cash flows.

***Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise confidential information, and expose us to liability which could materially adversely impact our business and reputation.***

Security breaches and other disruptions to our information technology infrastructure could interfere with our operations; compromise information belonging to us, our employees, customers, and suppliers; and expose us to liability which could adversely impact our business and reputation. In the ordinary course of business, we rely on information technology networks and systems, some of which are managed by third parties, to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations, and customer-imposed controls. Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, and maintenance of backup and protective systems) which are continuously reviewed and upgraded, our information technology networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could materially adversely affect our business. While we have experienced, and expect to continue to experience, these types of threats to our information technology networks and infrastructure, to date none of these threats has had a material impact on our business or operations.

***A decline in the market value of our pension plans' investment portfolios or a reduction in returns on plan assets could adversely affect our results of operations, financial position, and cash flows.***

Concerns about deterioration in the global economy, together with concerns about credit, inflation, or deflation, have caused and could continue to cause significant volatility in the price of all securities, including fixed income and equity securities, which has reduced and could further reduce the value of our pension plans' investment portfolios. In addition, the expected returns on plan assets may not be

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achieved. A decrease in the value of our pension plans' investment portfolios or a reduction in returns on plan assets could have an adverse effect on our results of operations, financial position, and cash flows.

***Disruption in credit markets and volatility in equity markets may affect our ability to access sufficient funding.***

The global equity markets have been volatile and at times credit markets have been disrupted, which has reduced the availability of investment capital and credit. Recent downgrades of sovereign debt credit ratings have similarly affected the availability and cost of capital. As a result, we may be unable to access adequate funding to operate and grow our business. Our inability to access adequate funding or to generate sufficient cash from operations may require us to reconsider certain projects and capital expenditures. The extent of any impact will depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit ratings and credit capacity, the cost of financing, and other general economic and business conditions.

***Divestitures of some of our businesses or product lines may have a material adverse effect on our results of operations, financial position, and cash flows.***

We continue to evaluate the strategic fit of specific businesses and products which may result in additional divestitures. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial position. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products, and personnel; the diversion of management's attention from other business concerns; the disruption of our business; and the potential loss of key employees. There can be no assurance that we will be successful in addressing these or any other significant risks encountered.

***If any of our operations are found not to comply with applicable antitrust or competition laws or applicable trade regulations, our business may suffer.***

Our operations are subject to applicable antitrust and competition laws in the jurisdictions in which we conduct our business, in particular the U.S. and the EU. These laws prohibit, among other things, anticompetitive agreements and practices. If any of our commercial agreements and practices with respect to the electronic components or other markets are found to violate or infringe such laws, we may be subject to civil and other penalties. We may also be subject to third-party claims for damages. Further, agreements that infringe these antitrust and competition laws may be void and unenforceable, in whole or in part, or require modification in order to be lawful and enforceable. If we are unable to enforce our commercial agreements, whether at all or in material part, our results of operations, financial position, and cash flows could be adversely affected. Further, any failure to maintain compliance with trade regulations could limit our ability to import and export raw materials and finished goods into or from the relevant jurisdiction, which could negatively impact our results of operations, financial position, and cash flows.

***We are subject to global risks of political, economic, and military instability.***

Our workforce; manufacturing, research, administrative, and sales facilities; markets; customers; and suppliers are located throughout the world. As a result, we are exposed to risks that could negatively affect sales or profitability, including:

tariffs, trade barriers, and trade disputes;

regulations related to customs and import/export matters;

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variations in lengths of payment cycles and challenges in collecting accounts receivable;

tax law and regulatory changes in the U.S. and EU among other jurisdictions, including tax law and regulatory changes that may be effected as a result of tax policy recommendations from quasi-governmental organizations, such as the Organisation for Economic Co-operation and Development ("OECD"), examinations by taxing authorities, variations in tax laws from country to country, changes to the terms of income tax treaties, and difficulties in the tax-efficient repatriation of cash generated or held in a number of jurisdictions;

employment regulations and local labor conditions, including increases in employment costs, particularly in low-cost regions in which we currently operate;

difficulties protecting intellectual property;

instability in economic or political conditions, including sovereign debt levels, Eurozone uncertainty, inflation, recession, and actual or anticipated military or political conflicts; and

the impact of each of the foregoing on our outsourcing and procurement arrangements.

We have sizeable operations in China, including 14 manufacturing sites. In addition, approximately 18% of our net sales in fiscal 2015 were made to customers in China. Economic conditions in China have been and may continue to be volatile and uncertain. In addition, the legal system in China is still developing and is subject to change. Accordingly, our operations and orders for products in China could be adversely affected by changes to market conditions or interpretation of Chinese law.

In addition, any downgrade by rating agencies of long-term U.S. sovereign debt or downgrades or defaults of sovereign debt of other nations may negatively affect global financial markets and economic conditions, which could negatively affect our business, financial condition, and liquidity.

***We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the United Kingdom's Bribery Act, and similar worldwide anti-bribery laws.***

The U.S. Foreign Corrupt Practices Act, the United Kingdom's Bribery Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance program, we cannot provide assurance that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial position, and cash flows.

***Our operations expose us to the risk of material environmental liabilities, litigation, government enforcement actions, and reputational risk.***

We are subject to numerous federal, state, and local environmental protection and health and safety laws and regulations in the various countries where we operate. These laws and regulations govern, among other things:

the generation, storage, use, and transportation of hazardous materials;

emissions or discharges of substances into the environment;

investigation and remediation of hazardous substances or materials at various sites;

greenhouse gas emissions;



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product hazardous material content; and

the health and safety of our employees.

We may not have been, or we may not at all times be, in compliance with all environmental and health and safety laws and regulations. If we violate these laws, we could be fined, criminally charged, or otherwise sanctioned by regulators. In addition, environmental and health and safety laws are becoming more stringent, resulting in increased costs and compliance burdens.

Certain environmental laws assess liability on current or previous owners or operators of real property for the costs of investigation, removal, or remediation of hazardous substances or materials at their properties or at properties at which they have disposed of hazardous substances. Liability for investigation, removal, and remediation costs under certain federal and state laws is retroactive, strict, and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from the U.S. Environmental Protection Agency and similar environmental agencies that conditions at a number of formerly-owned sites where we and others have disposed of hazardous substances require investigation, cleanup, and other possible remedial action and require that we reimburse the government or otherwise pay for the costs of investigation and remediation and for natural resource damage claims from such sites. We also have independently investigated various sites and determined that further investigation and/or remediation is necessary.

While we plan for future capital and operating expenditures to maintain compliance with environmental laws, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our results of operations, financial position, and cash flows or that we will not be subject to additional environmental claims for personal injury or cleanup in the future based on our past, present, or future business activities.

***Our products are subject to various requirements related to chemical usage, hazardous material content, and recycling.***

The EU, China, and other jurisdictions in which our products are sold have enacted or are proposing to enact laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws include the EU Restriction of Hazardous Substances, End of Life Vehicle, and Waste Electrical and Electronic Equipment Directives; the EU REACH Regulation; the China law on Management Methods for Controlling Pollution by Electronic Information Products; and various other laws. These laws prohibit the use of certain substances in the manufacture of our products and directly and indirectly impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. These laws continue to proliferate and expand in these and other jurisdictions to address other materials and other aspects of our product manufacturing and sale. These laws could make manufacture or sale of our products more expensive or impossible and could limit our ability to sell our products in certain jurisdictions.

***We are a defendant to a variety of litigation in the course of our business that could cause a material adverse effect on our results of operations, financial position, and cash flows.***

In the ordinary course of business, we are a defendant in litigation, including litigation alleging the infringement of intellectual property rights, anti-competitive behavior, product liability, breach of contract, and employment-related claims. In certain circumstances, patent infringement and antitrust laws permit successful plaintiffs to recover treble damages. The defense of these lawsuits may divert

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our management's attention, and we may incur significant expenses in defending these lawsuits. In addition, we may be required to pay damage awards or settlements, or become subject to injunctions or other equitable remedies, that could cause a material adverse effect on our results of operations, financial position, and cash flows.

***Covenants in our debt instruments may adversely affect us.***

Our five-year unsecured senior revolving credit facility ("Credit Facility") contains financial and other covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation, and amortization (as defined in the Credit Facility) and limits on the amount of subsidiary debt and incurrence of liens. Our outstanding notes' indentures contain customary covenants including limits on incurrence of liens, sale and lease-back transactions, and our ability to consolidate, merge, and sell assets.

Although none of these covenants are presently restrictive to our operations, our continued ability to meet the Credit Facility financial covenant can be affected by events beyond our control, and we cannot provide assurance that we will continue to comply with the covenant. A breach of any of our covenants could result in a default under our Credit Facility or indentures. Upon the occurrence of certain defaults under our Credit Facility and indentures, the lenders or trustee could elect to declare all amounts outstanding thereunder to be immediately due and payable, and our lenders could terminate commitments to extend further credit under our Credit Facility. If the lenders or trustee accelerate the repayment of borrowings, we cannot provide assurance that we will have sufficient assets or access to lenders or capital markets to repay or fund the repayment of any amounts outstanding under our Credit Facility and our other affected indebtedness. Acceleration of any debt obligation under any of our material debt instruments may permit the holders or trustee of our other material debt to accelerate payment of debt obligations to the creditors thereunder.

The indentures governing our outstanding senior notes contain covenants that may require us to offer to buy back the notes for a price equal to 101% of the principal amount, plus accrued and unpaid interest, to the repurchase date, upon a change of control triggering event (as defined in the indentures). We cannot provide assurance that we will have sufficient funds available or access to funding to repurchase tendered notes in that event, which could result in a default under the notes. Any future debt that we incur may contain covenants regarding repurchases in the event of a change of control triggering event.

**Risks Relating to Our Separation from Tyco International**

***We share responsibility for certain of our, Tyco International's, and Covidien's income tax liabilities for tax periods prior to and including the distribution date.***

In connection with the separation from Tyco International in 2007, we, Tyco International, and Covidien (which on January 26, 2015, was acquired and now operates as a subsidiary of Medtronic plc.) entered into a Tax Sharing Agreement, under which we share responsibility for certain of our, Tyco International's, and Covidien's income tax liabilities based on a sharing formula for periods prior to and including June 29, 2007. We, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax authorities to our, Tyco International's, and Covidien's U.S. income tax returns, certain income tax liabilities arising from adjustments made by tax authorities to intercompany transactions or similar adjustments, and certain taxes attributable to internal transactions undertaken in anticipation of the separation. All costs and expenses associated with the management of these shared tax liabilities are shared equally among the parties.

All of the tax liabilities that are associated with our businesses, including liabilities that arose prior to our separation from Tyco International, became our tax liabilities. Although we have agreed to share

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certain of these tax liabilities with Tyco International and Covidien, we remain primarily liable for all of these liabilities. If Tyco International and Covidien default on their obligations to us, we would be liable for the entire amount of these liabilities.

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

Our, Tyco International's, and Covidien's income tax returns are examined periodically by various tax authorities. In connection with such examinations, tax authorities, including the U.S. Internal Revenue Service ("IRS"), have raised issues and proposed tax adjustments. We are reviewing and contesting certain of the proposed tax adjustments. See additional information in "Income Tax Matters" in "Part I. Item 3. Legal Proceedings." Amounts related to these tax adjustments and other tax contingencies and related interest that we have assessed under the uncertain tax position provisions of Accounting Standards Codification ("ASC") 740, *Income Taxes*, have been reflected as liabilities on the Consolidated Financial Statements. The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. We recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest.

Under the Tax Sharing Agreement, Tyco International has the right to administer, control, and settle all U.S. income tax audits for periods prior to and including June 29, 2007. The timing, nature, and amount of any settlement agreed to by Tyco International may not be in our best interests. Moreover, the other parties to the Tax Sharing Agreement will be able to remove Tyco International as the controlling party only under limited circumstances, including a change of control or bankruptcy of Tyco International, or by a majority vote of the parties. All other tax audits will be administered, controlled, and settled by the party that would be responsible for paying the tax.

**Risks Relating to Our Swiss Jurisdiction of Incorporation**

*Legislative and other proposals in Switzerland, the U.S., and other jurisdictions could cause a material change in our worldwide effective corporate tax rate.*

Various U.S. and non-U.S. legislative proposals and other initiatives have been directed at multinational companies incorporated in lower-tax jurisdictions. There has been heightened focus on adoption of such legislation and on other initiatives, such as the Organisation for Economic Co-operation and Development's initiative to prevent base erosion and profit shifting, which contemplates changes to numerous long-standing tax principles related to the distribution of profits between affiliated entities in different tax jurisdictions. Although any recommendations made by the OECD are not themselves changes in tax law, this guidance has resulted in unilateral action by several member countries and is also prompting possible amendment of other countries' tax laws and regulations on a prospective and potentially a retroactive basis. If these proposals are adopted in the main jurisdictions in which we do business, they could, among other things, cause double taxation, increase audit risk, and materially increase our worldwide corporate effective tax rate. We cannot

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predict the outcome of any specific legislative proposals or initiatives, and we cannot provide assurance that any such legislation or initiative will not apply to us.

***Legislation in the U.S. could adversely impact our results of operations, financial position, and cash flows.***

Various U.S. federal and state legislative proposals have been introduced in recent years that may negatively impact the growth of our business by denying government contracts to U.S. companies that have moved to lower-tax jurisdictions.

We expect the U.S. Congress to continue to consider implementation and/or expansion of policies that would restrict the federal and state governments from contracting with entities that have corporate locations abroad. We cannot predict the likelihood that, or final form in which, any such proposed legislation might become law, the nature of regulations that may be promulgated under any future legislative enactments, the effect such enactments and increased regulatory scrutiny may have on our business, or the outcome of any specific legislative proposals. Therefore, we cannot provide assurance that any such legislative action will not apply to us. In addition, we are unable to predict whether the final form of any potential legislation discussed above also would affect our indirect sales to U.S. federal or state governments or the willingness of our non-governmental customers to do business with us. As a result of these uncertainties, we are unable to assess the potential impact of any proposed legislation in this area and cannot provide assurance that the impact will not be materially adverse to us.

***As a Swiss corporation, we have less flexibility with respect to certain aspects of capital management involving the issuance of shares.***

As a Swiss corporation, our board of directors may not declare and pay dividends or distributions on our shares or reclassify reserves on our standalone unconsolidated Swiss balance sheet without shareholder approval and without satisfying certain other requirements. In addition, our articles of association allow us to create authorized share capital that can be issued by the board of directors, but this authorization is limited to (i) authorized share capital up to 50% of the existing registered shares with such authorization valid for a maximum of two years, which authorization period ended on March 6, 2015 and was not reapproved by our shareholders at our March 3, 2015 annual meeting of shareholders, and (ii) conditional share capital of up to 50% of the existing registered shares that may be issued only for specific purposes. Additionally, subject to specified exceptions, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares from authorized share capital and advance subscription rights to existing shareholders to subscribe for new issuances of shares from conditional share capital. Swiss law also does not provide much flexibility in the various terms that can attach to different classes of shares, and reserves for approval by shareholders many types of corporate actions, including the creation of shares with preferential rights with respect to liquidation, dividends, and/or voting. Moreover, under Swiss law, we generally may not issue registered shares for an amount below par value without prior shareholder approval to decrease the par value of our registered shares. Any such actions for which our shareholders must vote will require that we file a preliminary proxy statement with the SEC and convene a meeting of shareholders, which would delay the timing to execute such actions. Such limitations provide the board of directors less flexibility with respect to our capital management. While we do not believe that Swiss law requirements relating to the issuance of shares will have a material adverse effect on us, we cannot provide assurance that situations will not arise where such flexibility would have provided substantial benefits to our shareholders and such limitations on our capital management flexibility would make our stock less attractive to investors.

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*Swiss law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.*

We are organized under the laws of Switzerland. It may not be possible to enforce court judgments obtained in the U.S. against us in Switzerland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Switzerland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, would not be allowed in Swiss courts as they are contrary to that nation's public policy.

Swiss corporate law, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. These differences include the manner in which directors must disclose transactions in which they have an interest, the rights of shareholders to bring class action and derivative lawsuits, and the scope of indemnification available to directors and officers. Thus, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

**Risks Relating to Our Shares**

*The market price of our shares may fluctuate widely.*

The market price of our shares may fluctuate widely, depending upon many factors, including:

our quarterly or annual earnings;

changes in quarterly or annual sales or earnings guidance that we may provide;

actual or anticipated fluctuations in our operating results;

volatility in financial markets and market fluctuations caused by global and regional economic conditions and investors' concerns about potential risks to future economic growth;

changes in earnings estimates by securities analysts or our ability to meet those estimates;

changes in accounting standards, policies, guidance, interpretations, or principles;

announcements by us or our competitors of significant acquisitions or dispositions; and

the operating and stock price performance of comparable companies and companies that serve end markets important to our business.

*We might not be able to make distributions on our shares without subjecting shareholders to Swiss withholding tax.*

In order to make distributions on our shares to shareholders free of Swiss withholding tax, we anticipate making distributions to shareholders through a reduction of contributed surplus (as determined for Swiss tax and statutory purposes) or registered share capital. Various tax law and corporate law proposals in Switzerland, if passed in the future, may affect our ability to pay dividends or distributions to our shareholders free from Swiss withholding tax. There can be no assurance that we will be able to meet the legal requirements for future distributions to shareholders through dividends from contributed surplus or through a reduction of registered share capital, or that Swiss withholding rules would not be changed in the future. In addition, over the long term, the amount of registered share capital available for reductions will be limited. Our ability to pay dividends or distributions to our



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shareholders free from Swiss withholding tax is a significant component of our capital management and shareholder return practices that we believe is important to our shareholders, and any restriction on our ability to do so could make our stock less attractive to investors.

***Currency fluctuations between the U.S. dollar and the Swiss franc may limit the amount available for any future distributions on our shares without subjecting shareholders to Swiss withholding tax.***

Under Swiss corporate law, the registered share capital in our unconsolidated Swiss statutory financial statements is required to be denominated in Swiss francs. Since distributions that are effected through a return of contributed surplus or registered share capital are expected to be paid in U.S. dollars, shareholder resolutions with respect to such distributions must take into account the Swiss francs denomination of the registered share capital and consequently are required to be stated in Swiss francs. If the U.S. dollar were to increase in value relative to the Swiss franc, the U.S. dollar amount of registered share capital available for future distributions without Swiss withholding tax will decrease.

***We have certain limitations on our ability to repurchase our shares.***

The Swiss Code of Obligations regulates a corporation's ability to hold or repurchase its own shares. We and our subsidiaries may only repurchase shares to the extent that sufficient freely distributable reserves (including contributed surplus as determined for Swiss tax and statutory purposes) are available. The aggregate par value of our registered shares held by us and our subsidiaries may not exceed 10% of our registered share capital. We may repurchase our registered shares beyond the statutory limit of 10%, however, only if our shareholders have adopted a resolution at a general meeting of shareholders authorizing the board of directors to repurchase registered shares in an amount in excess of 10% and the repurchased shares are dedicated for cancellation. Additionally, various tax law and corporate law proposals in Switzerland, if passed in the future, may affect our ability to repurchase our shares. Our ability to repurchase our shares is a significant component of our capital management and shareholder return practices that we believe is important to our shareholders, and any restriction on our ability to repurchase our shares could make our stock less attractive to investors.

***Registered holders of our shares must be registered as shareholders with voting rights in order to vote at shareholder meetings.***

Our articles of association contain a provision regarding voting rights that is required by Swiss law for Swiss companies like us that issue registered shares (as opposed to bearer shares). This provision provides that to be able to exercise voting rights, holders of our shares must be registered in our share register (Aktienbuch) as shareholders with voting rights. Only shareholders whose shares have been registered with voting rights on the record date may participate in and vote at our shareholders' meetings, but all shareholders will be entitled to dividends, distributions, preemptive rights, advance subscription rights, and liquidation proceeds. The board of directors may, in its discretion, refuse to register shares as shares with voting rights if a shareholder does not fulfill certain disclosure requirements as set forth in our articles of association. Additionally, various proposals in Switzerland for corporate law changes, if passed in the future, may require shareholder registration in order to exercise voting rights for shareholders who hold their shares in street name through brokerages and banks. Such a registration requirement could make our stock less attractive to investors.

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*Certain provisions of our articles of association may reduce the likelihood of any unsolicited acquisition proposal or potential change of control that our shareholders might consider favorable.*

Our articles of association contain provisions that could be considered "anti-takeover" provisions because they would make it harder for a third party to acquire us without the consent of our incumbent board of directors. Under these provisions, among others:

shareholders may act only at shareholder meetings and not by written consent, and

restrictions will apply to any merger or other business combination between our company and any holder of 15% or more of our issued voting shares who became such without the prior approval of our board of directors.

These provisions may only be amended by the affirmative vote of the holders of 80% of our issued voting shares, which could have the effect of discouraging an unsolicited acquisition proposal or delaying, deferring, or preventing a change of control transaction that might involve a premium price, or otherwise be considered favorable by our shareholders. Our articles of association also contain provisions permitting our board of directors to issue new shares from conditional capital (representing a maximum of 50% of the shares presently registered in the commercial register) and, if approved by shareholders, may also contain provisions permitting our board of directors to issue new shares from authorized capital (representing a maximum of 50% of the shares (or such lesser amount as may be approved by shareholders) registered in the commercial register), in each case, without shareholder approval and without regard for shareholders' preemptive rights or advance subscription rights, for the purpose of the defense of an actual, threatened, or potential unsolicited takeover bid, in relation to which the board of directors, upon consultation with an independent financial advisor, has not recommended acceptance to the shareholders. We note that Swiss courts have not addressed whether or not a takeover bid of this nature is an acceptable reason under Swiss law for withdrawing or limiting preemptive rights with respect to authorized share capital or advance subscription rights with respect to conditional share capital. In addition, the NYSE, on which our shares are listed, requires shareholder approval for issuances of shares equal to 20% or more of the outstanding shares or voting power, with limited exceptions.



Table of Contents**ITEM 2. PROPERTIES****Properties**

Our principal executive office is located in Schaffhausen, Switzerland. We operate nearly 400 manufacturing, warehousing, and office locations in over 50 countries and territories. We own approximately 25 million square feet of space and lease approximately 10 million square feet of space. Our facilities are reasonably maintained and suitable for the operations conducted in them.

**Manufacturing**

We manufacture our products in over 20 countries worldwide. Our manufacturing sites focus on various aspects of the manufacturing processes, including our primary processes of stamping, plating, molding, extrusion, beaming, and assembly. Our principal centers of manufacturing output at September 25, 2015 included sites in the following countries:

|                      | Number of Manufacturing Facilities |                      |                          | Total     |
|----------------------|------------------------------------|----------------------|--------------------------|-----------|
|                      | Transportation Solutions           | Industrial Solutions | Communications Solutions |           |
| <b>Americas:</b>     |                                    |                      |                          |           |
| U.S.                 | 9                                  | 17                   | 6                        | 32        |
| Mexico               | 2                                  | 5                    | 1                        | 8         |
| Brazil               | 1                                  |                      |                          | 1         |
| <b>Asia Pacific:</b> |                                    |                      |                          |           |
| China                | 3                                  | 4                    | 7                        | 14        |
| Japan                | 1                                  |                      | 1                        | 2         |
| Thailand             | 2                                  |                      |                          | 2         |
| Korea                | 1                                  |                      |                          | 1         |
| New Zealand          |                                    | 1                    |                          | 1         |
| <b>EMEA:</b>         |                                    |                      |                          |           |
| France               | 1                                  | 4                    |                          | 5         |
| Germany              | 2                                  | 2                    |                          | 4         |
| India                | 2                                  | 1                    | 1                        | 4         |
| Switzerland          | 2                                  | 1                    | 1                        | 4         |
| United Kingdom       |                                    | 4                    |                          | 4         |
| Czech Republic       | 1                                  | 1                    |                          | 2         |
| Italy                | 1                                  |                      | 1                        | 2         |
| Austria              |                                    | 1                    |                          | 1         |
| Belgium              | 1                                  |                      |                          | 1         |
| Hungary              | 1                                  |                      |                          | 1         |
| Norway               | 1                                  |                      |                          | 1         |
| Poland               |                                    | 1                    |                          | 1         |
| Portugal             | 1                                  |                      |                          | 1         |
| Spain                | 1                                  |                      |                          | 1         |
| Sweden               |                                    |                      | 1                        | 1         |
| Ukraine              | 1                                  |                      |                          | 1         |
| <b>Total</b>         | <b>34</b>                          | <b>42</b>            | <b>19</b>                | <b>95</b> |

We estimate that our manufacturing production by region in fiscal 2015 was approximately: Americas 30%, Asia Pacific 30%, and EMEA 40%.

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**ITEM 3. LEGAL PROCEEDINGS**

In the ordinary course of business, we are subject to various legal proceedings and claims, including 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. In addition, we operate in an industry susceptible to significant patent legal claims. At any given time in the ordinary course of business, we are involved as either a plaintiff or defendant in a number of patent infringement actions. If infringement of a third party's patent were to be determined against us, we might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on our ability to manufacture or sell one or more products. If a patent owned by or licensed to us were determined to be invalid or unenforceable, we might be required to reduce the value of the patent on our balance sheet and to record a corresponding charge, which could be significant in amount.

As previously reported, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represented the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we did not believe we had any obligation to the sellers. However, the sellers contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. Trial began in March 2015 and culminated in the entry of final judgment on October 8, 2015, in favor of the sellers and against us for \$127 million plus costs. The judgment represents the \$80 million contingent purchase price plus pre-judgment interest, which will continue to accrue until the judgment is paid in full. We are proceeding with an appeal. In connection with this case, we recorded a reserve and pre-tax charges of \$127 million in fiscal 2015. These charges are reflected in income from discontinued operations on the Consolidated Statement of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that these proceedings will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in "Income Tax Matters" could have a material effect on our results of operations, financial position, or cash flows.

**Income Tax Matters**

In October 2012, the IRS issued special agreement Forms 870-AD, effectively settling its audit of all tax matters for the years 1997 through 2000, excluding one issue that remains in dispute as described below. The disputed issue involves the tax treatment of certain intercompany debt transactions. The IRS field examination asserted that certain intercompany loans originated during the years 1997 through 2000 did not constitute debt for U.S. federal income tax purposes and disallowed approximately \$2.7 billion of related interest deductions recognized during the period on Tyco International's U.S. income tax returns. In addition, if the IRS is ultimately successful in asserting its claim, it is likely to disallow an additional \$6.6 billion of interest deductions reflected on U.S. income tax returns in years subsequent to fiscal 2000. Tyco International contends that the intercompany financing qualified as debt for U.S. income tax purposes and that the interest deductions reflected on the income tax returns were appropriate. The IRS and Tyco International were unable to resolve this matter through the IRS appeals process. On June 20, 2013, Tyco International advised us that it had received Notices of Deficiency from the IRS for certain former U.S. subsidiaries of Tyco International increasing taxable income by approximately \$2.9 billion in connection with the audit of Tyco International's fiscal years 1997 through 2000. The Notices of Deficiency assert that Tyco International

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owes additional taxes totaling \$778 million, associated penalties of \$154 million, and withholding taxes of \$105 million. In addition, Tyco International received Final Partnership Administrative Adjustments for certain U.S. partnerships owned by former U.S. subsidiaries with respect to which Tyco International estimates an additional tax deficiency of approximately \$30 million will be asserted. The amounts asserted by the IRS exclude any applicable deficiency interest, and do not reflect any impact to subsequent period tax liabilities in the event that the IRS were to prevail on some or all of its assertions. We understand that Tyco International strongly disagrees with the IRS position and has filed petitions in the U.S. Tax Court contesting the IRS's proposed adjustments. Tyco International has advised us that it believes there are meritorious defenses for the tax filings in question and that the IRS position with regard to this matter is inconsistent with the applicable tax laws and existing U.S. Treasury regulations.

The previously set U.S. Tax Court trial date of February 29, 2016 has been delayed at the request of the IRS, and trial is expected to commence during October 2016. The parties remain engaged in discovery. We do not expect any payments to the IRS with respect to this matter until it is fully and finally resolved. In accordance with the Tax Sharing Agreement, we, Tyco International, and Covidien would share 31%, 27%, and 42%, respectively, of any payments made in connection with this matter.

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

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common shares are listed and traded on the NYSE under the symbol "TEL." The following table sets forth the high and low closing sales prices of our common shares as reported by the NYSE for the quarterly periods during the fiscal years ended September 25, 2015 and September 26, 2014.

|                | Market Price Range |          |          |          |
|----------------|--------------------|----------|----------|----------|
|                | Fiscal             |          |          |          |
|                | 2015               |          | 2014     |          |
|                | High               | Low      | High     | Low      |
| First Quarter  | \$ 65.00           | \$ 51.47 | \$ 54.58 | \$ 49.91 |
| Second Quarter | 73.42              | 61.19    | 60.16    | 54.45    |
| Third Quarter  | 71.73              | 66.12    | 62.24    | 56.66    |
| Fourth Quarter | 64.36              | 55.53    | 64.97    | 58.47    |

The number of registered holders of our common shares at November 5, 2015 was 26,317.

**Dividends and Cash Distributions to Shareholders**

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

|                | Fiscal                            |                                   |
|----------------|-----------------------------------|-----------------------------------|
|                | 2015                              | 2014                              |
|                |                                   |                                   |
| First Quarter  | \$ 0.29 (CHF 0.26) <sup>(1)</sup> | \$ 0.25 (CHF 0.24) <sup>(1)</sup> |
| Second Quarter | \$ 0.29 (CHF 0.26) <sup>(1)</sup> | \$ 0.25 (CHF 0.24) <sup>(1)</sup> |
| Third Quarter  | \$ 0.33 (CHF 0.32) <sup>(2)</sup> | \$ 0.29 (CHF 0.26) <sup>(1)</sup> |
| Fourth Quarter | \$ 0.33 (CHF 0.32) <sup>(2)</sup> | \$ 0.29 (CHF 0.26) <sup>(1)</sup> |

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

(2) Payments were declared in U.S. dollars. The CHF equivalent is based on a U.S. dollar/Swiss franc exchange rate on the date of shareholder approval.

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

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**Performance Graph**

Set forth below is a graph comparing the cumulative total shareholder return on our common shares against the cumulative return on the S&P 500 Index and the Dow Jones Electrical Components and Equipment Index. The graph assumes the investment of \$100 in our common shares and in each index on September 24, 2010 and assumes the reinvestment of all dividends and distributions. The graph shows the cumulative total return as of the fiscal years ended September 30, 2011, September 28, 2012, September 27, 2013, September 26, 2014, and September 25, 2015. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common shares.

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

|   | Fiscal              |          |           |           |           |           |
|---|---------------------|----------|-----------|-----------|-----------|-----------|
|   | 2010 <sup>(1)</sup> | 2011     | 2012      | 2013      | 2014      | 2015      |
| TE Connectivity Ltd.                                | \$ 100.00           | \$ 98.10 | \$ 121.36 | \$ 189.53 | \$ 218.52 | \$ 221.28 |
| S&P 500 Index                                       | 100.00              | 100.52   | 130.88    | 157.13    | 187.99    | 186.88    |
| Dow Jones Electrical Components and Equipment Index | 100.00              | 95.68    | 126.75    | 174.12    | 194.25    | 178.41    |

(1) \$100 invested on September 24, 2010 in TE Connectivity's common shares and in indexes. Indexes calculated on month-end basis.

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**Issuer Purchases of Equity Securities**

The following table presents information about our purchases of our common shares during the quarter ended September 25, 2015:

| <b>Period</b>                | <b>Total Number of Shares Purchased<sup>(1)</sup></b> | <b>Average Price Paid Per Share<sup>(1)</sup></b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(2)</sup></b> | <b>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs<sup>(2)</sup></b> |
|------------------------------|---|---|---|---|
| June 27 July 24, 2015        | 2,173,915   | \$ 62.90  | 2,173,200   | \$ 3,201,410,350  |
| July 25 August 28, 2015      | 2,679,413   | 61.01   | 2,652,400   | 3,039,551,253   |
| August 29 September 25, 2015 | 5,479,859   | 59.96   | 5,475,000   | 2,711,277,446   |
| <b>Total</b>                 | <b>10,333,187</b>                                     | <b>\$ 60.85</b>                                   | <b>10,300,600</b>   |   |

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(1) These columns include the following transactions which occurred during the quarter ended September 25, 2015:

(i) the acquisition of 32,587 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans; and

(ii) open market purchases totaling 10,300,600 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007.

(2) In January 2015, our board of directors authorized a \$3.0 billion increase in the share repurchase program. Our share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

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

|  | As of or for Fiscal |                     |                     |                     |           |
|--|---------------------|---------------------|---------------------|---------------------|-----------|
|  | 2015 <sup>(1)</sup> | 2014 <sup>(2)</sup> | 2013 <sup>(3)</sup> | 2012 <sup>(4)</sup> | 2011      |
| (in millions, except per share data)                             |                     |                     |                     |                     |           |
| <b>Statement of Operations Data</b>                              |                     |                     |                     |                     |           |
| Net sales  | \$ 12,233           | \$ 11,973           | \$ 11,390           | \$ 11,325           | \$ 11,754 |
| Acquisition and integration costs                                | 55                  | 31                  | 14                  | 27                  |           |
| Restructuring and other charges, net                             | 152                 | 19                  | 222                 | 104                 | 88        |
| Amounts attributable to TE Connectivity Ltd.:                    |                     |                     |                     |                     |           |
| Income from continuing operations                                | 1,238               | 1,614               | 1,154               | 1,003               | 1,089     |
| Income from discontinued operations, net of income taxes         | 1,182               | 167                 | 122                 | 109                 | 156       |
| Net income   | \$ 2,420            | \$ 1,781            | \$ 1,276            | \$ 1,112            | \$ 1,245  |
| <b>Per Share Data</b>  |                     |                     |                     |                     |           |
| Basic earnings per share attributable to TE Connectivity Ltd.:   |                     |                     |                     |                     |           |
| Income from continuing operations                                | \$ 3.06             | \$ 3.94             | \$ 2.76             | \$ 2.35             | \$ 2.48   |
| Net income   | 5.98                | 4.34                | 3.05                | 2.61                | 2.84      |
| Diluted earnings per share attributable to TE Connectivity Ltd.: |                     |                     |                     |                     |           |
| Income from continuing operations                                | \$ 3.01             | \$ 3.87             | \$ 2.73             | \$ 2.33             | \$ 2.46   |
| Net income   | 5.89                | 4.27                | 3.02                | 2.59                | 2.81      |
| Dividends and cash distributions paid per common share           | \$ 1.24             | \$ 1.08             | \$ 0.92             | \$ 0.78             | \$ 0.68   |
| <b>Balance Sheet Data</b>  |                     |                     |                     |                     |           |
| Total assets   | \$ 20,608           | \$ 20,152           | \$ 18,461           | \$ 19,306           | \$ 17,723 |
| Long-term liabilities  | 7,446               | 7,146               | 6,015               | 7,182               | 6,680     |
| Total equity   | \$ 9,585            | \$ 9,013            | \$ 8,386            | \$ 7,977            | \$ 7,484  |

- (1) Fiscal 2015 results include \$216 million of income tax charges associated with the tax impacts of certain intercompany legal entity restructurings made in connection with our integration of Measurement Specialties; \$201 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 2001 through 2007 and the related impact of \$84 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien; and \$63 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 2008 through 2010. In addition, in fiscal 2015, income from discontinued operations, net of income taxes includes the gain on the sale of our BNS business. (See Notes 4, 13, 16, and 17 to the Consolidated Financial Statements.)
- (2) Fiscal 2014 results include \$282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain tax loss carryforwards relating to ADC Telecommunications, Inc. ("ADC"). (See Note 16 to the Consolidated Financial Statements.)
- (3) Fiscal 2013 results include \$331 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 1997 through 2000 and the related impact of \$231 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien. (See Notes 13, 16, and 17 to the Consolidated Financial Statements.)
- (4) Fiscal 2012 results include \$75 million of charges from the amortization of acquisition-related fair value adjustments related primarily to acquired inventories and customer order backlog associated with Deutsch Group SAS ("Deutsch") and \$107 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the accompanying notes included elsewhere in this Annual Report. The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Annual Report, particularly in "Risk Factors" and "Forward-Looking Information."

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

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

**Overview**

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

During fiscal 2015, we reorganized our management structure and segments to better align the organization around our strategy. We now operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. See Notes 1 and 22 to the Consolidated Financial Statements for additional information regarding our segments. Prior period segment results have been restated to conform to the current segment reporting structure.

Fiscal 2015 highlights included the following:

Overall, our net sales increased 2.2% in fiscal 2015 as compared to fiscal 2014, due to increased net sales in the Transportation Solutions and Communications Solutions segments, partially offset by sales declines in the Industrial Solutions segment.

On an organic basis, net sales increased 3.8% during fiscal 2015 as compared to fiscal 2014. Our organic net sales by segment were as follows:

*Transportation Solutions* Our net sales increased 4.1% on an organic basis during fiscal 2015 due primarily to increases in the automotive end market.

*Industrial Solutions* Our organic net sales were flat in fiscal 2015.

*Communications Solutions* Our organic net sales increased 8.4% in fiscal 2015, due primarily to sales increases in the subsea communications end market, partially offset by declines in the data and devices end market.

During fiscal 2015, our shareholders approved a dividend payment to shareholders of \$1.32 per issued share payable in four quarterly installments of \$0.33 beginning with the third fiscal quarter of 2015 and ending in the second fiscal quarter of 2016.

During fiscal 2015, we acquired Measurement Specialties and divested our BNS business.





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**Outlook**

In the first quarter of fiscal 2016, we expect net sales to be between \$2.7 billion and \$2.9 billion. This reflects sales decreases in all segments relative to the first quarter of fiscal 2015. Additional information regarding expectations for our reportable segments for the first quarter of fiscal 2016 is as follows:

*Transportation Solutions* We expect our sales declines in the automotive and commercial transportation end markets to be partially offset by sales growth in the sensors end market in the first quarter of fiscal 2016. We expect global automotive production to decline 2% in the first quarter of fiscal 2016 as compared to the same period of fiscal 2015.

*Industrial Solutions* We expect our sales to decrease during the first quarter of 2016 as a result of the slowdown in China, inventory reductions in the supply chain, and continued weakness in the oil and gas market.

*Communications Solutions* In the first quarter of fiscal 2016, we expect our sales growth in the subsea communications end market to be more than offset by our sales declines in the data and devices and appliances end markets resulting from continued weakness in China, inventory reductions in the supply chain, and the exit of certain product lines.

We expect diluted earnings per share to be in the range of \$0.62 to \$0.70 per share in the first quarter of fiscal 2016. This outlook reflects continued market weakness in China. Also, it reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$167 million and \$0.05 per share, respectively, in the first quarter of fiscal 2016 as compared to the first quarter of fiscal 2015.

For fiscal 2016, which will be 53 weeks in length, we expect net sales to be between \$12.0 billion and \$12.8 billion, primarily reflecting sales increases in the Transportation Solutions segment offset by sales declines in the Communications Solutions segment from fiscal 2015 levels. Additional information regarding expectations for our reportable segments for fiscal 2016 is as follows:

*Transportation Solutions* During fiscal 2016, we expect our sales to increase in the automotive end market while we expect global automotive production to be flat as compared to fiscal 2015. Also, we expect our sales growth in the sensors end market to be partially offset by sales declines in the commercial transportation end market in fiscal 2016.

*Industrial Solutions* Within the aerospace, defense, oil, and gas end market, we expect our sales growth, primarily in the commercial aerospace market, to be offset by sales declines in the oil and gas market due to continued market weakness in fiscal 2016. We anticipate that the negative impact of inventory adjustments in the supply chain will continue during the first half of fiscal 2016.

*Communications Solutions* In fiscal 2016, we expect our sales growth in the subsea communications end market to be more than offset by our sales declines in the data and devices end market resulting from the exit of certain product lines and continued weakness in China.

We expect diluted earnings per share to be in the range of \$3.61 to \$4.01 per share in fiscal 2016. This outlook includes approximately \$200 million in net sales and \$0.05 earnings per share resulting from the additional week in fiscal 2016. Also, this outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$262 million and \$0.10 per share, respectively, in fiscal 2016 as compared to fiscal 2015.

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

We are monitoring the current macroeconomic environment, including the uncertain market conditions in China, and its potential effects on our customers and the end markets we serve. Additionally, we continue to closely manage our costs in line with economic conditions. We are also

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managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund future capital needs. See further discussion in "Liquidity and Capital Resources."

### **Acquisition**

On October 9, 2014, we acquired 100% of the outstanding shares of Measurement Specialties, a leading global designer and manufacturer of sensors and sensor-based systems, for \$86.00 in cash per share. The total value paid was approximately \$1.7 billion, net of cash acquired, and included \$225 million for the repayment of Measurement Specialties' debt and accrued interest. This business has been reported as part of our Transportation Solutions segment from the date of acquisition. See additional information regarding acquisitions in Note 5 to the Consolidated Financial Statements.

### **Discontinued Operations**

During fiscal 2015, we sold our BNS business for \$3.0 billion in cash and recognized a pre-tax gain of \$1,105 million on the transaction.

The BNS business met the discontinued operations criteria and has been reported as such in all periods presented on the Consolidated Financial Statements. Prior to reclassification to discontinued operations, the BNS business was a component of the former Network Solutions segment.

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

### **Planned Divestiture**

On November 7, 2015, we entered into a definitive agreement to sell our Circuit Protection Devices ("CPD") business for \$350 million in cash, subject to a final working capital adjustment. The transaction is expected to close during the second quarter of fiscal 2016 pending customary closing conditions and regulatory approvals. The net assets of the CPD business were approximately \$200 million at September 25, 2015. The CPD business is currently reported as part of the Data and Devices business within our Communications Solutions segment.

## **Results of Operations**

### **Net Sales**

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

|                          | 2015      |      | Fiscal<br>2014   |      | 2013      |      |
|--------------------------|-----------|------|------------------|------|-----------|------|
|                          |           |      | (\$ in millions) |      |           |      |
| Transportation Solutions | \$ 6,351  | 52%  | \$ 6,090         | 51%  | \$ 5,485  | 48%  |
| Industrial Solutions     | 3,179     | 26   | 3,302            | 28   | 3,100     | 27   |
| Communications Solutions | 2,703     | 22   | 2,581            | 21   | 2,805     | 25   |
| Total                    | \$ 12,233 | 100% | \$ 11,973        | 100% | \$ 11,390 | 100% |

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

|  |  | Fiscal                                       |             |  |             |
|--|--|--|-------------|--|-------------|
|  |  | 2015   |             | 2014   |             |
|  |  | Change in Net Sales versus Prior Fiscal Year |             | Change in Net Sales versus Prior Fiscal Year |             |
|  |  | Acquisitions                                 |             | Acquisitions                                 |             |
|  |  | Organic                                      | Translation | Organic                                      | Translation |
|  |  | Divestitures)                                |             | Divestitures)                                |             |
|  |  | Total  |             | Total  |             |
|  |  | (\$ in millions)                             |             | (\$ in millions)                             |             |

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|                          |        |       |          |        |        |       |        |       |       |        |        |       |
|--------------------------|--------|-------|----------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| Transportation Solutions | \$ 250 | 4.1%  | \$ (556) | \$ 567 | \$ 261 | 4.3%  | \$ 570 | 10.4% | \$ 33 | \$ 2   | \$ 605 | 11.0% |
| Industrial Solutions     | (7)    | (0.2) | (258)    | 142    | (123)  | (3.7) | 161    | 5.2   | 10    | 31     | 202    | 6.5   |
| Communications Solutions | 217    | 8.4   | (95)     |        | 122    | 4.7   | (174)  | (6.2) | (11)  | (39)   | (224)  | (8.0) |
| Total                    | \$ 460 | 3.8%  | \$ (909) | \$ 709 | \$ 260 | 2.2%  | \$ 557 | 4.9%  | \$ 32 | \$ (6) | \$ 583 | 5.1%  |

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Net sales increased \$260 million, or 2.2%, in fiscal 2015 as compared to fiscal 2014. The increase in net sales resulted from sales contributions from acquisitions of 5.9% and organic sales growth of 3.8%, partially offset by the negative impact of foreign currency translation of 7.5% due to the weakening of certain foreign currencies. Measurement Specialties contributed net sales of \$548 million during fiscal 2015.

On an organic basis, net sales increased \$460 million, or 3.8%, in fiscal 2015 as compared to 2014, primarily as a result of sales increases in the Transportation Solutions and Communications Solutions segments. Price erosion adversely affected organic sales by \$208 million in fiscal 2015.

Net sales increased \$583 million, or 5.1%, in fiscal 2014 as compared to fiscal 2013. The increase in net sales was primarily the result of organic growth of 4.9% and the positive impact of foreign currency translation of 0.3% due to the strengthening of certain foreign currencies.

On an organic basis, net sales increased \$557 million, or 4.9%, during fiscal 2014 as compared to fiscal 2013 as increased net sales in the Transportation Solutions segment and, to a lesser degree, the Industrial Solutions segment were partially offset by sales decreases in the Communications Solutions segment. Price erosion adversely affected organic sales by \$194 million in fiscal 2014.

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

**Net Sales by Geographic Region.** Our business operates in three geographic regions the Americas, Asia Pacific, and EMEA and our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. dollars at the end of each fiscal period. We sell our products into approximately 150 countries, and approximately 52% of our net sales were invoiced in currencies other than the U.S. dollar in fiscal 2015. The percentage of net sales in fiscal 2015 by major currencies invoiced was as follows:

| Currencies       | Percentage |
|------------------|------------|
| U.S. dollar      | 48%        |
| Euro             | 27         |
| Chinese renminbi | 9          |
| Japanese yen     | 5          |
| All others       | 11         |
| <br>Total        | <br>100%   |

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

|              | Fiscal           |          |               |          |               |          |
|--------------|------------------|----------|---------------|----------|---------------|----------|
|              | 2015             |          | 2014          |          | 2013          |          |
|              | (\$ in millions) |          |               |          |               |          |
| Americas     | \$ 4,138         | 34%      | \$ 3,515      | 30%      | \$ 3,456      | 30%      |
| Asia Pacific | 4,103            | 33       | 4,234         | 35       | 3,986         | 35       |
| EMEA         | 3,992            | 33       | 4,224         | 35       | 3,948         | 35       |
| <br>Total    | <br>\$ 12,233    | <br>100% | <br>\$ 11,973 | <br>100% | <br>\$ 11,390 | <br>100% |

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

|                  | Fiscal                                       |       |             |        |              |       |  |      |         |        |             |      |              |  |       |
|------------------|--|-------|-------------|--------|--------------|-------|--|------|---------|--------|-------------|------|--------------|--|-------|
|                  | 2015   |       |             |        |              |       | 2014   |      |         |        |             |      |              |  |       |
|                  | Change in Net Sales versus Prior Fiscal Year |       |             |        |              |       | Change in Net Sales versus Prior Fiscal Year |      |         |        |             |      |              |  |       |
|                  | Organic                                      |       | Translation |        | Acquisitions |       | Total  |      | Organic |        | Translation |      | Acquisitions |  | Total |
| (\$ in millions) |  |       |             |        |              |       |  |      |         |        |             |      |              |  |       |
| Americas         | \$ 361                                       | 10.3% | \$ (72)     | \$ 334 | \$ 623       | 17.7% | \$ 58  | 1.7% | \$ (33) | \$ 34  | \$ 59       | 1.7% |              |  |       |
| Asia Pacific     | (31)   | (0.7) | (188)       | 88     | (131)        | (3.1) | 349  | 8.8  | (67)    | (34)   | 248         | 6.2  |              |  |       |
| EMEA             | 130  | 3.1   | (649)       | 287    | (232)        | (5.5) | 150  | 3.8  | 132     | (6)    | 276         | 7.0  |              |  |       |
| Total            | \$ 460                                       | 3.8%  | \$ (909)    | \$ 709 | \$ 260       | 2.2%  | \$ 557                                       | 4.9% | \$ 32   | \$ (6) | \$ 583      | 5.1% |              |  |       |

### Cost of Sales and Gross Margin

The following table presents cost of sales and gross margin in dollars and as a percentage of net sales, as well as the changes from the prior fiscal year:

|                              | Fiscal   |          |          | Fiscal                 | Fiscal                 |
|------------------------------|----------|----------|----------|------------------------|------------------------|
|                              | 2015     | 2014     | 2013     | 2015<br>versus<br>2014 | 2014<br>versus<br>2013 |
| (\$ in millions)             |          |          |          |                        |                        |
| Cost of sales                | \$ 8,146 | \$ 8,001 | \$ 7,739 | \$ 145                 | \$ 262                 |
| As a percentage of net sales | 66.6%    | 66.8%    | 67.9%    | (0.2)%                 | (1.1)%                 |
| Gross margin                 | \$ 4,087 | \$ 3,972 | \$ 3,651 | \$ 115                 | \$ 321                 |
| As a percentage of net sales | 33.4%    | 33.2%    | 32.1%    | 0.2%                   | 1.1%                   |

Gross margin increased \$115 million in fiscal 2015 as compared to fiscal 2014. In fiscal 2015, gross margin included charges of \$36 million from the amortization of acquisition-related fair value adjustments to acquired inventories and customer order backlog associated primarily with Measurement Specialties. Excluding these charges, gross margin increased in fiscal 2015 primarily as a result of higher volume and improved manufacturing productivity, partially offset by the negative impact of changes in foreign currency exchange rates and price erosion.

In fiscal 2014, gross margin increased \$321 million as compared to fiscal 2013. The increase in gross margin resulted primarily from improved manufacturing productivity and, to a lesser degree, higher volume, partially offset by price erosion.

Cost of sales and gross margin are subject to variability in raw material prices, and the price of many of our raw materials continues to fluctuate. In fiscal 2015, we purchased approximately 160 million pounds of copper, 123,000 troy ounces of gold, and 2.5 million troy ounces of silver. The following table sets forth the average prices incurred related to copper, gold, and silver.

| Measure | Fiscal         |         |         |
|---------|----------------|---------|---------|
|         | 2015           | 2014    | 2013    |
| Copper  | Lb. \$ 3.06    | \$ 3.33 | \$ 3.51 |
| Gold    | Troy oz. 1,267 | 1,405   | 1,613   |
| Silver  | Troy oz. 18.51 | 23.43   | 29.18   |

In fiscal 2016, we expect to purchase copper, gold, and silver in quantities similar 2015 levels.

Table of Contents**Operating Expenses**

The following table presents operating expenses in dollars and selling, general, and administrative expenses as a percentage of net sales, as well as the changes from the prior fiscal year:

|   | Fiscal           |          |          | Fiscal                 | Fiscal                 |
|---|------------------|----------|----------|------------------------|------------------------|
|   | 2015             | 2014     | 2013     | 2015<br>versus<br>2014 | 2014<br>versus<br>2013 |
|   | (\$ in millions) |          |          |                        |                        |
| Selling, general, and administrative expenses   | \$ 1,504         | \$ 1,534 | \$ 1,440 | \$ (30)                | \$ 94                  |
| As a percentage of net sales                    | 12.3%            | 12.8%    | 12.6%    | (0.5)%                 | 0.2%                   |
| Research, development, and engineering expenses | \$ 627           | \$ 583   | \$ 590   | \$ 44                  | \$ (7)                 |
| Acquisition and integration costs               | \$ 55            | \$ 31    | \$ 14    | \$ 24                  | \$ 17                  |
| Restructuring and other charges, net            | \$ 152           | \$ 19    | \$ 222   | \$ 133                 | \$ (203)               |

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expenses decreased \$30 million in fiscal 2015 as compared to fiscal 2014. The decrease resulted primarily from cost control measures and saving attributable to restructuring actions, partially offset by additional expenses associated with Measurement Specialties.

In fiscal 2014, selling, general, and administrative expenses increased \$94 million as compared to fiscal 2013. The increase resulted primarily from increased selling expenses to support higher sales levels, partially offset by savings attributable to restructuring actions and a gain on the sale of real estate.

**Research, Development, and Engineering Expenses.** Research, development, and engineering expenses increased \$44 million in fiscal 2015 as compared to fiscal 2014 as a result of additional expenses related to acquisitions and growth initiatives, primarily in the Transportation Solutions segment.

**Acquisition and Integration Costs.** In fiscal 2015, we incurred acquisition and integration costs of \$55 million, related primarily to the acquisitions of Measurement Specialties and the SEACON Group ("SEACON"). In fiscal 2014, we incurred acquisition and integration costs of \$31 million, primarily in connection with the acquisition of SEACON. In connection with the acquisition of Deutsch, we incurred acquisition and integration costs of \$14 million during fiscal 2013.

**Restructuring and Other Charges, Net.** We are committed to continuous productivity improvements and consistently evaluate opportunities to simplify our global manufacturing footprint, migrate facilities to lower-cost regions, reduce fixed costs, and eliminate excess capacity. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for future growth. During fiscal 2015, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments. During fiscal 2014, we initiated a restructuring program associated primarily with headcount reductions and manufacturing site and product line closures in the Communications Solutions segment. During fiscal 2013, we initiated a restructuring program associated with headcount reductions and manufacturing site closures impacting all segments.

In connection with these initiatives, we recorded net restructuring charges of \$93 million, \$23 million, and \$225 million in fiscal 2015, 2014, and 2013, respectively. We expect to incur net restructuring charges of approximately \$75 million during fiscal 2016, and we expect total spending, which will be funded with cash from operations, to be approximately \$90 million in fiscal 2016. Annualized cost savings related to actions initiated in fiscal 2015 are estimated to be approximately

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\$80 million and are expected to be realized by the end of fiscal 2017. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses.

During fiscal 2015, we incurred net other charges of \$59 million, primarily in connection with the divestiture of BNS.

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

### **Operating Income**

The following table presents operating income and operating margin, as well as the changes from the prior fiscal year:

|                  | Fiscal           |          |          | Fiscal<br>2015<br>versus<br>2014 | Fiscal<br>2014<br>versus<br>2013 |
|------------------|------------------|----------|----------|----------------------------------|----------------------------------|
|                  | 2015             | 2014     | 2013     |                                  |                                  |
|                  | (\$ in millions) |          |          |                                  |                                  |
| Operating income | \$ 1,749         | \$ 1,805 | \$ 1,385 | \$ (56)                          | \$ 420                           |
| Operating margin | 14.3%            | 15.1%    | 12.2%    | (0.8)%                           | 2.9%                             |

Operating income included the following special items:

|  | Fiscal        |              |               |
|--|---------------|--------------|---------------|
|  | 2015          | 2014         | 2013          |
|  | (in millions) |              |               |
| Acquisition related charges:   |               |              |               |
| Acquisition and integration costs  | \$ 55         | \$ 31        | \$ 14         |
| Charges associated with the amortization of acquisition-related fair value adjustments | 36            | 4            |               |
| Restructuring charges related to acquisitions  | 3             |              |               |
|  | 94            | 35           | 14            |
| Restructuring and other charges, net   | 149           | 19           | 222           |
| <b>Total</b>   | <b>\$ 243</b> | <b>\$ 54</b> | <b>\$ 236</b> |

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



Table of Contents**Non-Operating Items**

The following table presents select non-operating items, as well as the changes from the prior fiscal year:

|  | Fiscal           |        |                   | Fiscal                 | Fiscal                 |
|--|------------------|--------|-------------------|------------------------|------------------------|
|  | 2015             | 2014   | 2013              | 2015<br>versus<br>2014 | 2014<br>versus<br>2013 |
|  | (\$ in millions) |        |                   |                        |                        |
| Interest expense   | \$ 136           | \$ 127 | \$ 139            | \$ 9                   | \$ (12)                |
| Other income (expense), net                              | \$ (55)          | \$ 63  | \$ (183)          | \$ (118)               | \$ 246                 |
| Income tax provision (benefit)                           | \$ 337           | \$ 146 | \$ (75)           | \$ 191                 | \$ 221                 |
| Effective tax rate                                       | 21.4%            | 8.3%   | NM <sup>(1)</sup> | 13.1%                  | NM <sup>(1)</sup>      |
| Income from discontinued operations, net of income taxes | \$ 1,182         | \$ 167 | \$ 122            | \$ 1,015               | \$ 45                  |

(1) Not meaningful.

**Interest Expense.** The increase in interest expense of \$9 million in fiscal 2015 from fiscal 2014 was due to higher average debt levels. The decrease of \$12 million in fiscal 2014 from fiscal 2013 was due to a lower average cost of debt.

**Other Income (Expense), Net.** In fiscal 2015, 2014, and 2013, we recorded net other income (expense) primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 to the Consolidated Financial Statements for further information regarding the Tax Sharing Agreement.

Net other expense in fiscal 2015 included \$84 million related to the effective settlement of undisputed tax matters for the years 2001 through 2007. Net other income in fiscal 2014 included \$18 million of income related to our share of a settlement agreement entered into by Tyco International with a former subsidiary, CIT Group Inc., which arose from a pre-separation claim for which we were entitled to 31% once resolved. Net other expense in fiscal 2013 included \$231 million related to the effective settlement of all undisputed tax matters for the years 1997 through 2000. See Note 13 to the Consolidated Financial Statements for additional information regarding the effective settlement of undisputed tax matters.

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

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

In fiscal 2014, we acquired SEACON, and its U.S. operations were combined with our ADC U.S. federal consolidated tax group. In addition, the ADC U.S. tax group was combined with other U.S. legal entities and assets. We reassessed the realization of the revised ADC U.S. tax group's tax loss and credit carryforwards. Based upon management's review of forecasted future taxable income of the reorganized combined tax group, we believed it was more likely than not that a tax benefit would be

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realized on additional U.S. federal and state net operating losses. Accordingly, we reduced the valuation allowance and recorded a tax benefit of \$282 million.

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

The valuation allowance for deferred tax assets of \$3,237 million and \$1,706 million at fiscal year end 2015 and 2014, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. During fiscal 2015, the valuation allowance increased due primarily to tax losses of \$1,381 million (tax effected) generated in connection with the write-down of investments in subsidiaries in certain jurisdictions where future utilization is uncertain. We believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on the Consolidated Balance Sheet.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of September 25, 2015, certain subsidiaries had approximately \$19 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries.

**Segment Results****Transportation Solutions**

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

|                           | 2015     |      | Fiscal<br>2014   |      | 2013     |      |
|---------------------------|----------|------|------------------|------|----------|------|
|                           |          |      | (\$ in millions) |      |          |      |
| Automotive                | \$ 4,795 | 75%  | \$ 5,011         | 82%  | \$ 4,571 | 83%  |
| Commercial Transportation | 807      | 13   | 879              | 15   | 725      | 13   |
| Sensors                   | 749      | 12   | 200              | 3    | 189      | 4    |
| Total                     | \$ 6,351 | 100% | \$ 6,090         | 100% | \$ 5,485 | 100% |

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

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

|                  | Fiscal                                       |             |              |          |        |        |  |             |             |       |     |  |
|------------------|--|-------------|--------------|----------|--------|--------|--|-------------|-------------|-------|-----|--|
|                  | 2015   |             |              |          |        |        | 2014   |             |             |       |     |  |
|                  | Change in Net Sales versus Prior Fiscal Year |             |              |          |        |        | Change in Net Sales versus Prior Fiscal Year |             |             |       |     |  |
|                  | Organic                                      | Translation | Acquisitions | Total    |        |        | Organic                                      | Translation | Acquisition | Total |     |  |
| (\$ in millions) |  |             |              |          |        |        |  |             |             |       |     |  |
| Automotive       | \$ 256                                       | 5.1%        | \$ (472)     | \$ (216) | (4.3)% | \$ 413 | 9.0%   | \$ 27       | \$ 440      | 9.6%  |     |  |
| Commercial       |  |             |              |          |        |        |  |             |             |       |     |  |
| Transportation   | (9)  | (1.0)       | (63)         | (72)     | (8.2)  | 153    | 20.8   | 1           | 154         | 21.2  |     |  |
| Sensors          | 3  | 1.5         | (21)         | 567      | 274.5  | 4      | 1.6  | 5           | 2           | 11    | 5.8 |  |
| Total            | \$ 250                                       | 4.1%        | \$ (556)     | \$ 261   | 4.3%   | \$ 570 | 10.4%  | \$ 33       | \$ 605      | 11.0% |     |  |

Net sales in the Transportation Solutions segment increased \$261 million, or 4.3%, in fiscal 2015 as compared to fiscal 2014 as a result of sales contributions from acquisitions of 9.3% and organic sales growth of 4.1%, partially offset by the negative impact of foreign currency translation of 9.1%. Measurement Specialties contributed net sales of \$548 million during fiscal 2015. Our organic net sales by primary industry end market were as follows:

*Automotive* Our organic net sales increased 5.1% in fiscal 2015 with growth of 8.2% in the Asia Pacific region, 4.4% in the EMEA region, and 0.8% in the Americas region. Growth in the Asia Pacific and EMEA regions and North America was driven primarily by increased content per vehicle. This growth was partially offset by weakness in South America driven by lower production volumes in Brazil.

*Commercial transportation* Our organic net sales decreased 1.0% in fiscal 2015 due to lower demand in the agriculture market across all regions, partially offset by growth in the heavy truck market in developed countries.

*Sensors* Our organic net sales increased 1.5% in fiscal 2015 due to new product launches in China and increased volume in Japan, partially offset by market weakness in Korea and Eastern Europe.

In fiscal 2014, net sales in the Transportation Solutions segment increased \$605 million, or 11.0%, from fiscal 2013 primarily as a result of organic sales growth of 10.4% and the positive impact of foreign currency translation of 0.6%. Our organic net sales by primary industry end market were as follows:

*Automotive* Our organic net sales increased 9.0% in fiscal 2014. The increase was due primarily to growth of 11.6% in the Asia Pacific region, 7.8% in the EMEA region, and 7.0% in the Americas region. In the Asia Pacific region, growth was driven by increased demand in China and, to a lesser degree, Japan, partially offset by declines in certain southeastern Asia Pacific areas. In the EMEA region, growth resulted primarily from increased demand for exports to other regions and, to a lesser degree, increased local demand. Growth in the Americas region was driven by strong consumer demand in North America, partially offset by weaker economic conditions in South America.

*Commercial transportation* Our organic net sale increased 20.8% in fiscal 2014 due to stronger market conditions, strength in the North America truck market, and the acceleration of purchases related to emission standard changes in China and the EMEA region.

*Sensors* Our organic net sales increased 1.6% in fiscal 2014 due to growth in the Americas and EMEA regions, partially offset by a decline in the Asia Pacific region.



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**Operating Income.** The following table presents the Transportation Solutions segment's operating income and operating margin, as well as the changes from the prior fiscal year:

|                  | Fiscal           |          |        | Fiscal                 | Fiscal                 |
|------------------|------------------|----------|--------|------------------------|------------------------|
|                  | 2015             | 2014     | 2013   | 2015<br>versus<br>2014 | 2014<br>versus<br>2013 |
|                  | (\$ in millions) |          |        |                        |                        |
| Operating income | \$ 1,193         | \$ 1,245 | \$ 934 | \$ (52)                | \$ 311                 |
| Operating margin | 18.8%            | 20.4%    | 17.0%  | (1.6)%                 | 3.4%                   |

The Transportation Solutions segment's operating income included the following special items:

|  | Fiscal        |      |       |
|--|---------------|------|-------|
|  | 2015          | 2014 | 2013  |
|  | (in millions) |      |       |
| Acquisition related charges:   |               |      |       |
| Acquisition and integration costs  | \$ 28         | \$ 4 | \$ 7  |
| Charges associated with the amortization of acquisition-related fair value adjustments | 30            |      |       |
| Restructuring charges related to acquisitions  | 3             |      |       |
|  | 61            | 4    | 7     |
| Restructuring and other charges, net   | 39            | 4    | 39    |
| Total  | \$ 100        | \$ 8 | \$ 46 |

In fiscal 2015, operating income in the Transportation Solutions segment decreased \$52 million as compared to fiscal 2014. Excluding the charges presented in the table above, operating income increased in fiscal 2015 due primarily to higher volume and, to a lesser degree, improved manufacturing productivity, partially offset by the negative impact of changes in foreign currency exchange rates and price erosion.

Operating income in the Transportation Solutions segment increased \$311 million in fiscal 2014 as compared to fiscal 2013. Excluding the charges presented in the table above, operating income increased in fiscal 2014 primarily as a result of higher volume and improved manufacturing productivity, partially offset by price erosion.

### Industrial Solutions

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

|                                  | 2015             |      | Fiscal   |      | 2013     |      |
|----------------------------------|------------------|------|----------|------|----------|------|
|                                  | 2015             | 2014 | 2014     | 2013 | 2013     | 2012 |
|                                  | (\$ in millions) |      |          |      |          |      |
| Industrial Equipment             | \$ 1,323         | 42%  | \$ 1,364 | 41%  | \$ 1,284 | 41%  |
| Aerospace, Defense, Oil, and Gas | 1,151            | 36   | 1,140    | 35   | 1,019    | 33   |
| Energy                           | 705              | 22   | 798      | 24   | 797      | 26   |
| Total                            | \$ 3,179         | 100% | \$ 3,302 | 100% | \$ 3,100 | 100% |

(1)

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

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

|                                     | Fiscal                                       |        |             |        |              |        |  |      |             |       |                               |      |
|-------------------------------------|--|--------|-------------|--------|--------------|--------|--|------|-------------|-------|-------------------------------|------|
|                                     | 2015   |        |             |        |              |        | 2014   |      |             |       |                               |      |
|                                     | Change in Net Sales versus Prior Fiscal Year |        |             |        |              |        | Change in Net Sales versus Prior Fiscal Year |      |             |       |                               |      |
|                                     | Organic                                      |        | Translation |        | Acquisitions |        | Organic                                      |      | Translation |       | Acquisitions<br>(Divestiture) |      |
| (\$ in millions)                    |  |        |             |        |              |        |  |      |             |       |                               |      |
| Industrial Equipment                | \$ 12  | 0.9%   | \$ (96)     | \$ 43  | \$ (41)      | (3.0)% | \$ 77  | 6.0% | \$ 3        | \$ 80 | 6.2%                          |      |
| Aerospace, Defense,<br>Oil, and Gas | (17)   | (1.5)  | (71)        | 99     | 11           | 1.0    | 67   | 6.5  | 8           | 46    | 121                           | 11.9 |
| Energy                              | (2)  | (0.3)  | (91)        |        | (93)         | (11.7) | 17   | 2.1  | (1)         | (15)  | 1                             | 0.1  |
| Total                               | \$ (7)                                       | (0.2)% | \$ (258)    | \$ 142 | \$ (123)     | (3.7)% | \$ 161                                       | 5.2% | \$ 10       | \$ 31 | \$ 202                        | 6.5% |

In the Industrial Solutions segment, net sales decreased \$123 million, or 3.7%, in fiscal 2015 from fiscal 2014 due primarily to the negative impact of foreign currency translation of 7.8%, partially offset by sales contributions from acquisitions of 4.3%. Our organic net sales by primary industry end market were as follows:

*Industrial equipment* Our organic net sales were flat in fiscal 2015 as growth in the Asia Pacific and EMEA regions was offset by lower demand in the Americas region.

*Aerospace, defense, oil, and gas* Our organic net sales decreased 1.5% in fiscal 2015 due primarily to weakness in the oil and gas market resulting from oil price declines and market uncertainty, partially offset by continued strength in our commercial aviation business.

*Energy* Our organic net sales were flat in fiscal 2015 as growth in the Americas region was offset by declines in the Asia Pacific region.

Net sales in the Industrial Solutions segment increased \$202 million, or 6.5%, in fiscal 2014 as compared to fiscal 2013 primarily as a result of organic sales growth of 5.2% and the net sales impact from acquisitions and a divestiture of 1.0%. Our organic net sales by primary industry end market were as follows:

*Industrial equipment* Our organic net sales increased 6.0% in fiscal 2014 as a result of market recovery, particularly in the Asia Pacific region and, to a lesser degree, the EMEA region.

*Aerospace, defense, oil, and gas* Our organic net sales increased 6.5% in fiscal 2014. The increase was attributable to continued strength in the commercial aviation business and growth in the oil and gas market, partially offset by continued weakness in the defense market.

*Energy* Our organic net sales increased 2.1% in fiscal 2014 primarily as a result of growth in the Asia Pacific and Americas regions, partially offset by a decline in the EMEA region.

**Operating Income.** The following table presents the Industrial Solutions segment's operating income and operating margin, as well as the changes from the prior fiscal year:

### Fiscal

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|                  | 2015             | 2014   | 2013   | Fiscal<br>2015<br>versus<br>2014 | Fiscal<br>2014<br>versus<br>2013 |
|------------------|------------------|--------|--------|----------------------------------|----------------------------------|
|                  | (\$ in millions) |        |        |                                  |                                  |
| Operating income | \$ 352           | \$ 431 | \$ 344 | \$ (79)                          | \$ 87                            |
| Operating margin | 11.1%            | 13.1%  | 11.1%  | (2.0)%                           | 2.0%                             |

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The Industrial Solutions segment's operating income included the following special items:

|  | Fiscal        |              |              |
|--|---------------|--------------|--------------|
|  | 2015          | 2014         | 2013         |
|  | (in millions) |              |              |
| <b>Acquisition related charges:</b>  |               |              |              |
| Acquisition and integration costs  | \$ 27         | \$ 27        | \$ 7         |
| Charges associated with the amortization of acquisition-related fair value adjustments | 6             | 4            |              |
|  | 33            | 31           | 7            |
| <b>Restructuring and other charges, net</b>  | <b>44</b>     | <b>7</b>     | <b>63</b>    |
| <b>Total</b>   | <b>\$ 77</b>  | <b>\$ 38</b> | <b>\$ 70</b> |

In fiscal 2015, operating income in the Industrial Solutions segment decreased \$79 million as compared to fiscal 2014. Excluding the charges presented in the table above, operating income decreased in fiscal 2015 as a result of the negative impact of changes in foreign currency exchange rates and price erosion, partially offset by higher volume.

Operating income in the Industrial Solutions segment increased \$87 million in fiscal 2014 as compared to fiscal 2013. Excluding the charges presented in the table above, operating income increased in fiscal 2014 due to higher volume and improved manufacturing productivity, partially offset by price erosion.

### **Communications Solutions**

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

|                       | 2015             |             | Fiscal<br>2014  |             | 2013            |             |
|-----------------------|------------------|-------------|-----------------|-------------|-----------------|-------------|
|                       |                  |             |                 |             |                 |             |
|                       | (\$ in millions) |             |                 |             |                 |             |
| Data and Devices      | \$ 1,357         | 50%         | \$ 1,641        | 64%         | \$ 1,790        | 64%         |
| Subsea Communications | 709              | 26          | 283             | 11          | 397             | 14          |
| Appliances            | 637              | 24          | 657             | 25          | 618             | 22          |
| <b>Total</b>          | <b>\$ 2,703</b>  | <b>100%</b> | <b>\$ 2,581</b> | <b>100%</b> | <b>\$ 2,805</b> | <b>100%</b> |

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

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

|  | 2015  |             |       | Fiscal<br>2014                               |             |             |
|--|---|-------------|-------|--|-------------|-------------|
|  | Change in Net Sales versus Prior Fiscal<br>Year |             |       | Change in Net Sales versus Prior Fiscal Year |             |             |
|  | Organic   | Translation | Total | Organic                                      | Translation | Investiture |
|  |   |             |       |  |             |             |

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(\$ in millions)

|                  |          |         |         |          |         |          |        |         |         |          |        |
|------------------|----------|---------|---------|----------|---------|----------|--------|---------|---------|----------|--------|
| Data and Devices | \$ (224) | (13.6)% | \$ (60) | \$ (284) | (17.3)% | \$ (99)  | (5.5)% | \$ (11) | \$ (39) | \$ (149) | (8.3)% |
| Subsea           |          |         |         |          |         |          |        |         |         |          |        |
| Communications   | 426      | 150.5   |         | 426      | 150.5   | (114)    | (28.7) |         |         | (114)    | (28.7) |
| Appliances       | 15       | 2.3     | (35)    | (20)     | (3.0)   | 39       | 6.3    |         |         | 39       | 6.3    |
| Total            | \$ 217   | 8.4%    | \$ (95) | \$ 122   | 4.7%    | \$ (174) | (6.2)% | \$ (11) | \$ (39) | \$ (224) | (8.0)% |

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Net sales in the Communications Solutions segment increased \$122 million, or 4.7%, in fiscal 2015 as compared to fiscal 2014 as a result of organic sales growth of 8.4%, partially offset by the negative impact of foreign currency translation of 3.7%. Our organic net sales by primary industry end market were as follows:

*Data and devices* Our organic net sales decreased 13.6% in fiscal 2015 due to continued declines in our sales in the feature phone and tablet computer markets, weak demand in the smartphone business, and the exit of certain low margin product lines.

*Subsea communications* Our organic net sales increased 150.5% in fiscal 2015 as a result of increased levels of project activity.

*Appliances* Our organic net sales increased 2.3% in fiscal 2015 with increased demand in the EMEA region and a rebound in the U.S. market, partially offset by lower demand in the Asia Pacific region.

In fiscal 2014, net sales in the Communications Solutions segment decreased \$224 million, or 8.0%, as compared to fiscal 2013 due to declines in organic sales of 6.2%, sales declines resulting from a divestiture of 1.4%, and the negative impact of foreign currency translation of 0.4%. Our organic net sales by primary industry end market were as follows:

*Data and devices* Our organic net sales decreased 5.5% in fiscal 2014 due to the exit of certain product lines and weak demand in the datacenter, mobile phone, and personal computer markets, partially offset by increased demand and new product launches in the tablet computer market.

*Subsea communications* Our organic net sales decreased 28.7% in fiscal 2014 due to lower project volume.

*Appliances* Our organic net sales increased 6.3% in fiscal 2014 due primarily to increased demand and share gains in the Asia Pacific region and, to a lesser degree, the Americas region.

**Operating Income.** The following table presents the Communications Solutions segment's operating income and operating margin, as well as the changes from the prior fiscal year:

|                  | Fiscal           |        |        | Fiscal<br>2015<br>versus<br>2014 |                        | Fiscal<br>2014<br>versus<br>2013 |  |
|------------------|------------------|--------|--------|----------------------------------|------------------------|----------------------------------|--|
|                  | 2015             | 2014   | 2013   | 2015<br>versus<br>2014           | 2014<br>versus<br>2013 |                                  |  |
|                  | (\$ in millions) |        |        |                                  |                        |                                  |  |
| Operating income | \$ 204           | \$ 129 | \$ 107 | \$ 75                            | \$ 22                  |                                  |  |
| Operating margin | 7.5%             | 5.0%   | 3.8%   | 2.5%                             | 1.2%                   |                                  |  |

The Communications Solutions segment's operating income included the following special items:

|                                      | Fiscal        |      |        |
|--------------------------------------|---------------|------|--------|
|                                      | 2015          | 2014 | 2013   |
|                                      | (in millions) |      |        |
| Restructuring and other charges, net | \$ 66         | \$ 8 | \$ 120 |

In fiscal 2015, operating income in the Communications Solutions segment increased \$75 million as compared to fiscal 2014. Excluding the charges presented in the table above, operating income increased in fiscal 2015, due primarily to improved manufacturing productivity, partially offset by price erosion.

Operating income in the Communications Solutions segment increased \$22 million fiscal 2014 as compared to fiscal 2013. Excluding the charges presented in the table above, operating income decreased in fiscal 2014 as a result of lower volume and price erosion, partially offset by improved manufacturing productivity.



Table of Contents**Liquidity and Capital Resources**

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

|   | Fiscal        |                 |                 |
|---|---------------|-----------------|-----------------|
|   | 2015          | 2014            | 2013            |
|   | (in millions) |                 |                 |
| Net cash provided by operating activities                   | \$ 1,913      | \$ 2,083        | \$ 2,046        |
| Net cash provided by (used in) investing activities         | 636           | (1,075)         | (545)           |
| Net cash provided by (used in) financing activities         | (1,606)       | 65              | (1,678)         |
| Effect of currency translation on cash                      | (71)          | (19)            | (9)             |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>\$ 872</b> | <b>\$ 1,054</b> | <b>\$ (186)</b> |

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of \$500 million of senior floating rate notes due in January 2016. We may use excess cash to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law, to purchase a portion of our common shares pursuant to our authorized share repurchase program, to pay distributions or dividends on our common shares, or to acquire strategic businesses or product lines. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets and respond as necessary to changing conditions.

As of September 25, 2015, our cash and cash equivalents were held in subsidiaries which are located in various countries throughout the world. Under current applicable laws, substantially all of these amounts can be repatriated to Tyco Electronics Group S.A. ("TEGSA"), our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company; however, the repatriation of these amounts could subject us to additional tax costs. We provide for tax liabilities on the Consolidated Financial Statements with respect to amounts that we expect to repatriate; however, no tax liabilities are recorded for amounts that we consider to be retained indefinitely and reinvested in our global manufacturing operations. As of September 25, 2015, we had approximately \$5.2 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, and TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately \$1.7 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

**Cash Flows from Operating Activities**

Net cash provided by continuing operating activities decreased \$185 million to \$1,619 million in fiscal 2015 as compared to \$1,804 million in fiscal 2014. The decrease resulted primarily from the unfavorable effects of changes in working capital levels, partially offset by a decrease in net payments made in relation to pre-separation tax matters.

Net cash provided by continuing operating activities was \$1,804 million in fiscal 2014 as compared to \$1,775 million in fiscal 2013. The increase resulted primarily from higher income levels, partially

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offset by higher accounts receivable levels and net payments made in relation to pre-separation tax matters.

Pension and postretirement benefit contributions in fiscal 2015, 2014, and 2013 were \$68 million, \$89 million, and \$95 million, respectively. We expect pension and postretirement benefit contributions to be \$75 million in fiscal 2016, before consideration of any voluntary contributions. There were no voluntary pension contributions in fiscal 2015, 2014, and 2013.

The amount of income taxes paid, net of refunds, during fiscal 2015, 2014, and 2013 was \$350 million, \$259 million, and \$299 million, respectively. In fiscal 2015 and 2013, these payments included \$47 million and \$67 million, respectively, for tax deficiencies related to pre-separation tax matters. Also during fiscal 2015 and 2013, we received net reimbursements of \$7 million and \$39 million, respectively, from Tyco International and Covidien pursuant to their indemnifications for pre-separation U.S. tax matters. During fiscal 2014, we made net payments of \$179 million to Tyco International and Covidien pursuant to our indemnifications for pre-separations U.S. tax matters. See Note 13 to the Consolidated Financial Statements for additional information related to pre-separation tax matters.

In addition to net cash provided by operating activities, we use free cash flow, a non-GAAP financial measure, as a useful measure of our ability to generate cash. Free cash flow was \$1,076 million in fiscal 2015 as compared to \$1,477 million in fiscal 2014 and \$1,244 million in fiscal 2013. The following table sets forth a reconciliation of net cash provided by continuing operating activities, the most comparable GAAP financial measure, to free cash flow.

|  | 2015          | Fiscal<br>2014 | 2013     |
|--|---------------|----------------|----------|
|  | (in millions) |                |          |
| Net cash provided by continuing operating activities     | \$ 1,619      | \$ 1,804       | \$ 1,775 |
| Capital expenditures                                     | (600)         | (635)          | (581)    |
| Proceeds from sale of property, plant, and equipment     | 17            | 129            | 22       |
| Payments related to pre-separation U.S. tax matters, net | 40            | 179            | 28       |
| Free cash flow   | \$ 1,076      | \$ 1,477       | \$ 1,244 |

**Cash Flows from Investing Activities**

Capital expenditures were \$600 million, \$635 million, and \$581 million in fiscal 2015, 2014, and 2013, respectively. We expect fiscal 2016 capital spending levels to be approximately 5% of net sales. We believe our capital funding levels are adequate to support new programs, and we continue to invest in our manufacturing infrastructure to further enhance productivity and manufacturing capabilities.

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

During fiscal 2015, we acquired Measurement Specialties. The total value paid for the transaction was approximately \$1.7 billion, net of cash acquired, and included \$225 million for the repayment of Measurement Specialties' debt and accrued interest. Also during fiscal 2015, we acquired three additional companies for \$241 million in cash, net of cash acquired. During fiscal 2014, we acquired five companies for \$522 million in cash, net of cash acquired. See additional information in Note 5 to the Consolidated Financial Statements.

During fiscal 2015, we received net cash proceeds of \$3.0 billion related to the sale of our BNS business. See additional information in Note 4 to the Consolidated Financial Statements.

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**Cash Flows from Financing Activities and Capitalization**

Total debt at fiscal year end 2015 and 2014 was \$3,903 million and \$3,858 million, respectively. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

During February 2015, TEGSA, our 100%-owned subsidiary, repaid, at maturity, \$250 million of 1.60% senior notes due 2015.

In February 2015, TEGSA issued €550 million aggregate principal amount of 1.100% senior notes due March 1, 2023. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with total commitments of \$1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 25, 2015 and September 26, 2014.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of September 25, 2015, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

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

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

Payments of common share dividends and cash distributions to shareholders were \$502 million, \$443 million, and \$384 million in fiscal 2015, 2014, and 2013, respectively. See Note 19 to the Consolidated Financial Statements for additional information regarding dividends and cash distributions on our common shares.

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

During fiscal 2015, our board of directors authorized an increase of \$3.0 billion in the share repurchase program. We repurchased approximately 18 million of our common shares for \$1,163 million, approximately 11 million of our common shares for \$604 million, and approximately 20 million of our common shares for \$829 million during fiscal 2015, 2014, and 2013, respectively. At September 25, 2015, we had \$2.7 billion of availability remaining under our share repurchase authorization.

Table of Contents**Commitments and Contingencies**

The following table provides a summary of our contractual obligations and commitments for debt, minimum lease payment obligations under non-cancelable leases, and other obligations at fiscal year end 2015:

|   | Total           | Payments Due by Fiscal Year |               |               |               |               |                 |
|---|-----------------|-----------------------------|---------------|---------------|---------------|---------------|-----------------|
|   |                 | 2016                        | 2017          | 2018          | 2019          | 2020          | Thereafter      |
| (in millions)   |                 |                             |               |               |               |               |                 |
| Long-term debt, including current maturities                  | \$ 3,903        | \$ 500                      | \$            | \$ 718        | \$ 574        | \$            | \$ 2,111        |
| Interest on long-term debt <sup>(1)</sup>                     | 1,245           | 140                         | 140           | 116           | 89            | 79            | 681             |
| Operating leases  | 344             | 98                          | 76            | 59            | 44            | 30            | 37              |
| Purchase obligations <sup>(2)</sup>                           | 341             | 300                         | 24            | 3             | 2             | 2             | 10              |
| <b>Total contractual cash obligations<sup>(3)(4)(5)</sup></b> | <b>\$ 5,833</b> | <b>\$ 1,038</b>             | <b>\$ 240</b> | <b>\$ 896</b> | <b>\$ 709</b> | <b>\$ 111</b> | <b>\$ 2,839</b> |

- (1) Interest payments exclude the impact of our interest rate swaps.
- (2) Purchase obligations consist primarily of commitments for purchases of goods and services.
- (3) The table above does not reflect unrecognized income tax benefits of \$1,368 million and related accrued interest and penalties of \$1,076 million, the timing of which is uncertain. See Note 16 to the Consolidated Financial Statements for additional information regarding unrecognized income tax benefits, interest, and penalties.
- (4) The table above does not reflect pension and postretirement benefit obligations to certain employees and former employees. We are obligated to make contributions to our pension plans and postretirement benefit plans; however, we are unable to determine the amount of plan contributions due to the inherent uncertainties of obligations of this type, including timing, interest rate charges, investment performance, and amounts of benefit payments. We expect to contribute \$75 million to pension and postretirement benefit plans in fiscal 2016, before consideration of voluntary contributions. These plans and our estimates of future contributions and benefit payments are more fully described in Note 15 to the Consolidated Financial Statements.
- (5) Other long-term liabilities of \$433 million are excluded from the table above as we are unable to estimate the timing of payment for these items.

**Legal Proceedings**

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in "Income Tax Matters" could have a material effect on our results of operations, financial position, or cash flows. See "Part I. Item 3. Legal Proceedings" for further information regarding legal proceedings.

As previously reported, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represented the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we did not believe we had any obligation to the sellers. However, the sellers contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. Trial began in March 2015 and culminated in the entry of final judgment on October 8, 2015, in favor of the sellers and against us for \$127 million plus costs. The judgment represents the \$80 million contingent purchase price plus





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pre-judgment interest, which will continue to accrue until the judgment is paid in full. We are proceeding with an appeal. In connection with this case, we recorded a reserve and pre-tax charges of \$127 million in fiscal 2015. These charges are reflected in income from discontinued operations on the Consolidated Statement of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

**Income Tax Matters**

In connection with the separation from Tyco International in 2007, we entered into a Tax Sharing Agreement that generally governs our, Tyco International's, and Covidien's respective rights, responsibilities, and obligations with respect to taxes for periods prior to and including June 29, 2007. See Note 12 to the Consolidated Financial Statements for additional information regarding the Tax Sharing Agreement. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. See "Income Tax Matters" in Note 13 to the Consolidated Financial Statements for further information regarding income tax matters, including the disputed issue related to the tax treatment of certain intercompany debt transactions.

**Off-Balance Sheet Arrangements**

In certain instances, we have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2016 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance, and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

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

At September 25, 2015, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of \$360 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.

**Critical Accounting Policies and Estimates**

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

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**Revenue Recognition**

Our revenue recognition policies are in accordance with ASC 605, *Revenue Recognition*. Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured. A reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of sales. Other allowances include customer quantity and price discrepancies. A reserve for other allowances is generally established at the time of sale based on historical experience and also is recorded as a reduction of sales.

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

**Goodwill and Other Intangible Assets**

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

We test for goodwill impairment at the reporting unit level. A reporting unit is generally an operating segment or one level below an operating segment that constitutes a business for which discrete financial information is available and regularly reviewed by segment management. At fiscal year end 2015, we had seven reporting units, six of which contained goodwill. There are two reporting units in each of the Transportation Solutions and Industrial Solutions segments, and three reporting units in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values. We review our reporting unit structure each year as part of our annual goodwill impairment test, or more frequently based on changes in our structure.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, goodwill may be impaired and a step II goodwill impairment test is performed to measure the amount of impairment, if any. In the step II goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied

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fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The implied fair value of goodwill is determined in a manner consistent with how goodwill is recognized in a business combination. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

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

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2015 and determined that no impairment existed.

**Income Taxes**

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

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

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

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

In addition, the calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, *Income Taxes*, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. In addition, management reviews with tax counsel various issues raised by certain taxing authorities and the adequacy of recorded amounts. These tax liabilities and related interest are reflected net of the

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impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. These tax liabilities and related interest are recorded in income taxes and accrued and other current liabilities on the Consolidated Balance Sheets.

**Pension and Postretirement Benefits**

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

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

Two critical assumptions in determining pension expense and obligations are the discount rate and expected long-term return on plan assets. We evaluate these assumptions at least annually. Other assumptions reflect demographic factors such as retirement, mortality, and employee turnover. These assumptions are evaluated periodically and updated to reflect our actual experience. Actual results may differ from actuarial assumptions. The discount rate represents the market rate for high-quality fixed income investments and is used to calculate the present value of the expected future cash flows for benefit obligations to be paid under our pension plans. A decrease in the discount rate increases the present value of pension benefit obligations. At fiscal year end 2015, a 25 basis point decrease in the discount rate would have increased the present value of our pension obligations by \$136 million; a 25 basis point increase would have decreased the present value of our pension obligations by \$122 million. We consider the current and expected asset allocations of our pension plans, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term rate of return on plan assets. A 50 basis point decrease or increase in the expected long-term return on plan assets would have increased or decreased, respectively, our fiscal 2015 pension expense by \$11 million.

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 (the "Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 105%. Based on the Pension Act Funded Status as of September 25, 2015, our target asset allocation is 45% equity and 55% fixed income.

**Accounting Pronouncements**

**Recently Issued Accounting Pronouncements**

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

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**Non-GAAP Financial Measures**

Organic net sales growth and free cash flow are non-GAAP measures and should not be considered replacements for results in accordance with GAAP. These non-GAAP measures may not be comparable to similarly-titled measures reported by other companies. The primary limitation of these measures is that they exclude the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using these non-GAAP measures in combination with the most directly comparable GAAP measures in order to better understand the amounts, character, and impact of any increase or decrease in reported amounts. The following provides additional information regarding these non-GAAP measures.

**Organic Net Sales Growth**

Organic net sales growth is a useful measure of our underlying results and trends in the business. It is also a significant component in our incentive compensation plans. The difference between reported net sales growth (the most comparable GAAP measure) and organic net sales growth consists of the impact from foreign currency exchange rates, and acquisitions and divestitures, if any. Organic net sales growth is a useful measure of our performance because it excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity. Management uses organic net sales growth to monitor and evaluate performance. Also, management uses organic net sales growth together with GAAP measures such as net sales growth and operating income in its decision making processes related to the operations of our reportable segments and our overall company. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The tables presented in "Results of Operations" and "Segment Results" above provide reconciliations of organic net sales growth to net sales growth calculated under GAAP.

**Free Cash Flow**

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

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

Free cash flow subtracts certain cash items that are ultimately within management's and the board of directors' discretion to direct and may imply that there is less or more cash available for our programs than the most comparable GAAP measure indicates. It should not be inferred that the entire free cash flow amount is available for future discretionary expenditures, as our definition of free cash flow does not consider certain non-discretionary expenditures, such as debt payments. In addition, we may have other discretionary expenditures, such as discretionary dividends, share repurchases, and business acquisitions, that are not considered in the calculation of free cash flow.

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

**Forward-Looking Information**

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

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

The following and other risks, which are described in greater detail in "Part I. Item 1A. Risk Factors," as well as other risks described in this Annual Report, could cause our results to differ materially from those expressed in forward-looking statements:

conditions in the global or regional economies and global capital markets, and cyclical industry conditions;

conditions affecting demand for products in the industries we serve, particularly the automotive industry;

competition and pricing pressure;

market acceptance of new product introductions and product innovations and product life cycles;

raw material availability, quality, and cost;

fluctuations in foreign currency exchange rates;

financial condition and consolidation of customers and vendors;

reliance on third-party suppliers;

risks associated with current and future acquisitions and divestitures;

global risks of business interruptions such as natural disasters and political, economic, and military instability;

risks associated with security breaches and other disruptions to our information technology infrastructure;

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risks related to compliance with current and future environmental and other laws and regulations;

our ability to protect our intellectual property rights;

risks of litigation;

our ability to operate within the limitations imposed by our debt instruments;



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risks relating to our separation on June 29, 2007 from Tyco International;

the possible effects on us of various U.S. and non-U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate and negatively impact our U.S. government contracts business;

various risks associated with being a Swiss corporation;

the impact of fluctuations in the market price of our shares; and

the impact of certain provisions of our articles of association on unsolicited takeover proposals.

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

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

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

**Foreign Currency Exposures**

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts, foreign currency forward contracts, and foreign currency swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts, foreign currency forward contracts, or foreign currency swap contracts from the September 25, 2015 market rates would have changed the unrealized value of our contracts by \$109 million. A 10% appreciation or depreciation of the underlying currency in our foreign currency forward or swap contracts from the September 26, 2014 market rates would have changed the unrealized value of our contracts by \$16 million. Such gains or losses on these contracts would generally be offset by the gains or losses on the revaluation or settlement of the underlying transactions.

**Interest Rate and Investment Exposures**

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

Based on our floating rate debt balances of approximately \$800 million at September 25, 2015 and \$950 million at September 26, 2014, an increase in the levels of the U.S. dollar interest rates by 0.5%, with all other variables held constant, would have resulted in an increase of annual interest expense of approximately \$4 million and \$5 million in fiscal 2015 and 2014, respectively.

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**Commodity Exposures**

Our worldwide operations and product lines may expose us to risks from fluctuations in commodity prices. To limit the effects of fluctuations in the future market price paid and related volatility in cash flows, we utilize commodity swap contracts designated as cash flow hedges. We continually evaluate the commodity market with respect to our forecasted usage requirements over the next eighteen months and periodically enter into commodity swap contracts in order to hedge a portion of usage requirements over that period. At September 25, 2015, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$33 million and had a notional value of \$260 million. At September 26, 2014, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$21 million and had a notional value of \$307 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 25, 2015 prices would have changed the unrealized value of our forward contracts by \$23 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 26, 2014 prices would have changed the unrealized value of our forward contracts by \$29 million.

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

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following Consolidated Financial Statements and schedule specified by this Item, together with the reports thereon of Deloitte & Touche LLP, are presented following Item 15 and the signature pages of this report:

Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Balance Sheets as of September 25, 2015 and September 26, 2014

Consolidated Statements of Equity for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Statements of Cash Flows for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Notes to Consolidated Financial Statements

Financial Statement Schedule:

Schedule II Valuation and Qualifying Accounts

All other financial statements and schedules have been omitted since the information required to be submitted has been included on the Consolidated Financial Statements and related notes or because they are either not applicable or not required under the rules of Regulation S-X.

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**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 25, 2015. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 25, 2015.

**Measurement Specialties Acquisition**

We acquired Measurement Specialties on October 9, 2014. For additional information regarding the acquisition, see Note 5 to the Consolidated Financial Statements included in this Annual Report.

SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of acquisition. We are in the process of integrating the Measurement Specialties operations within our internal control structure. Accordingly, we have excluded Measurement Specialties from our annual assessment of internal control over financial reporting as of September 25, 2015.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded our internal control over financial reporting was effective as of September 25, 2015.

As discussed above, management has excluded Measurement Specialties from the assessment of internal control over financial reporting. Measurement Specialties represented 9% of total assets and 4% of total net sales on the Consolidated Financial Statements as of and for the fiscal year ended September 25, 2015.

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

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of September 25, 2015, which is included in this Annual Report.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended September 25, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information concerning directors, executive officers, and corporate governance may be found under the captions "Agenda Item No. 1 Election of Directors," "Nominees for Election," "Corporate Governance," "The Board of Directors and Board Committees," and "Executive Officers" in our definitive proxy statement for our 2016 Annual General Meeting of Shareholders (the "2016 Proxy Statement"), which will be filed with the SEC within 120 days after the close of our fiscal year. Such information is incorporated herein by reference. The information in the 2016 Proxy Statement set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

**Code of Ethics**

We have adopted a guide to ethical conduct, which applies to all of our employees, officers, and directors. Our Guide to Ethical Conduct meets the requirements of a "code of ethics" as defined by Item 406 of Regulation S-K and applies to our chief executive officer, chief financial officer, and chief accounting officer, as well as all other employees and directors, as indicated above. Our Guide to Ethical Conduct also meets the requirements of a code of business conduct and ethics under the listing standards of the NYSE. Our Guide to Ethical Conduct is posted on our website at [www.te.com](http://www.te.com) under the heading "Corporate Responsibility Governance Compliance Guide to Ethical Conduct." We also will provide a copy of our Guide to Ethical Conduct to shareholders upon request. We intend to disclose any amendments to our Guide to Ethical Conduct, as well as any waivers for executive officers or directors, on our website.

**ITEM 11. EXECUTIVE COMPENSATION**

Information concerning executive compensation may be found under the captions "Compensation Discussion and Analysis," "Management Development and Compensation Committee Report," "Executive Officer Compensation," "Compensation of Non-Employee Directors," and "Compensation Committee Interlocks and Insider Participation" in our 2016 Proxy Statement. Such information is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information in our 2016 Proxy Statement set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

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**Equity Compensation Plan Information**

The following table provides information as of September 25, 2015 with respect to common shares issuable under our equity compensation plans or equity compensation plans of Tyco International prior to the separation:

| Plan Category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) <sup>(4)</sup> | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) <sup>(5)</sup> |
|---|--|---|---|
| Equity compensation plans approved by security holders:   |  |   |   |
| 2007 Stock and Incentive Plan <sup>(1)</sup>  | 12,416,037   | \$ 39.66  | 16,659,610  |
| Equity compensation plans not approved by security holders:   |  |   |   |
| Equity awards under Tyco International Ltd. 2004 Stock and Incentive Plan and other equity incentive plans <sup>(2)</sup> | 287,336  | 34.83   |   |
| Equity awards under ADC Plans <sup>(3)</sup>  | 1,168,880  | 50.16   | 2,750,471   |
| <b>Total</b>  | <b>13,872,253</b>  |   | <b>19,410,081</b>   |

- 
- (1) The TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated (the "2007 Plan"), provides for the award of annual performance bonuses and long-term performance awards, including share options, restricted and performance units, deferred stock units, and other share-based awards (collectively, "Awards") to board members, officers, and non-officer employees. The 2007 Plan provides for a maximum of 59,843,452 common shares to be issued as Awards, subject to adjustment as provided under the terms of the 2007 Plan.
- (2) Includes common shares that may be issued by TE Connectivity pursuant to the Separation and Distribution Agreement under share option awards to current and former employees and directors of Tyco International, which may include individuals currently or formerly employed by or serving with TE Connectivity, Tyco International, or Covidien subsequent to the separation.
- (3) In connection with the acquisition of ADC in fiscal 2011, we assumed equity awards issued under plans sponsored by ADC and the remaining pool of shares available for grant under the ADC 2010 Global Stock Incentive Plan (collectively, the "ADC Plans"). Subsequent to the acquisition, we registered 6,764,455 shares related to the ADC Plans via Forms S-3 and S-8. Shares available represent the number of shares available for issuance under future awards from the ADC Plans, which are now available for issuance of TE Connectivity common shares. The ADC 2010 Global Stock Incentive Plan was renamed the TE Connectivity Ltd. 2010 Stock and Incentive Plan.
- (4) Does not take into account restricted, performance, or deferred stock unit awards that do not have exercise prices.
- (5) The 2007 Plan applies a weighting factor of 1.80 to outstanding nonvested restricted units, deferred stock units, and performance units. The ADC Plans apply a weighting factor of 1.21 to outstanding nonvested restricted units, deferred stock units, and performance units. The remaining shares issuable under both the 2007 Plan and the ADC Plans are increased by forfeitures and cancellations, among other factors.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information in our 2016 Proxy Statement set forth under the captions "Corporate Governance," "The Board of Directors and Board Committees," and "Certain Relationships and Related Transactions" is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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The information in our 2016 Proxy Statement set forth under the caption "Agenda Item No. 7 Election of Auditors Agenda Item No. 7.1" is incorporated herein by reference.

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

- (a)
1. Financial Statements. See Item 8.
  2. Financial Statement Schedule. See Item 8.
  3. Exhibit Index:

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 2.1                       | Separation and Distribution Agreement among Tyco International Ltd., Covidien Ltd. and Tyco Electronics Ltd., dated as of June 29, 2007 (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed July 5, 2007)  |
| 2.2                       | Agreement and Plan of Merger dated as of June 18, 2014 among TE Connectivity Ltd., Wolverine-Mars Acquisition, Inc. and Measurement Specialties, Inc. (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed June 18, 2014)   |
| 2.3                       | Stock and Asset Purchase Agreement, dated as of January 27, 2015, by and among TE Connectivity Ltd., CommScope Holding Company, Inc. and CommScope, Inc. (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed January 29, 2015)   |
| 3.1                       | Articles of Association of TE Connectivity Ltd., as amended and restated (Incorporated by reference to Exhibit 3.1 to TE Connectivity's Current Report on Form 8-K, filed May 12, 2015)   |
| 3.2                       | Organizational Regulations of TE Connectivity Ltd., as amended and restated (Incorporated by reference to Exhibit 3.2 to TE Connectivity's Current Report on Form 8-K, filed March 6, 2015)   |
| 4.1(a)                    | Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(a) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)                     |
| 4.1(b)                    | Second Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(c) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007) |
| 4.1(c)                    | Third Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(d) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)  |
| 4.1(d)                    | Fifth Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of December 20, 2010 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2010)   |
| 4.1(e)                    | Sixth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 3, 2012 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed February 3, 2012)  |

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| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 4.1(f)                | Seventh Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 3, 2012 (Incorporated by reference to Exhibit 4.2 to TE Connectivity's Current Report on Form 8-K, filed February 3, 2012)  |
| 4.1(g)                | Eighth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of November 25, 2013 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed November 25, 2013)   |
| 4.1(h)                | Ninth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of July 31, 2014 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)  |
| 4.1(i)                | Tenth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated July 31, 2014 (Incorporated by reference to Exhibit 4.2 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)  |
| 4.1(j)                | Eleventh Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated July 31, 2014 (Incorporated by reference to Exhibit 4.3 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)   |
| 4.1(k)                | Twelfth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 27, 2015 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed February 27, 2015)  |
| 10.1                  | Tax Sharing Agreement among Tyco International Ltd., Covidien Ltd. and Tyco Electronics Ltd., dated as of June 29, 2007 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed July 5, 2007)   |
| 10.2                  | Five-Year Senior Credit Agreement among Tyco Electronics Group S.A., as borrower, TE Connectivity Ltd., as guarantor, the lenders parties thereto and Deutsche Bank AG New York Branch, as administrative agent, dated as of June 24, 2011 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed June 27, 2011)                         |
| 10.3                  | First Amendment to the Five-Year Senior Credit Agreement dated as of August 2, 2013 among Tyco Electronics Group S.A., as borrower, TE Connectivity Ltd., as guarantor, the lenders parties thereto and Deutsche Bank AG New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed August 2, 2013) |
| 10.4                  | TE Connectivity Ltd. 2007 Stock and Incentive Plan (as amended and restated) (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 26, 2014, filed November 12, 2014)  |
| 10.5                  | TE Connectivity Ltd. Employee Stock Purchase Plan (as amended and restated) (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2012, filed November 13, 2012)   |
| 10.6                  | Form of Founders' Grant Option Award Terms and Conditions (Incorporated by reference to Exhibit 10.7 to TE Connectivity's Current Report on Form 8-K, filed July 5, 2007)   |



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| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 10.7                  | Form of Option Award Terms and Conditions (Incorporated by reference to Exhibit 10.3 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010, filed January 24, 2011)                               |
| 10.8                  | Form of Restricted Unit Award Terms and Conditions (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010, filed January 24, 2011)                      |
| 10.9                  | Form of Performance Stock Unit Award Terms and Conditions (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2012, filed January 25, 2013)               |
| 10.10                 | TE Connectivity Change in Control Severance Plan for Certain U.S. Executives (as amended and restated)*   |
| 10.11                 | TE Connectivity Severance Plan for U.S. Executives (as amended and restated)*   |
| 10.12                 | Tyco Electronics Ltd. Deferred Compensation Plan for Directors (Incorporated by reference to Exhibit 10.16 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)               |
| 10.13                 | Tyco Electronics Corporation Supplemental Savings and Retirement Plan (Incorporated by reference to Exhibit 10.13 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 25, 2009, filed November 18, 2009)        |
| 10.14                 | Tyco Electronics Ltd. UK Savings Related Share Plan (Incorporated by reference to Exhibit 10.23 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)                          |
| 10.15                 | Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed October 16, 2009)   |
| 10.16                 | TE Connectivity Ltd. 2010 Stock and Incentive Plan (as amended and restated) (Incorporated by reference to Exhibit 10.16 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 26, 2014, filed November 12, 2014) |
| 10.17                 | Employment Agreement between Thomas J. Lynch and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)                          |
| 10.18                 | Employment Agreement between Robert W. Hau and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.2 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)                            |
| 10.19                 | Employment Agreement between Terrence R. Curtin and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.3 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)                       |
| 10.20                 | Employment Agreement between Joseph B. Donahue and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)                        |
| 10.21                 | Employment Agreement between Robert N. Shaddock and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.5 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)                       |
| 21.1                  | Subsidiaries of TE Connectivity Ltd.*   |

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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 23.1                      | Consent of Independent Registered Public Accounting Firm*   |
| 24.1                      | Power of Attorney*  |
| 31.1                      | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*   |
| 31.2                      | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*   |
| 32.1                      | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  |
| 101                       | Financial statements from the Annual Report on Form 10-K of TE Connectivity Ltd. for the fiscal year ended September 25, 2015, filed on November 10, 2015, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements* |

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\*  
Filed herewith

\*\*  
Furnished herewith

Management contract or compensatory plan or arrangement.

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### **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TE CONNECTIVITY LTD.

By: \_\_\_\_\_ /s/ ROBERT W. HAU

Robert W. Hau  
*Executive Vice President  
and Chief Financial Officer  
(Principal Financial Officer)*

Date: November 10, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature                                       | Title  | Date              |
|---|--|-------------------|
| _____<br>/s/ THOMAS J. LYNCH<br>Thomas J. Lynch | Chief Executive Officer and Director<br>(Principal Executive Officer)                    | November 10, 2015 |
| _____<br>/s/ ROBERT W. HAU<br>Robert W. Hau     | Executive Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) | November 10, 2015 |
| _____<br>/s/ ROBERT J. OTT<br>Robert J. Ott     | Senior Vice President and<br>Corporate Controller<br>(Principal Accounting Officer)      | November 10, 2015 |
| _____<br>*<br>Pierre R. Brondeau                | Director   | November 10, 2015 |
| _____<br>*<br>Juergen W. Gromer                 | Director   | November 10, 2015 |
| _____<br>*<br>William A. Jeffrey                | Director   | November 10, 2015 |

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| Signature                        | Title    | Date              |
|----------------------------------|----------|-------------------|
| *<br>_____<br>Yong Nam           | Director | November 10, 2015 |
| *<br>_____<br>Daniel J. Phelan   | Director | November 10, 2015 |
| *<br>_____<br>Paula A. Sneed     | Director | November 10, 2015 |
| *<br>_____<br>David P. Steiner   | Director | November 10, 2015 |
| *<br>_____<br>John C. Van Scoter | Director | November 10, 2015 |
| *<br>_____<br>Laura H. Wright    | Director | November 10, 2015 |

\*  
John S. Jenkins, Jr., by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to powers of attorney duly executed by such individuals, which have been filed as Exhibit 24.1 to this Report.

By: /s/ JOHN S. JENKINS, JR.  
\_\_\_\_\_  
John S. Jenkins, Jr.  
*Attorney-in-fact*

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**TE CONNECTIVITY LTD.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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| <u>Consolidated Statements of Operations for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013</u>           | <u>70</u>   |
| <u>Consolidated Statements of Comprehensive Income for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013</u> | <u>71</u>   |
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of TE Connectivity Ltd. and subsidiaries (the "Company") as of September 25, 2015 and September 26, 2014, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three fiscal years in the period ended September 25, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 25, 2015 and September 26, 2014, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 25, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 25, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 10, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
November 10, 2015

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the internal control over financial reporting of TE Connectivity Ltd. and subsidiaries (the "Company") as of September 25, 2015, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting of Measurement Specialties, Inc. ("Measurement Specialties"), which was acquired on October 9, 2014 and whose financial statements constitute 9% of total assets and 4% of total net sales of the consolidated financial statement amounts as of and for the year ended September 25, 2015. Accordingly, our audit did not include the internal control over financial reporting at Measurement Specialties. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 25, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of the Company as of and for the fiscal year ended September 25, 2015, and our report dated November 10, 2015 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
November 10, 2015



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## TE CONNECTIVITY LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

|   | 2015                                    | Fiscal<br>2014  | 2013            |
|---|---|-----------------|-----------------|
|   | (in millions, except<br>per share data) |                 |                 |
| Net sales   | \$ 12,233                               | \$ 11,973       | \$ 11,390       |
| Cost of sales   | 8,146                                   | 8,001           | 7,739           |
| <b>Gross margin</b>   | <b>4,087</b>                            | <b>3,972</b>    | <b>3,651</b>    |
| Selling, general, and administrative expenses                           | 1,504                                   | 1,534           | 1,440           |
| Research, development, and engineering expenses                         | 627                                     | 583             | 590             |
| Acquisition and integration costs                                       | 55                                      | 31              | 14              |
| Restructuring and other charges, net                                    | 152                                     | 19              | 222             |
| <b>Operating income</b>   | <b>1,749</b>                            | <b>1,805</b>    | <b>1,385</b>    |
| Interest income   | 17                                      | 19              | 17              |
| Interest expense  | (136)                                   | (127)           | (139)           |
| Other income (expense), net   | (55)                                    | 63              | (183)           |
| <b>Income from continuing operations before income taxes</b>            | <b>1,575</b>                            | <b>1,760</b>    | <b>1,080</b>    |
| Income tax (expense) benefit  | (337)                                   | (146)           | 75              |
| <b>Income from continuing operations</b>                                | <b>1,238</b>                            | <b>1,614</b>    | <b>1,155</b>    |
| Income from discontinued operations, net of income taxes                | 1,182                                   | 167             | 122             |
| <b>Net income</b>   | <b>2,420</b>                            | <b>1,781</b>    | <b>1,277</b>    |
| Less: net income attributable to noncontrolling interests               |   |                 | (1)             |
| <b>Net income attributable to TE Connectivity Ltd.</b>                  | <b>\$ 2,420</b>                         | <b>\$ 1,781</b> | <b>\$ 1,276</b> |
| <b>Amounts attributable to TE Connectivity Ltd.:</b>                    |   |                 |                 |
| Income from continuing operations                                       | \$ 1,238                                | \$ 1,614        | \$ 1,154        |
| Income from discontinued operations                                     | 1,182                                   | 167             | 122             |
| Net income  | \$ 2,420                                | \$ 1,781        | \$ 1,276        |
| <b>Basic earnings per share attributable to TE Connectivity Ltd.:</b>   |   |                 |                 |
| Income from continuing operations                                       | \$ 3.06                                 | \$ 3.94         | \$ 2.76         |
| Income from discontinued operations                                     | 2.92                                    | 0.41            | 0.29            |
| Net income  | 5.98                                    | 4.34            | 3.05            |
| <b>Diluted earnings per share attributable to TE Connectivity Ltd.:</b> |   |                 |                 |
| Income from continuing operations                                       | \$ 3.01                                 | \$ 3.87         | \$ 2.73         |
| Income from discontinued operations                                     | 2.88                                    | 0.40            | 0.29            |
| Net income  | 5.89                                    | 4.27            | 3.02            |

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|   |    |      |    |      |    |      |
|---|----|------|----|------|----|------|
| <b>Dividends and cash distributions paid per common share</b> | \$ | 1.24 | \$ | 1.08 | \$ | 0.92 |
|---|----|------|----|------|----|------|

**Weighted-average number of shares outstanding:**

|         |     |     |     |
|---------|-----|-----|-----|
| Basic   | 405 | 410 | 418 |
| Diluted | 411 | 417 | 423 |

See Notes to Consolidated Financial Statements.

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## TE CONNECTIVITY LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

|   | 2015          | Fiscal<br>2014 | 2013     |
|---|---------------|----------------|----------|
|   | (in millions) |                |          |
| <b>Net income</b>   | \$ 2,420      | \$ 1,781       | \$ 1,277 |
| <b>Other comprehensive income (loss):</b>   |               |                |          |
| Currency translation  | (312)         | (211)          | (28)     |
| Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes | (46)          | (123)          | 131      |
| Gains (losses) on cash flow hedges, net of income taxes                                   | 2             | 14             | (29)     |
| <b>Other comprehensive income (loss)</b>  | (356)         | (320)          | 74       |
| <b>Comprehensive income</b>   | 2,064         | 1,461          | 1,351    |
| Less: comprehensive income attributable to noncontrolling interests                       |               |                | (1)      |
| <b>Comprehensive income attributable to TE Connectivity Ltd.</b>                          | \$ 2,064      | \$ 1,461       | \$ 1,350 |

See Notes to Consolidated Financial Statements.

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**TE CONNECTIVITY LTD.**  
**CONSOLIDATED BALANCE SHEETS**

As of September 25, 2015 and September 26, 2014

|   | <b>Fiscal Year End</b>                  |                  |
|---|---|------------------|
|   | <b>2015</b>                             | <b>2014</b>      |
|   | <b>(in millions, except share data)</b> |                  |
| <b>Assets</b>   |   |                  |
| Current assets:   |   |                  |
| Cash and cash equivalents   | \$ 3,329                                | \$ 2,457         |
| Accounts receivable, net of allowance for doubtful accounts of \$18 and \$14, respectively  | 2,120                                   | 2,057            |
| Inventories   | 1,615                                   | 1,509            |
| Prepaid expenses and other current assets   | 478                                     | 519              |
| Deferred income taxes   | 345                                     | 324              |
| Assets held for sale  |   | 2,013            |
| <b>Total current assets</b>   | <b>7,887</b>                            | <b>8,879</b>     |
| Property, plant, and equipment, net   | 2,920                                   | 2,920            |
| Goodwill  | 4,824                                   | 3,726            |
| Intangible assets, net  | 1,555                                   | 1,087            |
| Deferred income taxes   | 2,144                                   | 2,047            |
| Receivable from Tyco International plc and Covidien plc   | 964                                     | 1,037            |
| Other assets  | 314                                     | 456              |
| <b>Total Assets</b>   | <b>\$ 20,608</b>                        | <b>\$ 20,152</b> |
| <b>Liabilities and Equity</b>   |   |                  |
| Current liabilities:  |   |                  |
| Current maturities of long-term debt  | \$ 500                                  | \$ 577           |
| Accounts payable  | 1,143                                   | 1,230            |
| Accrued and other current liabilities   | 1,749                                   | 1,594            |
| Deferred revenue  | 185                                     | 176              |
| Liabilities held for sale   |   | 416              |
| <b>Total current liabilities</b>  | <b>3,577</b>                            | <b>3,993</b>     |
| Long-term debt  | 3,403                                   | 3,281            |
| Long-term pension and postretirement liabilities  | 1,327                                   | 1,280            |
| Deferred income taxes   | 329                                     | 229              |
| Income taxes  | 1,954                                   | 2,044            |
| Other liabilities   | 433                                     | 312              |
| <b>Total Liabilities</b>  | <b>11,023</b>                           | <b>11,139</b>    |
| Commitments and contingencies (Note 13)   |   |                  |
| Equity:   |   |                  |
| TE Connectivity Ltd. shareholders' equity:  |   |                  |
| Common shares, 414,064,381 shares authorized and issued, CHF 0.57 par value, and 419,070,781 shares authorized and issued, CHF 0.57 par value, respectively | 182                                     | 184              |
| Contributed surplus   | 4,359                                   | 5,231            |
| Accumulated earnings  | 6,673                                   | 4,253            |

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|  |           |           |
|--|-----------|-----------|
| Treasury shares, at cost, 20,071,089 and 11,383,631 shares, respectively | (1,256)   | (644)     |
| Accumulated other comprehensive loss                                     | (373)     | (17)      |
| Total TE Connectivity Ltd. shareholders' equity                          | 9,585     | 9,007     |
| Noncontrolling interests   |           | 6         |
| <b>Total Equity</b>  | 9,585     | 9,013     |
| <b>Total Liabilities and Equity</b>                                      | \$ 20,608 | \$ 20,152 |

See Notes to Consolidated Financial Statements.

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## TE CONNECTIVITY LTD.

## CONSOLIDATED STATEMENTS OF EQUITY

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

|  | Common<br>Shares |        | Treasury<br>Shares |            | Contributed<br>Surplus | Accumulated<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | TE<br>Connectivity<br>Shareholders'<br>Equity | Non-<br>controlling<br>Interests | Total<br>Equity |
|--|------------------|--------|--------------------|------------|------------------------|-------------------------|---|---|----------------------------------|-----------------|
|  | Shares           | Amount | Shares             | Amount     |                        |                         |   |   |                                  |                 |
| (in millions)                                      |                  |        |                    |            |                        |                         |   |   |                                  |                 |
| <b>Balance at September 28, 2012</b>               | 439              | \$ 193 | (16)               | \$ (484)   | \$ 6,837               | \$ 1,196                | \$ 229  | \$ 7,971                                      | \$ 6                             | \$ 7,977        |
| Net income   |                  |        |                    |            |                        | 1,276                   |   | 1,276   | 1                                | 1,277           |
| Other comprehensive income                         |                  |        |                    |            |                        |                         | 74  | 74  |                                  | 74              |
| Share-based compensation expense                   |                  |        |                    |            | 78                     |                         |   | 78  |                                  | 78              |
| Dividends approved                                 |                  |        |                    | 1          | (413)                  |                         |   | (412)   |                                  | (412)           |
| Exercise of share options                          |                  |        | 6                  | 214        |                        |                         |   | 214   |                                  | 214             |
| Restricted share award vestings and other activity |                  |        | 3                  | 11         | (3)                    |                         |   | 8   |                                  | 8               |
| Repurchase of common shares                        |                  |        | (20)               | (829)      |                        |                         |   | (829)   |                                  | (829)           |
| Cancellation of treasury shares                    | (10)             | (4)    | 10                 | 367        | (363)                  |                         |   |   |                                  |                 |
| Dividends to noncontrolling interests              |                  |        |                    |            |                        |                         |   |   | (1)                              | (1)             |
| <b>Balance at September 27, 2013</b>               | 429              | \$ 189 | (17)               | \$ (720)   | \$ 6,136               | \$ 2,472                | \$ 303  | \$ 8,380                                      | \$ 6                             | \$ 8,386        |
| Net income   |                  |        |                    |            |                        | 1,781                   |   | 1,781   |                                  | 1,781           |
| Other comprehensive loss                           |                  |        |                    |            |                        |                         | (320)   | (320)   |                                  | (320)           |
| Share-based compensation expense                   |                  |        |                    |            | 84                     |                         |   | 84  |                                  | 84              |
| Dividends approved                                 |                  |        |                    |            | (473)                  |                         |   | (473)   |                                  | (473)           |
| Exercise of share options                          |                  |        | 5                  | 156        |                        |                         |   | 156   |                                  | 156             |
| Restricted share award vestings and other activity |                  |        | 2                  | 125        | (122)                  |                         |   | 3   |                                  | 3               |
| Repurchase of common shares                        |                  |        | (11)               | (604)      |                        |                         |   | (604)   |                                  | (604)           |
| Cancellation of treasury shares                    | (10)             | (5)    | 10                 | 399        | (394)                  |                         |   |   |                                  |                 |
| <b>Balance at September 26, 2014</b>               | 419              | \$ 184 | (11)               | \$ (644)   | \$ 5,231               | \$ 4,253                | \$ (17)   | \$ 9,007                                      | \$ 6                             | \$ 9,013        |
| Net income   |                  |        |                    |            |                        | 2,420                   |   | 2,420   |                                  | 2,420           |
| Other comprehensive loss                           |                  |        |                    |            |                        |                         | (356)   | (356)   |                                  | (356)           |
| Share-based compensation expense                   |                  |        |                    |            | 95                     |                         |   | 95  |                                  | 95              |
| Dividends approved                                 |                  |        |                    |            | (526)                  |                         |   | (526)   |                                  | (526)           |
| Exercise of share options                          |                  |        | 3                  | 103        |                        |                         |   | 103   |                                  | 103             |
| Restricted share award vestings and other activity |                  |        | 1                  | 143        | (138)                  |                         |   | 5   | (6)                              | (1)             |
| Repurchase of common shares                        |                  |        | (18)               | (1,163)    |                        |                         |   | (1,163)                                       |                                  | (1,163)         |
| Cancellation of treasury shares                    | (5)              | (2)    | 5                  | 305        | (303)                  |                         |   |   |                                  |                 |
| <b>Balance at September 25, 2015</b>               | 414              | \$ 182 | (20)               | \$ (1,256) | \$ 4,359               | \$ 6,673                | \$ (373)  | \$ 9,585                                      | \$                               | \$ 9,585        |



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## TE CONNECTIVITY LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

|  | Fiscal        |          |          |
|--|---------------|----------|----------|
|  | 2015          | 2014     | 2013     |
|  | (in millions) |          |          |
| <b>Cash Flows From Operating Activities:</b>   |               |          |          |
| Net income   | \$ 2,420      | \$ 1,781 | \$ 1,277 |
| Income from discontinued operations, net of income taxes   | (1,182)       | (167)    | (122)    |
| Income from continuing operations  | 1,238         | 1,614    | 1,155    |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: |               |          |          |
| Depreciation and amortization  | 616           | 551      | 536      |
| Non-cash restructuring charges   | 21            | 16       | 60       |
| Deferred income taxes  | 40            | (281)    | 14       |
| Provision for losses on accounts receivable and inventories  | 36            | 34       | 39       |
| Tax sharing (income) expense   | 52            | (65)     | 181      |
| Share-based compensation expense   | 89            | 77       | 71       |
| Other  | 105           | 50       | 56       |
| Changes in assets and liabilities, net of the effects of acquisitions and divestitures:                  |               |          |          |
| Accounts receivable, net   | (210)         | (182)    | (65)     |
| Inventories  | (220)         | (98)     | (28)     |
| Prepaid expenses and other current assets  | 36            | (14)     | 13       |
| Accounts payable   | (22)          | 71       | 143      |
| Accrued and other current liabilities  | (155)         | (280)    | (13)     |
| Deferred revenue   | 12            | 113      | (50)     |
| Income taxes   | (52)          | 167      | (387)    |
| Other  | 33            | 31       | 50       |
| Net cash provided by continuing operating activities   | 1,619         | 1,804    | 1,775    |
| Net cash provided by discontinued operating activities   | 294           | 279      | 271      |
| Net cash provided by operating activities  | 1,913         | 2,083    | 2,046    |
| <b>Cash Flows From Investing Activities:</b>   |               |          |          |
| Capital expenditures   | (600)         | (635)    | (581)    |
| Proceeds from sale of property, plant, and equipment   | 17            | 129      | 22       |
| Acquisition of businesses, net of cash acquired  | (1,725)       | (522)    | (6)      |
| Proceeds from divestiture of discontinued operations, net of cash retained by sold operations            | 2,957         |          | 14       |
| Other  | 12            | (10)     | 23       |
| Net cash provided by (used in) continuing investing activities   | 661           | (1,038)  | (528)    |
| Net cash used in discontinued investing activities   | (25)          | (37)     | (17)     |
| Net cash provided by (used in) investing activities  | 636           | (1,075)  | (545)    |
| <b>Cash Flows From Financing Activities:</b>   |               |          |          |
| Net increase (decrease) in commercial paper  | (328)         | (23)     | 50       |
| Proceeds from issuance of long-term debt   | 617           | 1,322    |          |
| Repayment of long-term debt  | (473)         | (360)    | (714)    |
| Proceeds from exercise of share options  | 103           | 156      | 214      |
| Repurchase of common shares  | (1,023)       | (578)    | (844)    |
| Payment of common share dividends and cash distributions to shareholders                                 | (502)         | (443)    | (384)    |
| Transfers from discontinued operations   | 269           | 242      | 254      |
| Other  |               | (9)      |          |



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|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Net cash provided by (used in) continuing financing activities | (1,337)         | 307             | (1,424)         |
| Net cash used in discontinued financing activities             | (269)           | (242)           | (254)           |
| <b>Net cash provided by (used in) financing activities</b>     | <b>(1,606)</b>  | <b>65</b>       | <b>(1,678)</b>  |
| Effect of currency translation on cash                         | (71)            | (19)            | (9)             |
| <b>Net increase (decrease) in cash and cash equivalents</b>    | <b>872</b>      | <b>1,054</b>    | <b>(186)</b>    |
| <b>Cash and cash equivalents at beginning of fiscal year</b>   | <b>2,457</b>    | <b>1,403</b>    | <b>1,589</b>    |
| <b>Cash and cash equivalents at end of fiscal year</b>         | <b>\$ 3,329</b> | <b>\$ 2,457</b> | <b>\$ 1,403</b> |

### Supplemental Cash Flow Information:

|                                   |        |        |        |
|-----------------------------------|--------|--------|--------|
| Interest paid                     | \$ 128 | \$ 118 | \$ 151 |
| Income taxes paid, net of refunds | 350    | 259    | 299    |

See Notes to Consolidated Financial Statements.

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**TE CONNECTIVITY LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

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

*Description of the Business*

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

We consist of three reportable segments:

*Transportation Solutions.* The Transportation Solutions segment is a leader in connectivity and sensor technologies. Our products, which must withstand harsh conditions, are used in the automotive, commercial transportation, and sensors markets.

*Industrial Solutions.* The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. Our products are used in the industrial equipment; aerospace, defense, oil, and gas; and energy markets.

*Communications Solutions.* The Communications Solutions segment is a top supplier of electronic components for the data and devices and appliances markets. We are also a leader in developing, manufacturing, installing, and maintaining some of the world's most advanced subsea fiber optic communications systems.

*Use of Estimates*

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

*Fiscal Year*

We have a 52 or 53-week fiscal year that ends on the last Friday of September. Fiscal 2015, 2014, and 2013 were 52 weeks and ended on September 25, 2015, September 26, 2014, and September 27, 2013, respectively. For fiscal years in which there are 53 weeks, the fourth quarter reporting period will include 14 weeks with the next occurrence taking place in fiscal 2016.

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies**

*Principles of Consolidation*

We consolidate entities in which we own or control more than 50% of the voting shares or otherwise have the ability to control through similar rights. All intercompany transactions have been eliminated. The results of companies acquired or disposed of are included on the Consolidated Financial Statements from the effective date of acquisition or up to the date of disposal.

*Revenue Recognition*

Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured.

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

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

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

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

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

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

***Inventories***

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

***Property, Plant, and Equipment, Net***

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

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

***Goodwill and Other Intangible Assets***

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

At fiscal year end 2015, we had seven reporting units, six of which contained goodwill. There are two reporting units in each of the Transportation Solutions and Industrial Solutions segments, and three reporting units in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

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

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

***Research and Development***

Research and development expenditures are expensed when incurred and are included in research, development, and engineering expenses on the Consolidated Statements of Operations. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed in fiscal 2015, 2014, and 2013 were \$540 million, \$484 million, and \$494 million, respectively.

***Income Taxes***

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

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. In addition, management reviews with tax counsel various issues raised by certain taxing authorities and the adequacy of recorded amounts. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest.

***Financial Instruments***

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

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

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

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

Our derivative financial instruments present certain market and counterparty risks. Concentration of counterparty risk is mitigated, however, by our use of financial institutions worldwide, substantially all of which have long-term Standard & Poor's, Moody's, and/or Fitch credit ratings of A/A2 or higher. In addition, we utilize only conventional derivative financial instruments. We are exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at September 25, 2015, we have assessed the likelihood of counterparty default as remote. We currently provide guarantees from a wholly-owned subsidiary to the counterparties to our commodity swap derivatives and exchange cash collateral with the counterparties to our cross-currency swap contracts. The likelihood of performance on the guarantees has been assessed as remote. For all other derivative financial instruments, we are not required to provide, nor do we require counterparties to provide, collateral or other security.

***Fair Value Measurements***

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

*Level 1.* Quoted prices in active markets for identical assets and liabilities.

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

*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.

Financial assets and liabilities measured at fair value on a recurring basis are generally valued using level 2 inputs.

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

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

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

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

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

***Pension and Postretirement Benefits***

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

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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

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

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

***Share-Based Compensation***

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

***Earnings Per Share***

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

***Currency Translation***

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

Gains and losses resulting from foreign currency transactions, which are included in earnings, were immaterial in fiscal 2015, 2014, and 2013.

***Restructuring Charges***

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



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**TE CONNECTIVITY LTD.**

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

**2. Summary of Significant Accounting Policies (Continued)**

or abandonment of assets that require an acceleration of depreciation or impairment reflecting the excess of the assets' carrying values over fair value.

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

***Acquisitions***

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

***Contingent Liabilities***

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

***Recently Issued Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC 606, *Revenue from Contracts with Customers*. This guidance supersedes ASC 605, *Revenue Recognition*, and introduces a single, comprehensive, five-step revenue recognition model. ASC 606 also enhances disclosures related to revenue recognition. In August 2015, the FASB deferred the effective date of ASC 606 by one year. ASC 606 will be effective for us in the first quarter of fiscal 2019 and allows for either a full retrospective or a modified retrospective approach at adoption. We are continuing to assess the impact of adopting ASC 606, but do not expect adoption to have a material impact on our results of operations or financial position.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Restructuring and Other Charges, Net**

Net restructuring and other charges consisted of the following:

|                              | Fiscal        |       |        |
|------------------------------|---------------|-------|--------|
|                              | 2015          | 2014  | 2013   |
|                              | (in millions) |       |        |
| Restructuring charges, net   | \$ 93         | \$ 23 | \$ 225 |
| Other charges (credits), net | 59            | (4)   | (3)    |
|                              | \$ 152        | \$ 19 | \$ 222 |

***Restructuring Charges, Net***

Net restructuring charges by segment were as follows:

|                            | Fiscal        |       |        |
|----------------------------|---------------|-------|--------|
|                            | 2015          | 2014  | 2013   |
|                            | (in millions) |       |        |
| Transportation Solutions   | \$ 6          | \$ 7  | \$ 39  |
| Industrial Solutions       | 29            | 7     | 62     |
| Communications Solutions   | 58            | 9     | 124    |
| Restructuring charges, net | \$ 93         | \$ 23 | \$ 225 |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Restructuring and Other Charges, Net (Continued)

Activity in our restructuring reserves is summarized as follows:

|                                | Balance<br>at<br>Beginning<br>of Fiscal<br>Year | Charges | Changes<br>in<br>Estimate | Cash<br>Payments | Non-Cash<br>Items | Currency<br>Translation<br>and<br>Other <sup>(1)</sup> | Balance<br>at<br>End<br>of Fiscal<br>Year |       |
|--------------------------------|---|---------|---------------------------|------------------|-------------------|--|---|-------|
| (in millions)                  |   |         |                           |                  |                   |  |   |       |
| <b>Fiscal 2015 Activity:</b>   |   |         |                           |                  |                   |  |   |       |
| Fiscal 2015 Actions:           |   |         |                           |                  |                   |  |   |       |
| Employee severance             | \$  | \$ 68   | \$                        | \$ (23)          | \$                | \$   | \$ 45                                     |       |
| Facility and other exit costs  |   | 3       |                           | (2)              |                   |  | 1   |       |
| Property, plant, and equipment |   | 21      |                           |                  | (21)              |  |   |       |
| Total                          |   | 92      |                           | (25)             | (21)              |  | 46  |       |
| Fiscal 2014 Actions:           |   |         |                           |                  |                   |  |   |       |
| Employee severance             |   | 16      |                           | (7)              |                   | (5)  | 4   |       |
| Facility and other exit costs  |   | 1       |                           | (1)              |                   |  |   |       |
| Total                          |   | 17      |                           | (8)              |                   | (5)  | 4   |       |
| Fiscal 2013 Actions:           |   |         |                           |                  |                   |  |   |       |
| Employee severance             |   | 61      | (1)                       | (42)             |                   | (4)  | 14  |       |
| Facility and other exit costs  |   | 1       | 2                         | (3)              |                   |  |   |       |
| Total                          |   | 62      | 2                         | (45)             |                   | (4)  | 14  |       |
| Pre-Fiscal 2013 Actions:       |   |         |                           |                  |                   |  |   |       |
| Employee severance             |   | 14      | 2                         | (3)              | (5)               | (2)  | 6   |       |
| Facility and other exit costs  |   | 21      | 1                         | (9)              |                   | 1  | 14  |       |
| Total                          |   | 35      | 3                         | (14)             |                   | (1)  | 20  |       |
| Total fiscal 2015 activity     | \$  | 114     | \$ 97                     | \$ (4)           | \$ (92)           | \$ (21)  | \$ (10)                                   | \$ 84 |
| <b>Fiscal 2014 Activity:</b>   |   |         |                           |                  |                   |  |   |       |
| Fiscal 2014 Actions:           |   |         |                           |                  |                   |  |   |       |
| Employee severance             | \$  | \$ 10   | \$                        | \$ (13)          | \$                | \$ 19  | \$ 16                                     |       |
| Facility and other exit costs  |   |         |                           |                  |                   | 1  | 1   |       |

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|                                   |               |              |                |                 |                |              |               |
|-----------------------------------|---------------|--------------|----------------|-----------------|----------------|--------------|---------------|
| Property, plant, and equipment    |               | 9            |                | (9)             |                |              |               |
| <b>Total</b>                      |               | <b>19</b>    |                | <b>(13)</b>     |                | <b>(9)</b>   | <b>20 17</b>  |
| Fiscal 2013 Actions:              |               |              |                |                 |                |              |               |
| Employee severance                | 159           | 8            | (10)           | (105)           |                | 9            | 61            |
| Facility and other exit costs     | 1             | 4            |                | (5)             |                | 1            | 1             |
| Property, plant, and equipment    |               | 7            |                |                 |                | (7)          |               |
| <b>Total</b>                      | <b>160</b>    | <b>19</b>    | <b>(10)</b>    | <b>(110)</b>    |                | <b>(7)</b>   | <b>10 62</b>  |
| Pre-Fiscal 2013 Actions:          |               |              |                |                 |                |              |               |
| Employee severance                | 51            | 2            | (10)           | (29)            |                |              | 14            |
| Facility and other exit costs     | 26            | 2            | 1              | (8)             |                |              | 21            |
| <b>Total</b>                      | <b>77</b>     | <b>4</b>     | <b>(9)</b>     | <b>(37)</b>     |                |              | <b>35</b>     |
| <b>Total fiscal 2014 activity</b> | <b>\$ 237</b> | <b>\$ 42</b> | <b>\$ (19)</b> | <b>\$ (160)</b> | <b>\$ (16)</b> | <b>\$ 30</b> | <b>\$ 114</b> |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Restructuring and Other Charges, Net (Continued)

|                                | Balance<br>at<br>Beginning<br>of Fiscal<br>Year | Charges | Changes<br>in<br>Estimate | Cash<br>Payments | Non-Cash<br>Items | Currency<br>Translation<br>and<br>Other <sup>(1)</sup> | Balance<br>at<br>End<br>of Fiscal<br>Year |
|--------------------------------|---|---------|---------------------------|------------------|-------------------|--|---|
| (in millions)                  |   |         |                           |                  |                   |  |   |
| <b>Fiscal 2013 Activity:</b>   |   |         |                           |                  |                   |  |   |
| Fiscal 2013 Actions:           |   |         |                           |                  |                   |  |   |
| Employee severance             | \$  | \$ 185  | \$ (8)                    | \$ (79)          | \$                | \$ 61  | \$ 159                                    |
| Facility and other exit costs  |   | 5       |                           | (4)              |                   |  | 1   |
| Property, plant, and equipment |   | 58      |                           |                  | (58)              |  |   |
| Total                          |   | 248     | (8)                       | (83)             | (58)              | 61   | 160                                       |
| Pre-Fiscal 2013 Actions:       |   |         |                           |                  |                   |  |   |
| Employee severance             |   | 130     | 7                         | (27)             | (58)              | (1)  | 51  |
| Facility and other exit costs  |   | 31      | 2                         | 1                | (10)              | 2  | 26  |
| Property, plant, and equipment |   | 2       |                           |                  | (2)               |  |   |
| Total                          |   | 161     | 11                        | (26)             | (68)              | (2)  | 77  |
| Total fiscal 2013 activity     | \$  | \$ 161  | \$ 259                    | \$ (34)          | \$ (151)          | \$ (60)  | \$ 237                                    |

(1) Includes net charges (credits) associated with discontinued operations of \$(1) million, \$36 million, and \$65 million in fiscal 2015, 2014, and 2013, respectively.

***Fiscal 2015 Actions***

During fiscal 2015, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments. In connection with this program, during fiscal 2015, we recorded net restructuring charges of \$92 million. We expect to complete all restructuring actions commenced in fiscal 2015 by the end of fiscal 2016 and to incur total charges of approximately \$98 million.

***Fiscal 2014 Actions***

During fiscal 2014, we initiated a restructuring program associated primarily with headcount reductions and manufacturing site and product line closures in the Communications Solutions segment. In connection with this program, we recorded net restructuring charges of \$19 million in fiscal 2014. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2014.

*Fiscal 2013 Actions*

During fiscal 2013, we initiated a restructuring program associated with headcount reductions and manufacturing site closures impacting all segments. In connection with this program, during fiscal 2015, 2014, and 2013, we recorded net restructuring charges of \$1 million, \$9 million, and \$240 million, respectively. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2013.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Restructuring and Other Charges, Net (Continued)***Pre-Fiscal 2013 Actions*

During fiscal 2012, we initiated a restructuring program to reduce headcount across all segments. Also, during fiscal 2012, we initiated a restructuring program in the Transportation Solutions and Industrial Solutions segments associated with the acquisition of Deutsch Group SAS. During fiscal 2014 and 2013, we recorded net restructuring credits of \$5 million and \$15 million, respectively, related to pre-fiscal 2013 actions. We do not expect to incur any additional charges related to pre-fiscal 2013 actions.

*Total Restructuring Reserves*

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

|                                       | Fiscal Year<br>End |        |
|---------------------------------------|--------------------|--------|
|                                       | 2015               | 2014   |
|                                       | (in millions)      |        |
| Accrued and other current liabilities | \$ 60              | \$ 83  |
| Other liabilities                     | 24                 | 31     |
| Restructuring reserves                | \$ 84              | \$ 114 |

*Other Charges (Credits), Net*

During fiscal 2015, in connection with the sale our Broadband Network Solutions ("BNS") business, we incurred costs of \$61 million, consisting primarily of \$36 million of legal and professional fees and \$18 million of charges associated with the exit of a facility. These amounts are not directly related to the business sold, and accordingly have been recorded in continuing operations. See Note 4 for additional information regarding the divestiture of BNS.

**4. Discontinued Operations**

During fiscal 2015, we sold our BNS business for \$3.0 billion in cash and recognized a pre-tax gain of \$1,105 million on the transaction. In the U.S., income taxes associated with the gain on the sale of assets were largely offset by income tax benefits realized on the sale of several subsidiaries. In certain non-U.S. jurisdictions, the sale was exempt from income taxes.

Pre-tax income from discontinued operations for fiscal 2015 included pre-tax charges of \$127 million recorded in connection with the Com-Net case related to our former Wireless Systems business which was sold in fiscal 2009. See Note 13 for additional information regarding the Com-Net case.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Discontinued Operations (Continued)**

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

|  | 2015          | Fiscal<br>2014 | 2013     |
|--|---------------|----------------|----------|
|  | (in millions) |                |          |
| Net sales from discontinued operations                   | \$ 1,595      | \$ 1,939       | \$ 1,890 |
| Pre-tax income from discontinued operations              | \$ 118        | \$ 224         | \$ 167   |
| Pre-tax gain (loss) on sale of discontinued operations   | 1,105         |                | (4)      |
| Income tax expense                                       | (41)          | (57)           | (41)     |
| Income from discontinued operations, net of income taxes | \$ 1,182      | \$ 167         | \$ 122   |

The following table presents balance sheet information for assets and liabilities held for sale fiscal year end 2014; there were no such balances at fiscal year end 2015:

|                                      | Fiscal Year End<br>2014 |
|--------------------------------------|-------------------------|
|                                      | (in millions)           |
| Accounts receivable, net             | \$ 382                  |
| Inventories                          | 236                     |
| Property, plant, and equipment, net  | 206                     |
| Goodwill                             | 869                     |
| Intangible assets, net               | 242                     |
| Other assets                         | 78                      |
| Total assets                         | \$ 2,013                |
| Current maturities of long-term debt | \$ 90                   |
| Accounts payable                     | 161                     |
| Other liabilities                    | 165                     |
| Total liabilities                    | \$ 416                  |

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

**5. Acquisitions**



*Measurement Specialties, Inc.*

On October 9, 2014, we acquired 100% of the outstanding shares of Measurement Specialties, Inc. ("Measurement Specialties"), a leading global designer and manufacturer of sensors and sensor-based systems, for \$86.00 in cash per share. The total value paid was approximately \$1.7 billion, net of cash acquired, and included \$225 million for the repayment of Measurement Specialties' debt and accrued interest. Measurement Specialties offers a broad portfolio of technologies including pressure, vibration,

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Acquisitions (Continued)**

force, temperature, humidity, ultrasonics, position, and fluid sensors, for a wide range of applications and industries. This business has been reported as part of our Transportation Solutions segment from the date of acquisition.

During the second quarter of fiscal 2015, we finalized the valuation of identifiable intangible assets, fixed assets, and pre-acquisition contingencies.

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Acquisitions (Continued)**

Intangible assets acquired consisted of the following:

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

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

Goodwill of \$1,064 million was recognized in the transaction, representing the excess of the purchase price over the fair value of the tangible and intangible assets acquired and liabilities assumed. This goodwill is attributable primarily to cost savings and other synergies related to operational efficiencies including the consolidation of manufacturing, marketing, and general and administrative functions. The goodwill has been allocated to the Transportation Solutions segment and is not deductible for tax purposes. However, prior to its merger with us, Measurement Specialties completed certain acquisitions that resulted in goodwill with an estimated value of \$23 million that is deductible primarily for U.S. tax purposes, which we will deduct through 2030.

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

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

|   | <b>Pro Forma for Fiscal</b>                     |             |
|---|---|-------------|
|   | <b>2015</b>                                     | <b>2014</b> |
|   | <b>(in millions, except<br/>per share data)</b> |             |
| Net sales   | \$ 12,252                                       | \$ 12,429   |
| Net income attributable to TE Connectivity Ltd.                 | 2,440   | 1,744       |
| Diluted earnings per share attributable to TE Connectivity Ltd. | \$ 5.94   | \$ 4.18     |

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

Pro forma results for fiscal 2015 were adjusted to exclude \$16 million of acquisition costs, \$15 million of share-based compensation expense incurred by Measurement Specialties as a result of the change in control of Measurement Specialties, \$11 million of charges related to the fair value adjustment to acquisition-date inventories, \$7 million of charges related to acquired customer order backlog, \$6 million of income tax expense based on the estimated impact of combining Measurement Specialties into our global tax position, and \$1 million of charges related to the amortization of the fair

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value of acquired intangible assets. In addition, pro forma results for fiscal 2015 were adjusted to include \$3 million of interest expense based on pro forma changes in our capital structure.

Pro forma results for fiscal 2014 were adjusted to include \$20 million of charges related to the amortization of the fair value of acquired intangible assets, \$19 million of income tax expense based on the estimated impact of combining Measurement Specialties into our global tax position, \$14 million of interest expense based on pro forma changes in our capital structure, \$11 million of charges related to the fair value adjustment to acquisition-date inventories, \$7 million of charges related to acquired customer order backlog, and \$2 million in depreciation expense.

Pro forma results do not include any anticipated synergies or other anticipated benefits of the acquisition. Accordingly, the unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Measurement Specialties acquisition occurred at the beginning of fiscal 2014.

***Other Acquisitions***

During fiscal 2015, we acquired three additional companies for \$241 million in cash, net of cash acquired. During fiscal 2014, we acquired five companies, including the SEACON Group ("SEACON"), a leading provider of underwater connector technology and systems, for \$522 million in cash, net of cash acquired.

**6. Inventories**

Inventories consisted of the following:

|                  | <b>Fiscal Year End</b> |             |
|------------------|------------------------|-------------|
|                  | <b>2015</b>            | <b>2014</b> |
|                  | <b>(in millions)</b>   |             |
| Raw materials    | \$ 261                 | \$ 211      |
| Work in progress | 581                    | 562         |
| Finished goods   | 773                    | 736         |
| Inventories      | \$ 1,615               | \$ 1,509    |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Property, Plant, and Equipment, Net**

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

|   | <b>Fiscal Year End</b> |                 |
|---|------------------------|-----------------|
|   | <b>2015</b>            | <b>2014</b>     |
|   | <b>(in millions)</b>   |                 |
| Land and improvements                       | \$ 163                 | \$ 185          |
| Buildings and improvements                  | 1,261                  | 1,244           |
| Machinery and equipment                     | 6,692                  | 6,787           |
| Construction in process                     | 521                    | 550             |
| <b>Gross property, plant, and equipment</b> | <b>8,637</b>           | <b>8,766</b>    |
| Accumulated depreciation                    | (5,717)                | (5,846)         |
| <b>Property, plant, and equipment, net</b>  | <b>\$ 2,920</b>        | <b>\$ 2,920</b> |

Depreciation expense was \$463 million, \$467 million, and \$456 million in fiscal 2015, 2014, and 2013, respectively.

**8. Goodwill**

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

|                                   | <b>Transportation<br/>Solutions</b> | <b>Industrial<br/>Solutions</b> | <b>Communications<br/>Solutions</b> | <b>Total</b> |
|-----------------------------------|-------------------------------------|---------------------------------|-------------------------------------|--------------|
|                                   | <b>(in millions)</b>                |                                 |                                     |              |
| September 27, 2013 <sup>(2)</sup> | \$ 797                              | \$ 1,919                        | \$ 736                              | \$ 3,452     |
| Acquisitions                      | 46                                  | 265                             |                                     | 311          |
| Currency translation and other    | (9)                                 | (19)                            | (9)                                 | (37)         |
| September 26, 2014 <sup>(2)</sup> | 834                                 | 2,165                           | 727                                 | 3,726        |
| Acquisitions                      | 1,066                               | 145                             |                                     | 1,211        |
| Currency translation              | (37)                                | (57)                            | (19)                                | (113)        |
| September 25, 2015 <sup>(2)</sup> | \$ 1,863                            | \$ 2,253                        | \$ 708                              | \$ 4,824     |

(1) In connection with the realignment of certain businesses during fiscal 2015, goodwill was re-allocated to reporting units using a relative fair value approach. See Note 22 for additional information regarding our current segment structure.

(2) At fiscal year end 2015, 2014, and 2013, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$2,191 million, \$669 million, and \$1,626 million, respectively.

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During fiscal 2015, we completed the acquisition of Measurement Specialties and recognized goodwill of \$1,064 million, which benefited the Transportation Solutions segment. See Note 5 for additional information regarding acquisitions.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2015 and determined that no impairment existed.

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**9. Intangible Assets, Net**

Intangible assets consisted of the following:

|                        | Fiscal Year End       |                          |                     |                       |                          |                     |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                        | 2015                  |                          | 2014                |                       |                          |                     |
|                        | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|                        | (in millions)         |                          |                     |                       |                          |                     |
| Intellectual property  | \$ 1,150              | \$ (524)                 | \$ 626              | \$ 986                | \$ (453)                 | \$ 533              |
| Customer relationships | 1,053                 | (148)                    | 905                 | 614                   | (83)                     | 531                 |
| Other                  | 37                    | (13)                     | 24                  | 35                    | (12)                     | 23                  |
| Total                  | \$ 2,240              | \$ (685)                 | \$ 1,555            | \$ 1,635              | \$ (548)                 | \$ 1,087            |

During fiscal 2015, the gross carrying amount of intangible assets increased by \$547 million as a result of the Measurement Specialties acquisition. Intangible asset amortization expense was \$153 million, \$84 million, and \$80 million for fiscal 2015, 2014, and 2013, respectively.

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

|             | (in millions) |
|-------------|---------------|
| Fiscal 2016 | \$ 141        |
| Fiscal 2017 | 137           |
| Fiscal 2018 | 137           |
| Fiscal 2019 | 135           |
| Fiscal 2020 | 131           |
| Thereafter  | 874           |
| Total       | \$ 1,555      |

**10. Accrued and Other Current Liabilities**

Accrued and other current liabilities consisted of the following:

|                                       | Fiscal Year End |        |
|---------------------------------------|-----------------|--------|
|                                       | 2015            | 2014   |
|                                       | (in millions)   |        |
| Accrued payroll and employee benefits | \$ 424          | \$ 470 |
| Dividends payable to shareholders     | 260             | 236    |
| Income taxes payable                  | 198             | 158    |
| Share repurchase program payable      | 177             | 37     |
| Restructuring reserves                | 60              | 83     |
| Interest payable                      | 53              | 50     |
| Deferred income taxes                 | 33              | 26     |

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|                                       |          |          |
|---------------------------------------|----------|----------|
| Other                                 | 544      | 534      |
| Accrued and other current liabilities | \$ 1,749 | \$ 1,594 |



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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**11. Debt**

Debt was as follows:

|  | Fiscal Year End |                 |
|--|-----------------|-----------------|
|  | 2015            | 2014            |
|  | (in millions)   |                 |
| Current maturities of long-term debt:  |                 |                 |
| 1.60% senior notes due 2015  | \$              | \$ 250          |
| Senior floating rate notes due 2016 <sup>(1)</sup>                                   | 500             |                 |
| Commercial paper, at a weighted-average interest rate of 0.30% at September 26, 2014 |                 | 327             |
| <b>Total</b>   | <b>500</b>      | <b>577</b>      |
| Long-term debt:  |                 |                 |
| Senior floating rate notes due 2016 <sup>(1)</sup>                                   |                 | 500             |
| 6.55% senior notes due 2017  | 718             | 723             |
| 2.375% senior notes due 2018   | 324             | 324             |
| 2.35% senior notes due 2019  | 250             | 250             |
| 4.875% senior notes due 2021   | 263             | 261             |
| 3.50% senior notes due 2022  | 511             | 499             |
| 1.100% senior notes due 2023   | 612             |                 |
| 3.45% senior notes due 2024  | 249             | 249             |
| 7.125% senior notes due 2037   | 475             | 475             |
| Other  | 1               |                 |
| <b>Total</b>   | <b>3,403</b>    | <b>3,281</b>    |
| <b>Total debt<sup>(2)</sup></b>  | <b>\$ 3,903</b> | <b>\$ 3,858</b> |

(1) The senior floating rate notes due 2016 bear interest at a rate of three-month London interbank offered rate ("LIBOR") plus 0.20% per year.

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

In February 2015, Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, issued €550 million aggregate principal amount of 1.100% senior notes due March 1, 2023. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with total commitments of \$1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 25, 2015 and September 26, 2014.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) LIBOR plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) Deutsche Bank

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AG New York branch's base rate, (ii) the federal funds effective rate plus  $\frac{1}{2}$  of 1%, and (iii) one-month LIBOR plus

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Debt (Continued)**

1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA. TEGSA is required to pay an annual facility fee ranging from 7.5 to 25.0 basis points based upon the amount of the lenders' commitments under the Credit Facility and the applicable credit ratings of TEGSA.

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

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

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

The aggregate amounts of total debt maturing are as follows:

|              | (in millions)   |
|--------------|-----------------|
| Fiscal 2016  | \$ 500          |
| Fiscal 2017  |                 |
| Fiscal 2018  | 718             |
| Fiscal 2019  | 574             |
| Fiscal 2020  |                 |
| Thereafter   | 2,111           |
| <b>Total</b> | <b>\$ 3,903</b> |

The fair value of our debt, based on indicative valuations, was approximately \$4,115 million and \$4,125 million at fiscal year end 2015 and 2014, respectively.

**12. Guarantees*****Tax Sharing Agreement***

Effective June 29, 2007, we became the parent company of the former electronics businesses of Tyco International plc ("Tyco International"). On June 29, 2007, Tyco International distributed all of our shares, as well as its shares of its former healthcare businesses ("Covidien"), to its common shareholders (the "separation"). On January 26, 2015, Covidien was acquired and now operates as a subsidiary of Medtronic plc.

Upon separation, we entered into a Tax Sharing Agreement, under which we share responsibility for certain of our, Tyco International's, and Covidien's income tax liabilities based on a sharing formula for periods prior to and including June 29, 2007. We, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax

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**TE CONNECTIVITY LTD.**

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

**12. Guarantees (Continued)**

authorities to our, Tyco International's, and Covidien's U.S. income tax returns. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. All costs and expenses associated with the management of these shared tax liabilities are shared equally among the parties.

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

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

***Indemnification***

Our indemnification created under the Tax Sharing Agreement qualifies as a guarantee of a third party entity's debt under ASC 460, *Guarantees*. In the event that we are required, due to bankruptcy or other business interruption on the part of Tyco International or Covidien, to pay more than the contractually determined 31%, we retain the right to seek payment from the effected entity. At September 25, 2015 and September 26, 2014, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of \$17 million and \$21 million, respectively. See additional information in Note 13.

***Other Matters***

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

At September 25, 2015, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of \$360 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.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Guarantees (Continued)**

We generally record estimated product warranty costs when contract revenues are recognized under the percentage-of-completion method for construction related contracts; other warranty reserves are not significant. The estimation is based primarily on historical experience and actual warranty claims. Amounts accrued for warranty claims at fiscal year end 2015 and 2014 were \$35 million and \$29 million, respectively.

**13. Commitments and Contingencies***General Matters*

We have facility, land, vehicle, and equipment leases that expire at various dates. Rental expense under these leases was \$141 million, \$130 million, and \$133 million for fiscal 2015, 2014, and 2013, respectively. At fiscal year end 2015, the minimum lease payment obligations under non-cancelable lease obligations were as follows:

|              | (in millions) |            |
|--------------|---------------|------------|
| Fiscal 2016  | \$            | 98         |
| Fiscal 2017  |               | 76         |
| Fiscal 2018  |               | 59         |
| Fiscal 2019  |               | 44         |
| Fiscal 2020  |               | 30         |
| Thereafter   |               | 37         |
| <b>Total</b> | <b>\$</b>     | <b>344</b> |

*Legal Proceedings*

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

As previously reported, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represented the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we did not believe we had any obligation to the sellers. However, the sellers contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. Trial began in March 2015 and culminated in the entry of final judgment on October 8, 2015, in favor of the sellers and against us for \$127 million plus costs. The judgment represents the \$80 million contingent purchase price plus pre-judgment interest, which will continue to accrue until the judgment is paid in full. We are

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**TE CONNECTIVITY LTD.**

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

**13. Commitments and Contingencies (Continued)**

proceeding with an appeal. In connection with this case, we recorded a reserve and pre-tax charges of \$127 million in fiscal 2015. These charges are reflected in income from discontinued operations on the Consolidated Statement of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

***Income Tax Matters***

Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. See Note 12 for additional information regarding the Tax Sharing Agreement.

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

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

The disputed issue involves the tax treatment of certain intercompany debt transactions. The IRS field examination asserted that certain intercompany loans originated during the years 1997 through 2000 did not constitute debt for U.S. federal income tax purposes and disallowed approximately \$2.7 billion of related interest deductions recognized during the period on Tyco International's U.S. income tax returns. In addition, if the IRS is ultimately successful in asserting its claim, it is likely to disallow an additional \$6.6 billion of interest deductions reflected on U.S. income tax returns in years subsequent to fiscal 2000. Tyco International contends that the intercompany financing qualified as debt for U.S. income tax purposes and that the interest deductions reflected on the income tax returns were appropriate. The IRS and Tyco International were unable to resolve this matter through the IRS appeals process. On June 20, 2013, Tyco International advised us that it had received Notices of Deficiency from the IRS for certain former U.S. subsidiaries of Tyco International increasing taxable income by approximately \$2.9 billion in connection with the audit of Tyco International's fiscal years 1997 through 2000. The Notices of Deficiency assert that Tyco International owes additional taxes totaling \$778 million, associated penalties of \$154 million, and withholding taxes of \$105 million. In addition, Tyco International received Final Partnership Administrative Adjustments for certain U.S. partnerships owned by former U.S. subsidiaries with respect to which Tyco International estimates an additional tax deficiency of approximately \$30 million will be asserted. The amounts asserted by the

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**TE CONNECTIVITY LTD.**

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

**13. Commitments and Contingencies (Continued)**

IRS exclude any applicable deficiency interest, and do not reflect any impact to subsequent period tax liabilities in the event that the IRS were to prevail on some or all of its assertions. We understand that Tyco International strongly disagrees with the IRS position and has filed petitions in the U.S. Tax Court contesting the IRS's proposed adjustments. Tyco International has advised us that it believes there are meritorious defenses for the tax filings in question and that the IRS position with regard to this matter is inconsistent with the applicable tax laws and existing U.S. Treasury regulations.

The previously set U.S. Tax Court trial date of February 29, 2016 has been delayed at the request of the IRS, and trial is expected to commence during October 2016. The parties remain engaged in discovery. We do not expect any payments to the IRS with respect to this matter until it is fully and finally resolved. In accordance with the Tax Sharing Agreement, we, Tyco International, and Covidien would share 31%, 27%, and 42%, respectively, of any payments made in connection with this matter.

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

During fiscal 2015, the IRS issued general agreement Forms 870, effectively settling its audits of tax matters for the years 2001 through 2007, excluding the disputed issue discussed above. As a result of these developments, we recognized an income tax benefit of \$201 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of \$84 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

Also during fiscal 2015, the IRS issued general agreement Forms 870, effectively settling its audits of tax matters for the years 2008 through 2010, excluding the disputed issue discussed above. As of result of these developments, we recognized an income tax benefit of \$63 million, representing a reduction in tax reserves for the matters that were effectively settled.

We made net payments of \$40 million, \$179 million, and \$28 million related to pre-separation U.S. tax matters during fiscal 2015, 2014, and 2013, respectively.

At September 25, 2015 and September 26, 2014, we have reflected \$17 million and \$51 million, respectively, of income tax liabilities related to the audits of Tyco International's and our income tax returns in accrued and other current liabilities as certain of these matters could be resolved within the next twelve months.

We believe that the amounts recorded on the 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.

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**TE CONNECTIVITY LTD.**

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

**13. Commitments and Contingencies (Continued)**

*Environmental Matters*

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of fiscal year end 2015, we concluded that it was probable that we would incur remedial costs in the range of \$16 million to \$38 million, and that the best estimate within this range was \$19 million. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

**14. Financial Instruments and Fair Value Measurements**

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

The effects of derivative instruments on the Consolidated Statements of Operations were immaterial for fiscal 2015, 2014, and 2013.

*Foreign Exchange Risks and Hedges of Net Investment*

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts, foreign currency forward contracts, and foreign currency swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Consolidated Statements of Operations within the next twelve months.

During fiscal 2015, we entered into cross-currency swap contracts with an aggregate notional value of €1,000 million to reduce our exposure to foreign currency exchange risk associated with certain intercompany loans. Under the terms of these contracts, which have been designated as cash flow hedges, we will make quarterly interest payments in euros at 3.50% per annum and receive interest in U.S. dollars at a weighted-average rate of 5.33% per annum. Upon the maturities of these contracts in fiscal 2022, we will pay the principal amount of the loans in euros and receive U.S. dollars from our counterparties.

We hedge our net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was \$3,880 million and \$2,893 million at September 25, 2015 and September 26, 2014, respectively. Foreign exchange gains of \$353 million and \$156 million in fiscal 2015 and 2014, respectively, were recorded as currency translation, a component of accumulated other comprehensive income (loss), offsetting foreign exchange losses attributable to the translation of the net investment. Foreign exchange gains and losses recorded as currency translation in fiscal 2013 were immaterial. See Note 20 for additional information.



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**TE CONNECTIVITY LTD.**

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

**14. Financial Instruments and Fair Value Measurements (Continued)**

*Interest Rate and Investment Risk Management*

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

*Commodity Hedges*

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

At September 25, 2015 and September 26, 2014, our commodity hedges had notional values of \$260 million and \$307 million, respectively. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the commodity hedges will be reclassified into the Consolidated Statements of Operations within the next twelve months.

*Fair Value Measurements*

Financial instruments recorded at fair value on a recurring basis, which consist of derivative instruments and marketable securities, were immaterial at September 25, 2015 and September 26, 2014.

**15. Retirement Plans**

*Defined Benefit Pension Plans*

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

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 15. Retirement Plans (Continued)

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

|                                    | U.S. Plans       |       |       | Non-U.S. Plans |       |       |
|------------------------------------|------------------|-------|-------|----------------|-------|-------|
|                                    | Fiscal           |       |       | Fiscal         |       |       |
|                                    | 2015             | 2014  | 2013  | 2015           | 2014  | 2013  |
|                                    | (\$ in millions) |       |       |                |       |       |
| Service cost                       | \$ 9             | \$ 7  | \$ 6  | \$ 45          | \$ 46 | \$ 50 |
| Interest cost                      | 48               | 50    | 46    | 58             | 71    | 68    |
| Expected return on plan assets     | (67)             | (63)  | (60)  | (72)           | (67)  | (65)  |
| Amortization of net actuarial loss | 25               | 25    | 36    | 33             | 23    | 32    |
| Other                              |                  |       |       | (5)            | (3)   | (18)  |
| Net periodic pension benefit cost  | \$ 15            | \$ 19 | \$ 28 | \$ 59          | \$ 70 | \$ 67 |

*Weighted-average assumptions used to determine net pension benefit cost during the fiscal year:*

|                                |       |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Discount rate                  | 4.34% | 4.84% | 3.98% | 2.77% | 3.38% | 3.27% |
| Expected return on plan assets | 7.20% | 7.16% | 6.65% | 6.46% | 5.96% | 6.29% |
| Rate of compensation increase  | %     | %     | %     | 2.86% | 2.84% | 2.86% |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 15. Retirement Plans (Continued)

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

|  | U.S. Plans       |          | Non-U.S. Plans |            |
|--|------------------|----------|----------------|------------|
|  | Fiscal           |          | Fiscal         |            |
|  | 2015             | 2014     | 2015           | 2014       |
|  | (\$ in millions) |          |                |            |
| <i>Change in benefit obligation:</i>   |                  |          |                |            |
| Benefit obligation at beginning of fiscal year   | \$ 1,143         | \$ 1,074 | \$ 2,276       | \$ 2,106   |
| Service cost   | 9                | 7        | 45             | 46         |
| Interest cost  | 48               | 50       | 58             | 71         |
| Actuarial loss   | 42               | 90       | 87             | 256        |
| Benefits and administrative expenses paid  | (74)             | (77)     | (71)           | (75)       |
| Currency translation   |                  |          | (213)          | (94)       |
| Other  | 2                | (1)      | 6              | (34)       |
| Benefit obligation at end of fiscal year   | 1,170            | 1,143    | 2,188          | 2,276      |
| <i>Change in plan assets:</i>  |                  |          |                |            |
| Fair value of plan assets at beginning of fiscal year  | 978              | 931      | 1,177          | 1,113      |
| Actual return on plan assets   | (26)             | 123      | 72             | 97         |
| Employer contributions   | 1                | 2        | 65             | 85         |
| Benefits and administrative expenses paid  | (74)             | (77)     | (71)           | (75)       |
| Currency translation   |                  |          | (90)           | (32)       |
| Other  |                  | (1)      | 14             | (11)       |
| Fair value of plan assets at end of fiscal year  | 879              | 978      | 1,167          | 1,177      |
| Funded status  | \$ (291)         | \$ (165) | \$ (1,021)     | \$ (1,099) |
| <i>Amounts recognized on the Consolidated Balance Sheets:</i>  |                  |          |                |            |
| Accrued and other current liabilities  | \$ (5)           | \$ (4)   | \$ (19)        | \$ (21)    |
| Long-term pension and postretirement liabilities   | (286)            | (161)    | (1,002)        | (1,078)    |
| Net amount recognized  | \$ (291)         | \$ (165) | \$ (1,021)     | \$ (1,099) |
| <i>Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:</i> |                  |          |                |            |
| Discount rate  | 4.38%            | 4.34%    | 2.50%          | 2.77%      |
| Rate of compensation increase  | %                | %        | 2.81%          | 2.86%      |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**15. Retirement Plans (Continued)**

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

|   | U.S. Plans    |        | Non-U.S. Plans |         |
|---|---------------|--------|----------------|---------|
|   | Fiscal        |        | Fiscal         |         |
|   | 2015          | 2014   | 2015           | 2014    |
|   | (in millions) |        |                |         |
| <i>Change in net loss:</i>  |               |        |                |         |
| Unrecognized net loss at beginning of fiscal year                             | \$ 325        | \$ 320 | \$ 748         | \$ 592  |
| Current year change recorded in accumulated other comprehensive income (loss) | 136           | 30     | 18             | 180     |
| Amortization reclassified to earnings   | (25)          | (25)   | (55)           | (24)    |
| Unrecognized net loss at end of fiscal year                                   | \$ 436        | \$ 325 | \$ 711         | \$ 748  |
| <i>Change in prior service credit:</i>  |               |        |                |         |
| Unrecognized prior service credit at beginning of fiscal year                 | \$            | \$     | \$ (67)        | \$ (68) |
| Current year change recorded in accumulated other comprehensive income (loss) |               |        | (4)            | (4)     |
| Amortization reclassified to earnings   |               |        | 5              | 5       |
| Unrecognized prior service credit at end of fiscal year                       | \$            | \$     | \$ (66)        | \$ (67) |

In fiscal 2015, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for U.S. defined benefit pension plans are due primarily to a change in the mortality assumption and lower than expected asset performance. Unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for non-U.S. defined benefit pension plans in fiscal 2015 are principally the result of lower discount rates as compared to fiscal 2014. In fiscal 2014, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) are primarily the result of changes in mortality assumptions and decreasing discount rates for U.S. defined benefit pension plans and attributable primarily to lower discount rates for non-U.S. defined benefit pension plans as compared to fiscal 2013. Amortization of prior service credit is included in other in the above table summarizing the components of net periodic pension benefit cost.

The estimated amortization of actuarial losses from accumulated other comprehensive income (loss) into net periodic pension benefit cost for U.S. and non-U.S. defined benefit pension plans in fiscal 2016 is expected to be \$40 million and \$36 million, respectively. The estimated amortization of prior service credit from accumulated other comprehensive income (loss) into net periodic pension benefit cost for non-U.S. defined benefit pension plans in fiscal 2016 is expected to be \$6 million.

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

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

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

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 (the "Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 105%. Based on the Pension Act Funded Status as of September 25, 2015, our target asset allocation is 45% equity and 55% fixed income.

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

|   | U.S. Plans |          |        | Non-U.S. Plans |          |        |
|---|------------|----------|--------|----------------|----------|--------|
|   | Fiscal     | Fiscal   |        | Fiscal         | Fiscal   |        |
|   | Year End   | Year End |        | Year End       | Year End |        |
|   | 2015       | 2014     | Target | 2015           | 2014     | Target |
| Asset category:                           |            |          |        |                |          |        |
| Equity securities                         | 45%        | 45%      | 45%    | 45%            | 45%      | 45%    |
| Debt securities                           | 55         | 55       | 55     | 29             | 29       | 30     |
| Insurance contracts and other investments |            |          |        | 24             | 24       | 23     |
| Real estate investments                   |            |          |        | 2              | 2        | 2      |
| Total                                     | 100%       | 100%     | 100%   | 100%           | 100%     | 100%   |

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

Our funding policy is to make contributions in accordance with the laws and customs of the various countries in which we operate as well as to make discretionary voluntary contributions from time to time. We expect to make the minimum required contributions of \$5 million and \$68 million to our U.S. and non-U.S. pension plans, respectively, in fiscal 2016. We may also make voluntary contributions at our discretion.

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

|                  | U.S. Plans    |  | Non-U.S. Plans |  |
|------------------|---------------|--|----------------|--|
|                  | (in millions) |  |                |  |
|                  | \$            |  | \$             |  |
| Fiscal 2016      | 71            |  | 67             |  |
| Fiscal 2017      | 69            |  | 70             |  |
| Fiscal 2018      | 70            |  | 72             |  |
| Fiscal 2019      | 71            |  | 77             |  |
| Fiscal 2020      | 72            |  | 80             |  |
| Fiscal 2021-2025 | 375           |  | 464            |  |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 15. Retirement Plans (Continued)

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

|  | U.S. Plans      |          | Non-U.S. Plans  |          |
|--|-----------------|----------|-----------------|----------|
|  | Fiscal Year End |          | Fiscal Year End |          |
|  | 2015            | 2014     | 2015            | 2014     |
|  | (in millions)   |          |                 |          |
| Accumulated benefit obligation   | \$ 1,170        | \$ 1,143 | \$ 2,041        | \$ 2,121 |
| Pension plans with accumulated benefit obligations in excess of plan assets: |                 |          |                 |          |
| Accumulated benefit obligation   | 1,170           | 1,143    | 1,994           | 2,120    |
| Fair value of plan assets  | 879             | 978      | 1,119           | 1,177    |
| Pension plans with projected benefit obligations in excess of plan assets:   |                 |          |                 |          |
| Projected benefit obligation   | 1,170           | 1,143    | 2,188           | 2,276    |
| Fair value of plan assets  | 879             | 978      | 1,167           | 1,177    |

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

|  | Fiscal Year End 2015 |         |         |        |                |         |         |          |
|--|----------------------|---------|---------|--------|----------------|---------|---------|----------|
|  | U.S. Plans           |         |         |        | Non-U.S. Plans |         |         |          |
|  | Level 1              | Level 2 | Level 3 | Total  | Level 1        | Level 2 | Level 3 | Total    |
|  | (in millions)        |         |         |        |                |         |         |          |
| Equity:  |                      |         |         |        |                |         |         |          |
| U.S. equity securities <sup>(1)</sup>                          | \$ 245               | \$      | \$      | \$ 245 | \$ 60          | \$      | \$      | \$ 60    |
| Non-U.S. equity securities <sup>(1)</sup>                      | 149                  |         |         | 149    | 54             |         |         | 54       |
| Commingled equity funds <sup>(2)</sup>                         |                      |         |         |        |                | 421     |         | 421      |
| Fixed income:  |                      |         |         |        |                |         |         |          |
| Government bonds <sup>(3)</sup>                                |                      | 64      |         | 64     |                | 202     |         | 202      |
| Corporate bonds <sup>(4)</sup>                                 |                      | 404     |         | 404    |                | 13      |         | 13       |
| Commingled bond funds <sup>(5)</sup>                           |                      |         |         |        |                | 171     |         | 171      |
| Other <sup>(6)</sup>   |                      | 3       |         | 3      |                | 142     | 84      | 226      |
| Subtotal   | \$ 394               | \$ 471  | \$      | 865    | \$ 114         | \$ 949  | \$ 84   | 1,147    |
| Items to reconcile to fair value of plan assets <sup>(7)</sup> |                      |         |         | 14     |                |         |         | 20       |
| Fair value of plan assets                                      |                      |         |         | \$ 879 |                |         |         | \$ 1,167 |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 15. Retirement Plans (Continued)

|  | Fiscal Year End 2014 |         |         |        |                |         |         |          |
|--|----------------------|---------|---------|--------|----------------|---------|---------|----------|
|  | U.S. Plans           |         |         |        | Non-U.S. Plans |         |         |          |
|  | Level 1              | Level 2 | Level 3 | Total  | Level 1        | Level 2 | Level 3 | Total    |
|  | (in millions)        |         |         |        |                |         |         |          |
| Equity:  |                      |         |         |        |                |         |         |          |
| U.S. equity securities <sup>(1)</sup>                          | \$ 210               | \$      | \$      | \$ 210 | \$ 54          | \$      | \$      | \$ 54    |
| Non-U.S. equity securities <sup>(1)</sup>                      | 209                  |         |         | 209    | 65             |         |         | 65       |
| Commingled equity funds <sup>(2)</sup>                         |                      |         |         |        |                | 434     |         | 434      |
| Fixed income:  |                      |         |         |        |                |         |         |          |
| Government bonds <sup>(3)</sup>                                |                      | 87      |         | 87     |                | 211     |         | 211      |
| Corporate bonds <sup>(4)</sup>                                 |                      | 445     |         | 445    |                | 19      |         | 19       |
| Commingled bond funds <sup>(5)</sup>                           |                      |         |         |        |                | 203     |         | 203      |
| Other <sup>(6)</sup>   |                      | 13      |         | 13     |                | 85      | 78      | 163      |
| Subtotal   | \$ 419               | \$ 545  | \$      | 964    | \$ 119         | \$ 952  | \$ 78   | 1,149    |
| Items to reconcile to fair value of plan assets <sup>(7)</sup> |                      |         |         |        | 14             |         |         | 28       |
| Fair value of plan assets                                      |                      |         |         |        | \$ 978         |         |         | \$ 1,177 |

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- (1) U.S. and non-U.S. equity securities are valued at the closing price reported on the stock exchange on which the individual securities are traded.
- (2) Commingled equity funds are pooled investments in multiple equity-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.
- (3) Government bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (4) Corporate bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (5) Commingled bond funds are pooled investments in multiple debt-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.
- (6) Other investments are composed of insurance contracts, derivatives, short-term investments, structured products such as collateralized obligations and mortgage- and asset-backed securities, real estate investments, and hedge funds. Insurance contracts are valued using cash surrender value, or face

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value of the contract if a cash surrender value is unavailable (level 2), as these values represent the amount that the plan would receive on termination of the underlying contract. Derivatives, short-term investments, and structured products are marked to fair value using models that are supported by observable market based data (level 2). Real estate investments include investments in commingled real estate funds and are valued at net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3). Hedge funds are valued at their net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3).

(7)

Items to reconcile to fair value of plan assets include amounts receivable for securities sold, amounts payable for securities purchased, and any cash balances, considered to be carried at book value, that are held in the plans.

Changes in Level 3 assets in non-U.S. plans were primarily the result of purchases in fiscal 2015 and positive returns in fiscal 2014.



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**TE CONNECTIVITY LTD.**

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

**15. Retirement Plans (Continued)**

*Defined Contribution Retirement Plans*

We maintain several defined contribution retirement plans, the most significant of which is located in the U.S. These plans include 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was \$60 million, \$61 million, and \$61 million for fiscal 2015, 2014, and 2013, respectively.

*Deferred Compensation Plans*

We maintain nonqualified deferred compensation plans, which permit eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to a number of funds in our 401(k) plans and the account balance fluctuates with the investment returns on those funds. Total deferred compensation liabilities were \$118 million and \$108 million at fiscal year end 2015 and 2014, respectively. See Note 14 for additional information regarding our risk management strategy related to deferred compensation liabilities.

*Postretirement Benefit Plans*

In addition to providing pension and 401(k) benefits, we also provide certain health care coverage continuation for qualifying retirees from the date of retirement to age 65. The accumulated postretirement benefit obligation was \$40 million and \$44 million at fiscal year end 2015 and 2014, respectively, and the underfunded status of the postretirement benefit plans was included primarily in long-term pension and postretirement liabilities on the Consolidated Balance Sheets. Activity during fiscal 2015, 2014, and 2013 was not significant.

**16. Income Taxes**

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Income Taxes (Continued)**

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

|   | <b>Fiscal</b>        |               |                |
|---|----------------------|---------------|----------------|
|   | <b>2015</b>          | <b>2014</b>   | <b>2013</b>    |
|   | <b>(in millions)</b> |               |                |
| <b>Current income tax provision (benefit):</b>  |                      |               |                |
| U.S.:   |                      |               |                |
| Federal   | \$ (67)              | \$ 128        | \$ (296)       |
| State   | 12                   | (3)           | (85)           |
| Non-U.S.  | 352                  | 302           | 292            |
|   | 297                  | 427           | (89)           |
| <b>Deferred income tax provision (benefit):</b> |                      |               |                |
| U.S.:   |                      |               |                |
| Federal   | 87                   | (311)         | 31             |
| State   | 5                    | (3)           | (4)            |
| Non-U.S.  | (52)                 | 33            | (13)           |
|   | 40                   | (281)         | 14             |
| <b>Provision (benefit) for income taxes</b>     | <b>\$ 337</b>        | <b>\$ 146</b> | <b>\$ (75)</b> |

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

|  | <b>Fiscal</b>        |                 |                 |
|--|----------------------|-----------------|-----------------|
|  | <b>2015</b>          | <b>2014</b>     | <b>2013</b>     |
|  | <b>(in millions)</b> |                 |                 |
| U.S.   | \$ (31)              | \$ (133)        | \$ (354)        |
| Non-U.S.   | 1,606                | 1,893           | 1,434           |
| <b>Income from continuing operations before income taxes</b> | <b>\$ 1,575</b>      | <b>\$ 1,760</b> | <b>\$ 1,080</b> |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Income Taxes (Continued)**

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

|  | Fiscal        |               |                |
|--|---------------|---------------|----------------|
|  | 2015          | 2014          | 2013           |
|  | (in millions) |               |                |
| Notional U.S. federal income tax provision at the statutory rate | \$ 551        | \$ 616        | \$ 378         |
| Adjustments to reconcile to the income tax provision (benefit):  |               |               |                |
| U.S. state income tax provision (benefit), net                   | 11            | (4)           | (58)           |
| Other (income) expense Tax Sharing Agreement                     | 18            | (23)          | 64             |
| Tax law changes  | 10            | (1)           |                |
| Tax credits  | (9)           | (8)           | (10)           |
| Non-U.S. net earnings <sup>(1)</sup>                             | (275)         | (287)         | (256)          |
| Nondeductible charges  | 2             | 3             |                |
| Change in accrued income tax liabilities                         | (183)         | 112           | (164)          |
| Valuation allowance  | (3)           | (239)         | (30)           |
| Legal entity restructuring                                       | 211           |               |                |
| Other  | 4             | (23)          | 1              |
| <b>Provision (benefit) for income taxes</b>                      | <b>\$ 337</b> | <b>\$ 146</b> | <b>\$ (75)</b> |

(1)

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

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

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

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

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



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Income Taxes (Continued)**

limitations for examinations of prior year income tax returns, partially offset by income tax expense related to adjustments to prior year income tax returns.

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

|   | Fiscal Year End |          |
|---|-----------------|----------|
|   | 2015            | 2014     |
|   | (in millions)   |          |
| Deferred tax assets:                              |                 |          |
| Accrued liabilities and reserves                  | \$ 262          | \$ 262   |
| Tax loss and credit carryforwards                 | 4,856           | 3,356    |
| Inventories                                       | 57              | 52       |
| Pension and postretirement benefits               | 295             | 282      |
| Deferred revenue                                  | 17              | 12       |
| Interest  | 394             | 358      |
| Unrecognized income tax benefits                  | 378             | 391      |
| Other   | 4               | 27       |
|   | 6,263           | 4,740    |
| Deferred tax liabilities:                         |                 |          |
| Intangible assets                                 | (809)           | (835)    |
| Property, plant, and equipment                    | (1)             | (10)     |
| Other   | (89)            | (73)     |
|   | (899)           | (918)    |
| Net deferred tax asset before valuation allowance | 5,364           | 3,822    |
| Valuation allowance                               | (3,237)         | (1,706)  |
| Net deferred tax asset                            | \$ 2,127        | \$ 2,116 |

During fiscal 2015, tax loss and credit carryforwards increased due primarily to tax losses of \$1,381 million (tax effected) generated in connection with the write-down of investments in subsidiaries in certain jurisdictions. The valuation allowance was increased by a corresponding amount due to the uncertainty of the future realization of these tax losses.

At fiscal year end 2015, we had approximately \$1,363 million of U.S. federal and \$125 million of U.S. state net operating loss carryforwards (tax effected) which will expire in future years through 2035. In addition, at fiscal year end 2015, we had approximately \$194 million of U.S. federal tax credit carryforwards, of which \$63 million have no expiration and \$131 million will expire in future years through 2035, and \$40 million of U.S. state tax credits carryforwards which will expire in future years through 2030. Also, at fiscal year end 2015, we had were \$20 million of U.S federal capital loss carryforwards (tax effected) which will expire in future years through 2020.

At fiscal year end 2015, we had approximately \$3,068 million of net operating loss carryforwards (tax effected) in certain non-U.S. jurisdictions, of which \$3,005 million have no expiration and \$63 million will expire in future years through 2035. Also, at fiscal year end 2015, there were \$1 million



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**TE CONNECTIVITY LTD.**

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

**16. Income Taxes (Continued)**

of non-U.S. tax credit carryforwards which have no expiration. In addition, we had approximately \$45 million of non-U.S. capital loss carryforwards (tax effected), of which \$38 million have no expiration and \$7 million will expire in future years through 2020.

The valuation allowance for deferred tax assets of \$3,237 million and \$1,706 million at fiscal year end 2015 and 2014, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. We believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on the Consolidated Balance Sheet. At fiscal year end 2015, approximately \$151 million of the valuation allowance relates to share-based compensation and will be recorded to equity if certain net operating losses and tax credit carryforwards are utilized.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of September 25, 2015, certain subsidiaries had approximately \$19 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of September 25, 2015, we had approximately \$5.2 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately \$1.7 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 16. Income Taxes (Continued)

*Uncertain Tax Position Provisions of ASC 740*

As of September 25, 2015, we had total unrecognized income tax benefits of \$1,368 million. If recognized in future years, \$1,291 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. As of September 26, 2014, we had total unrecognized income tax benefits of \$1,595 million. If recognized in future years, \$1,450 million of these unrecognized income tax benefits would impact the income tax provision and effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

|  | 2015          | Fiscal<br>2014 | 2013     |
|--|---------------|----------------|----------|
|  | (in millions) |                |          |
| Balance at beginning of fiscal year                          | \$ 1,595      | \$ 1,617       | \$ 1,794 |
| Additions related to prior periods tax positions             | 24            | 22             | 88       |
| Reductions related to prior periods tax positions            | (291)         | (57)           | (271)    |
| Additions related to current period tax positions            | 97            | 32             | 87       |
| Acquisitions   |               | 7              |          |
| Settlements  | (29)          | (14)           | (8)      |
| Reductions due to lapse of applicable statute of limitations | (28)          | (12)           | (73)     |
| Balance at end of fiscal year                                | \$ 1,368      | \$ 1,595       | \$ 1,617 |

We record accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of September 25, 2015, we had recorded \$1,076 million of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheet, of which \$1,073 million was recorded in income taxes and the remainder was recorded in accrued and other current liabilities. As of September 26, 2014, the balance of accrued interest and penalties was \$1,136 million, of which \$1,115 million was recorded in income taxes and the remainder was recorded in accrued and other current liabilities. During fiscal 2015, 2014, and 2013, we recognized expense of \$7 million, expense of \$99 million, and benefits of \$247 million, respectively, related to interest and penalties on the Consolidated Statements of Operations.

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

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



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Income Taxes (Continued)**

As of September 25, 2015, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

| <b>Jurisdiction</b>              | <b>Open Years</b> |
|----------------------------------|-------------------|
| Belgium                          | 2014 through 2015 |
| Brazil                           | 2010 through 2015 |
| Canada                           | 2008 through 2015 |
| China                            | 2005 through 2015 |
| Czech Republic                   | 2010 through 2015 |
| France                           | 2012 through 2015 |
| Germany                          | 2008 through 2015 |
| Hong Kong                        | 2009 through 2015 |
| Hungary                          | 2009 through 2015 |
| India                            | 2008 through 2015 |
| Italy                            | 2009 through 2015 |
| Japan                            | 2009 through 2015 |
| Korea                            | 2007 through 2015 |
| Luxembourg                       | 2010 through 2015 |
| Mexico                           | 2009 through 2015 |
| Netherlands                      | 2011 through 2015 |
| Portugal                         | 2012 through 2015 |
| Singapore                        | 2010 through 2015 |
| Spain                            | 2011 through 2015 |
| Switzerland                      | 2010 through 2015 |
| United Kingdom                   | 2013 through 2015 |
| U.S. federal and state and local | 1997 through 2015 |

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

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that up to approximately \$60 million of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months. See Note 13 for additional information regarding the status of IRS examinations.

We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected on the Consolidated Balance Sheet as of September 25, 2015.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Other Income (Expense), Net**

In fiscal 2015, 2014, and 2013, we recorded net other expense of \$55 million, net other income of \$63 million, and net other expense of \$183 million, respectively, primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 for further information regarding the Tax Sharing Agreement. The net other expense in fiscal 2015 included \$84 million related to the effective settlement of undisputed tax matters for the years 2001 through 2007. The net other income in fiscal 2014 included \$18 million of income related to our share of a settlement agreement entered into by Tyco International with a former subsidiary, CIT Group Inc., which arose from a pre-separation claim for which we were entitled to 31% once resolved. The net other expense in fiscal 2013 included \$231 million related to the effective settlement of all undisputed tax matters for the years 1997 through 2000. See Note 13 for additional information regarding the effective settlement of undisputed tax matters.

**18. Earnings Per Share**

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

|  | Fiscal        |      |      |
|--|---------------|------|------|
|  | 2015          | 2014 | 2013 |
|  | (in millions) |      |      |
| Basic  | 405           | 410  | 418  |
| Dilutive impact of share-based compensation arrangements | 6             | 7    | 5    |
| Diluted  | 411           | 417  | 423  |

There were one million and three million share options that were not included in the computation of diluted earnings per share for fiscal 2015 and 2013, respectively, because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive.

**19. Equity***Common Shares*

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

Subject to certain conditions specified in our articles of association, we are authorized to increase our conditional share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares.

*Common Shares Held in Treasury*

At September 25, 2015, approximately 20 million common shares were held in treasury, of which 6 million were owned by one of our subsidiaries. At September 26, 2014, approximately 11 million common shares were held in treasury, of which 9 million were owned by one of our subsidiaries. Shares

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Equity (Continued)**

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

In fiscal 2015, 2014, and 2013, our shareholders approved the cancellation of five million, ten million, and ten million shares, respectively, purchased under our share repurchase program. These capital reductions by cancellation of shares were subject to a notice period and filing with the commercial register in Switzerland.

***Contributed Surplus***

Contributed surplus established for Swiss tax and statutory purposes ("Swiss Contributed Surplus"), subject to certain conditions, is a freely distributable reserve. Distributions to shareholders from Swiss Contributed Surplus are free from withholding tax. As of September 25, 2015 and September 26, 2014, Swiss Contributed Surplus was CHF 8,392 million and CHF 8,907 million, respectively (equivalent to \$7,505 million and \$8,036 million, respectively).

***Dividends and Distributions to Shareholders***

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

Our shareholders approved the following dividends and cash distributions on our common shares:

| <b>Approval Date</b> | <b>Payment Type</b>                         | <b>Annual Payment Per Share</b>   | <b>Payment Dates</b>   |
|----------------------|---|---|--|
| March 2012           | Cash distribution <sup>(1)</sup>            | CHF 0.80 (equivalent to \$0.84), payable in four quarterly installments of \$0.21 | Third quarter of fiscal 2012<br>Fourth quarter of fiscal 2012<br>First quarter of fiscal 2013<br>Second quarter of fiscal 2013 |
| March 2013           | Dividend payment out of contributed surplus | CHF 0.96 (equivalent to \$1.00), payable in four quarterly installments of \$0.25 | Third quarter of fiscal 2013<br>Fourth quarter of fiscal 2013<br>First quarter of fiscal 2014<br>Second quarter of fiscal 2014 |
| March 2014           | Dividend payment out of contributed surplus | CHF 1.04 (equivalent to \$1.16), payable in four quarterly installments of \$0.29 | Third quarter of fiscal 2014<br>Fourth quarter of fiscal 2014<br>First quarter of fiscal 2015<br>Second quarter of fiscal 2015 |
| March 2015           | Dividend payment out of contributed surplus | \$1.32 (equivalent to CHF 1.27), payable in four quarterly installments of \$0.33 | Third quarter of fiscal 2015<br>Fourth quarter of fiscal 2015<br>First quarter of fiscal 2016<br>Second quarter of fiscal 2016 |

(1) The cash distribution in the form of a capital reduction reduced the par value of our common shares from CHF 1.37 (equivalent to \$1.28) to CHF 0.57 (equivalent to \$0.44).



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Equity (Continued)**

Upon approval by the shareholders of a dividend payment or cash distribution in the form of a capital reduction, we record a liability with a corresponding charge to contributed surplus or common shares. At September 25, 2015 and September 26, 2014, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled \$260 million and \$236 million, respectively.

*Share Repurchase Program*

During fiscal 2015, our board of directors authorized an increase of \$3.0 billion in the share repurchase program. Common shares repurchased under the share repurchase program were as follows:

|                                     | <b>Fiscal</b>        |             |             |
|-------------------------------------|----------------------|-------------|-------------|
|                                     | <b>2015</b>          | <b>2014</b> | <b>2013</b> |
|                                     | <b>(in millions)</b> |             |             |
| Number of common shares repurchased | 18                   | 11          | 20          |
| Amount repurchased                  | \$ 1,163             | \$ 604      | \$ 829      |

At September 25, 2015, we had \$2.7 billion of availability remaining under our share repurchase authorization.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Accumulated Other Comprehensive Income (Loss)**

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

|   | Currency<br>Translation <sup>(1)</sup> | Unrecognized<br>Pension and<br>Postretirement<br>Benefit Costs | Gains (Losses)<br>on Cash<br>Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|--|--|---|--|
|   | (in millions)                          |  |   |  |
| Balance at September 28, 2012   | \$ 959                                 | \$ (700)   | \$ (30)                                     | \$ 229   |
| Net other comprehensive income (loss)                                   | (28)                                   | 204  | (36)  | 140  |
| Income tax (expense) benefit  |  | (73)   | 7   | (66)   |
| Net other comprehensive income (loss), net of tax                       | (28)                                   | 131  | (29)  | 74   |
| Balance at September 27, 2013   | 931                                    | (569)  | (59)  | 303  |
| Other comprehensive loss before reclassifications                       | (216)                                  | (211)  | (35)  | (462)  |
| Amounts reclassified from accumulated other comprehensive income (loss) | 5                                      | 44   | 49  | 98   |
| Income tax benefit  |  | 44   |   | 44   |
| Net other comprehensive income (loss), net of tax                       | (211)                                  | (123)  | 14  | (320)  |
| Balance at September 26, 2014   | 720                                    | (692)  | (45)  | (17)   |
| Other comprehensive loss before reclassifications                       | (536)                                  | (147)  | (44)  | (727)  |
| Amounts reclassified from accumulated other comprehensive income (loss) | 224 <sup>(2)</sup>                     | 75   | 45  | 344  |
| Income tax benefit  |  | 26   | 1   | 27   |
| Net other comprehensive income (loss), net of tax                       | (312)                                  | (46)   | 2   | (356)  |
| Balance at September 25, 2015   | \$ 408                                 | \$ (738)   | \$ (43)                                     | \$ (373)   |

(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.

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

**21. Share Plans**

Equity awards (primarily restricted share awards, performance share awards, and share options) granted by us are administered by the management development and compensation committee of our board of directors, which consists exclusively of independent directors. Our plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated, is the primary plan, provide for the award of annual performance bonuses and long-term performance awards, including share options, restricted and performance units, deferred stock units, and other share-based awards



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. Share Plans (Continued)**

(collectively, "Awards") and allow for the use of unissued shares or treasury shares to be used to satisfy such Awards. As of September 25, 2015, our plans provided for a maximum of 67 million shares to be issued as Awards, subject to adjustment as provided under the terms of the plans. A total of 19 million shares remained available for issuance under our plans as of September 25, 2015.

***Share-Based Compensation Expense***

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

|                                  | <b>Fiscal</b>        |             |             |
|----------------------------------|----------------------|-------------|-------------|
|                                  | <b>2015</b>          | <b>2014</b> | <b>2013</b> |
|                                  | <b>(in millions)</b> |             |             |
| Share-based compensation expense | \$ 89                | \$ 77       | \$ 71       |

We recognized a related tax benefit associated with our share-based compensation arrangements of \$29 million, \$24 million, and \$22 million in fiscal 2015, 2014, and 2013, respectively.

***Restricted Share Awards***

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

A summary of restricted share award activity is presented below:

|                                 | <b>Shares</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|---------------------------------|---------------|---|
| Nonvested at September 26, 2014 | 3,397,828     | \$ 40.79  |
| Granted                         | 1,359,144     | 62.45   |
| Vested                          | (1,485,763)   | 38.80   |
| Forfeited                       | (480,275)     | 48.43   |
| Nonvested at September 25, 2015 | 2,790,934     | \$ 51.01  |

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2015, 2014, and 2013 was \$62.45, \$52.21, and \$34.69, respectively.

The total fair value of restricted share awards that vested during fiscal 2015, 2014, and 2013 was \$58 million, \$52 million, and \$51 million, respectively.



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. Share Plans (Continued)**

As of September 25, 2015, there was \$87 million of unrecognized compensation cost related to nonvested restricted share awards. The cost is expected to be recognized over a weighted-average period of 1.6 years.

***Performance Share Awards***

Performance share awards, which are generally in the form of performance share units, are granted with pay-out subject to vesting requirements and certain performance conditions that are determined at the time of grant. Based on our performance, the pay-out of performance share units can range from 0% to 200% of the number of units originally granted. The grant-date fair value of performance share awards is expensed over the period of performance once achievement of the performance criteria is deemed probable. Recipients of performance share units have no voting rights but do receive dividend equivalents. Performance share awards generally vest after a period of three years as determined by the management development and compensation committee.

A summary of performance share award activity is presented below:

|                                   | Shares   | Weighted-Average<br>Grant-Date<br>Fair Value |
|-----------------------------------|----------|--|
| Outstanding at September 26, 2014 | 510,488  | \$ 41.53                                     |
| Granted                           | 220,272  | 61.65  |
| Vested                            | (1,285)  | 34.05  |
| Forfeited                         | (28,647) | 42.63  |
| Outstanding at September 25, 2015 | 700,828  | \$ 47.32                                     |

The weighted-average grant-date fair value of performance share awards granted during fiscal 2015, 2014, and 2013 was \$61.65, \$51.63, and \$34.16, respectively.

As of September 25, 2015, there was \$15 million of unrecognized compensation cost related to nonvested performance share awards. The cost is expected to be recognized over a weighted-average period of 1.0 years.

***Share Options***

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

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 21. Share Plans (Continued)

A summary of share option award activity is presented below:

|   | Shares      | Weighted-Average<br>Exercise<br>Price | Weighted-Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic<br>Value<br>(in millions) |
|---|-------------|---------------------------------------|--|--|
| Outstanding at September 26, 2014                 | 11,948,584  | \$ 35.41                              |  |  |
| Granted   | 1,735,750   | 61.70                                 |  |  |
| Exercised   | (3,072,275) | 32.84                                 |  |  |
| Expired   | (91,021)    | 52.93                                 |  |  |
| Forfeited   | (396,163)   | 46.10                                 |  |  |
| Outstanding at September 25, 2015                 | 10,124,875  | \$ 40.05                              | 6.0  | \$ 192   |
| Vested and expected to vest at September 25, 2015 | 9,822,310   | \$ 39.79                              | 6.0  | \$ 188   |
| Exercisable at September 25, 2015                 | 5,758,402   | \$ 33.71                              | 4.6  | \$ 142   |

The weighted-average exercise price of share option awards granted during fiscal 2015, 2014, and 2013 were \$61.70, \$51.78, and \$34.27, respectively.

The total intrinsic value of options exercised during fiscal 2015, 2014, and 2013 was \$107 million, \$136 million, and \$69 million, respectively. We received cash related to the exercise of options of \$103 million, \$156 million, and \$214 million in fiscal 2015, 2014, and 2013, respectively. The related excess cash tax benefit classified as a financing cash inflow on the Consolidated Statements of Cash Flows for fiscal 2015, 2014, and 2013 was not material.

As of September 25, 2015, there was \$39 million of unrecognized compensation cost related to nonvested share options granted under our share option plans. The cost is expected to be recognized over a weighted-average period of 1.4 years.

***Share-Based Compensation Assumptions***

The grant-date fair value of each share option grant was estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. We employ our historical share volatility when calculating the grant-date fair value of our share option grants using the Black-Scholes-Merton option pricing model. Currently, we do not have exchange-traded options of sufficient duration to employ an implied volatility assumption in the calculation and therefore rely solely on the historical volatility calculation. For fiscal 2013, we calculated the grant-date fair value of our share option awards utilizing the historical share volatility of a composite of our peers and implied volatility derived from exchange-traded options on that same composite of peers since we did not have historical share price information for a period of time equal to our expected option life assumption. The change in methodology did not have a significant impact on share-based compensation expense during fiscal 2015 or 2014. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term that approximated the expected life assumed at the date of grant. The expected annual dividend per share was based on our expected dividend rate. The recognized share-based compensation expense was net of estimated forfeitures, which are based on voluntary termination behavior as well as an analysis of actual option forfeitures.

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**21. Share Plans (Continued)**

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

|  | Fiscal   |          |         |
|--|----------|----------|---------|
|  | 2015     | 2014     | 2013    |
| Weighted-average grant-date fair value | \$ 18.77 | \$ 16.81 | \$ 8.62 |

Assumptions:

|                                     |         |         |         |
|-------------------------------------|---------|---------|---------|
| Expected share price volatility     | 36%     | 39%     | 34%     |
| Risk free interest rate             | 2.0%    | 1.8%    | 0.9%    |
| Expected annual dividend per share  | \$ 1.16 | \$ 1.00 | \$ 0.84 |
| Expected life of options (in years) | 6.0     | 6.0     | 6.0     |

**22. Segment and Geographic Data**

During fiscal 2015, we reorganized our management structure and segments to better align the organization around our strategy. Our businesses in the former Consumer Solutions segment and our continuing businesses in the former Network Solutions segment have been moved into the newly created Communications Solutions segment. (See Note 4 for information regarding discontinued operations.) In addition, the former Data Communications and Consumer Devices businesses have been combined to form the Data and Devices business. We now operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. See Note 1 for a description of the segments in which we operate. We aggregate our operating segments into reportable segments based upon similar economic characteristics and business groupings of products, services, and customers.

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

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

Net sales and operating income by segment were as follows:

|                          | Net Sales     |           |           | Operating Income |          |          |
|--------------------------|---------------|-----------|-----------|------------------|----------|----------|
|                          | Fiscal        |           |           | Fiscal           |          |          |
|                          | 2015          | 2014      | 2013      | 2015             | 2014     | 2013     |
|                          | (in millions) |           |           |                  |          |          |
| Transportation Solutions | \$ 6,351      | \$ 6,090  | \$ 5,485  | \$ 1,193         | \$ 1,245 | \$ 934   |
| Industrial Solutions     | 3,179         | 3,302     | 3,100     | 352              | 431      | 344      |
| Communications Solutions | 2,703         | 2,581     | 2,805     | 204              | 129      | 107      |
| Total                    | \$ 12,233     | \$ 11,973 | \$ 11,390 | \$ 1,749         | \$ 1,805 | \$ 1,385 |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Segment and Geographic Data (Continued)**

No single customer accounted for a significant amount of our net sales in fiscal 2015, 2014, and 2013.

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

Depreciation and amortization and capital expenditures were as follows:

|                          | Depreciation and Amortization |        |        | Capital Expenditures |        |        |
|--------------------------|-------------------------------|--------|--------|----------------------|--------|--------|
|                          | Fiscal                        |        |        | Fiscal               |        |        |
|                          | 2015                          | 2014   | 2013   | 2015                 | 2014   | 2013   |
|                          | (in millions)                 |        |        |                      |        |        |
| Transportation Solutions | \$ 347                        | \$ 285 | \$ 294 | \$ 400               | \$ 379 | \$ 325 |
| Industrial Solutions     | 123                           | 102    | 92     | 104                  | 143    | 111    |
| Communications Solutions | 146                           | 164    | 150    | 96                   | 113    | 145    |
| Total                    | \$ 616                        | \$ 551 | \$ 536 | \$ 600               | \$ 635 | \$ 581 |

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

|                                     | Segment Assets  |           |           |
|-------------------------------------|-----------------|-----------|-----------|
|                                     | Fiscal Year End |           |           |
|                                     | 2015            | 2014      | 2013      |
|                                     | (in millions)   |           |           |
| Transportation Solutions            | \$ 3,310        | \$ 3,062  | \$ 2,983  |
| Industrial Solutions                | 1,720           | 1,735     | 1,640     |
| Communications Solutions            | 1,625           | 1,689     | 1,764     |
| Total segment assets <sup>(1)</sup> | 6,655           | 6,486     | 6,387     |
| Other current assets                | 4,152           | 5,313     | 4,243     |
| Other non-current assets            | 9,801           | 8,353     | 7,831     |
| Total assets                        | \$ 20,608       | \$ 20,152 | \$ 18,461 |

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Segment and Geographic Data (Continued)**

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

|                                   | Net Sales <sup>(1)</sup> |           |           | Property, Plant, and<br>Equipment, Net |          |          |
|-----------------------------------|--------------------------|-----------|-----------|--|----------|----------|
|                                   | Fiscal                   |           |           | Fiscal Year End                        |          |          |
|                                   | 2015                     | 2014      | 2013      | 2015                                   | 2014     | 2013     |
|                                   | (in millions)            |           |           |  |          |          |
| <b>Americas:</b>                  |                          |           |           |  |          |          |
| U.S.                              | \$ 3,817                 | \$ 3,119  | \$ 3,042  | \$ 887                                 | \$ 837   | \$ 867   |
| Other Americas                    | 321                      | 396       | 414       | 87                                     | 97       | 49       |
| Total Americas                    | 4,138                    | 3,515     | 3,456     | 974                                    | 934      | 916      |
| <b>Asia Pacific:</b>              |                          |           |           |  |          |          |
| China                             | 2,367                    | 2,331     | 2,072     | 529                                    | 492      | 495      |
| Other Asia Pacific                | 1,736                    | 1,903     | 1,914     | 461                                    | 468      | 490      |
| Total Asia Pacific                | 4,103                    | 4,234     | 3,986     | 990                                    | 960      | 985      |
| <b>Europe/Middle East/Africa:</b> |                          |           |           |  |          |          |
| Switzerland                       | 2,992                    | 3,483     | 3,216     | 55                                     | 54       | 54       |
| Germany                           | 117                      | 126       | 123       | 313                                    | 330      | 346      |
| Other Europe/Middle East/Africa   | 883                      | 615       | 609       | 588                                    | 642      | 650      |
| Total Europe/Middle East/Africa   | 3,992                    | 4,224     | 3,948     | 956                                    | 1,026    | 1,050    |
| Total                             | \$ 12,233                | \$ 11,973 | \$ 11,390 | \$ 2,920                               | \$ 2,920 | \$ 2,951 |

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****23. Quarterly Financial Data (unaudited)**

Summarized quarterly financial data was as follows:

|   | Fiscal                               |                   |                  |                                  |                  |                   |                  |                                  |
|---|--------------------------------------|-------------------|------------------|----------------------------------|------------------|-------------------|------------------|----------------------------------|
|   | 2015                                 |                   |                  |                                  | 2014             |                   |                  |                                  |
|   | First<br>Quarter <sup>(1)</sup>      | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter <sup>(2)</sup> | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter <sup>(3)</sup> |
|   | (in millions, except per share data) |                   |                  |                                  |                  |                   |                  |                                  |
| Net sales   | \$ 3,049                             | \$ 3,082          | \$ 3,118         | \$ 2,984                         | \$ 2,862         | \$ 2,964          | \$ 3,075         | \$ 3,072                         |
| Gross margin  | 1,020                                | 1,051             | 1,048            | 968                              | 945              | 995               | 1,018            | 1,014                            |
| Acquisition and integration costs                                       | 24                                   | 14                | 8                | 9                                |                  | 1                 | 1                | 29                               |
| Restructuring and other charges (credits),<br>net                       | 25                                   | 38                | 19               | 70                               | 6                | (1)               | 10               | 4                                |
| <b>Amounts attributable to TE Connectivity Ltd.:</b>                    |                                      |                   |                  |                                  |                  |                   |                  |                                  |
| Income from continuing operations                                       | 435                                  | 316               | 351              | 136                              | 313              | 340               | 347              | 614                              |
| Income (loss) from discontinued<br>operations, net of income taxes      | 37                                   | 283               | (42)             | 904                              | 40               | 22                | 56               | 49                               |
| Net income  | \$ 472                               | \$ 599            | \$ 309           | \$ 1,040                         | \$ 353           | \$ 362            | \$ 403           | \$ 663                           |
| <b>Basic earnings per share attributable to TE Connectivity Ltd.:</b>   |                                      |                   |                  |                                  |                  |                   |                  |                                  |
| Income from continuing operations                                       | \$ 1.07                              | \$ 0.78           | \$ 0.86          | \$ 0.34                          | \$ 0.76          | \$ 0.83           | \$ 0.85          | \$ 1.50                          |
| Net income  | 1.16                                 | 1.47              | 0.76             | 2.60                             | 0.86             | 0.88              | 0.99             | 1.62                             |
| <b>Diluted earnings per share attributable to TE Connectivity Ltd.:</b> |                                      |                   |                  |                                  |                  |                   |                  |                                  |
| Income from continuing operations                                       | \$ 1.05                              | \$ 0.77           | \$ 0.85          | \$ 0.34                          | \$ 0.75          | \$ 0.82           | \$ 0.83          | \$ 1.48                          |
| Net income  | 1.14                                 | 1.45              | 0.75             | 2.57                             | 0.84             | 0.87              | 0.97             | 1.59                             |

- (1) Results for the first quarter of fiscal 2015 include \$27 million of charges from the amortization of acquisition-related fair value adjustments to acquired inventories and customer order backlog associated primarily with Measurement Specialties. Results for the first quarter of fiscal 2015 also include \$189 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 2001 through 2007 and the related impact of \$83 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien.
- (2) Results for the fourth quarter of fiscal 2015 include \$216 million of income tax charges associated with the tax impacts of certain intercompany legal entity restructurings made in connection with our integration of Measurement Specialties and \$63 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 2008 through 2010. In addition, in the fourth quarter of fiscal 2015, income from discontinued operations, net of income taxes includes the gain on the sale of our BNS business.
- (3) Results for the fourth quarter of fiscal 2014 include \$282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.

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**TE CONNECTIVITY LTD.**

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

**24. Subsequent Event**

On November 7, 2015, we entered into a definitive agreement to sell our Circuit Protection Devices ("CPD") business for \$350 million in cash, subject to a final working capital adjustment. The transaction is expected to close during the second quarter of fiscal 2016 pending customary closing conditions and regulatory approvals. The net assets of the CPD business were approximately \$200 million at September 25, 2015. The CPD business is currently reported in our Communications Solutions segment.

**25. Tyco Electronics Group S.A.**

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

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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



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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|  | TE<br>Connectivity<br>Ltd. | TEGSA    | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total     |
|--|----------------------------|----------|--|------------------------------|-----------|
| Net sales  | \$                         | \$       | \$ 11,973                              | \$                           | \$ 11,973 |
| Cost of sales  |                            |          | 8,001                                  |                              | 8,001     |
| <b>Gross margin</b>  |                            |          | 3,972                                  |                              | 3,972     |
| Selling, general, and administrative expenses, net <sup>(1)</sup>                              | 131                        | 1,877    | (474)                                  |                              | 1,534     |
| Research, development, and engineering expenses  |                            |          | 583                                    |                              | 583       |
| Acquisition and integration costs  |                            |          | 31                                     |                              | 31        |
| Restructuring and other charges, net   |                            |          | 19                                     |                              | 19        |
| <b>Operating income (loss)</b>   | (131)                      | (1,877)  | 3,813                                  |                              | 1,805     |
| Interest income  |                            |          | 19                                     |                              | 19        |
| Interest expense   |                            | (126)    | (1)                                    |                              | (127)     |
| Other income (expense), net  | 18                         | (3)      | 48                                     |                              | 63        |
| Equity in net income of subsidiaries   | 1,729                      | 3,672    |  | (5,401)                      |           |
| Equity in net income of subsidiaries of discontinued operations                                | 167                        | 167      |  | (334)                        |           |
| Intercompany interest income (expense), net  | (2)                        | 63       | (61)                                   |                              |           |
| <b>Income from continuing operations before income taxes</b>                                   | 1,781                      | 1,896    | 3,818                                  | (5,735)                      | 1,760     |
| Income tax expense   |                            |          | (146)                                  |                              | (146)     |
| <b>Income from continuing operations</b>   | 1,781                      | 1,896    | 3,672                                  | (5,735)                      | 1,614     |
| Income from discontinued operations, net of income taxes                                       |                            |          | 167                                    |                              | 167       |
| <b>Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries</b>           | 1,781                      | 1,896    | 3,839                                  | (5,735)                      | 1,781     |
| Other comprehensive loss   | (320)                      | (320)    | (328)                                  | 648                          | (320)     |
| <b>Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries</b> | \$ 1,461                   | \$ 1,576 | \$ 3,511                               | \$ (5,087)                   | \$ 1,461  |

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

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|  | TE<br>Connectivity<br>Ltd. | TEGSA    | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total     |
|--|----------------------------|----------|--|------------------------------|-----------|
| Net sales  | \$                         | \$       | \$ 11,390                              | \$                           | \$ 11,390 |
| Cost of sales  |                            |          | 7,739                                  |                              | 7,739     |
| <b>Gross margin</b>  |                            |          | 3,651                                  |                              | 3,651     |
| Selling, general, and administrative expenses  | 156                        | 3        | 1,281                                  |                              | 1,440     |
| Research, development, and engineering expenses  |                            |          | 590                                    |                              | 590       |
| Acquisition and integration costs  |                            |          | 14                                     |                              | 14        |
| Restructuring and other charges, net   |                            |          | 222                                    |                              | 222       |
| <b>Operating income (loss)</b>   | (156)                      | (3)      | 1,544                                  |                              | 1,385     |
| Interest income  |                            |          | 17                                     |                              | 17        |
| Interest expense   |                            | (135)    | (4)                                    |                              | (139)     |
| Other expense, net   |                            |          | (183)                                  |                              | (183)     |
| Equity in net income of subsidiaries   | 1,323                      | 1,411    |  | (2,734)                      |           |
| Equity in net income of subsidiaries of discontinued operations                                | 122                        | 122      |  | (244)                        |           |
| Intercompany interest income (expense), net  | (13)                       | 54       | (41)                                   |                              |           |
| <b>Income from continuing operations before income taxes</b>                                   | 1,276                      | 1,449    | 1,333                                  | (2,978)                      | 1,080     |
| Income tax (expense) benefit   |                            | (4)      | 79                                     |                              | 75        |
| <b>Income from continuing operations</b>   | 1,276                      | 1,445    | 1,412                                  | (2,978)                      | 1,155     |
| Income from discontinued operations, net of income taxes                                       |                            |          | 122                                    |                              | 122       |
| <b>Net income</b>  | 1,276                      | 1,445    | 1,534                                  | (2,978)                      | 1,277     |
| Less: net income attributable to noncontrolling interests                                      |                            |          | (1)                                    |                              | (1)       |
| <b>Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries</b>           | 1,276                      | 1,445    | 1,533                                  | (2,978)                      | 1,276     |
| Other comprehensive income   | 74                         | 74       | 64                                     | (138)                        | 74        |
| <b>Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries</b> | \$ 1,350                   | \$ 1,519 | \$ 1,597                               | \$ (3,116)                   | \$ 1,350  |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Condensed Consolidating Balance Sheet  
As of September 25, 2015

|   | TE<br>Connectivity<br>Ltd. | TEGSA     | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total     |
|---|----------------------------|-----------|--|------------------------------|-----------|
| <b>Assets</b>   |                            |           |  |                              |           |
| Current assets:   |                            |           |  |                              |           |
| Cash and cash equivalents                               | \$                         | \$        | \$ 3,329                               | \$                           | \$ 3,329  |
| Accounts receivable, net                                |                            |           | 2,120                                  |                              | 2,120     |
| Inventories   |                            |           | 1,615                                  |                              | 1,615     |
| Intercompany receivables                                | 813                        | 389       | 66                                     | (1,268)                      |           |
| Prepaid expenses and other current assets               | 4                          | 6         | 468                                    |                              | 478       |
| Deferred income taxes                                   |                            |           | 345                                    |                              | 345       |
| Total current assets                                    | 817                        | 395       | 7,943                                  | (1,268)                      | 7,887     |
| Property, plant, and equipment, net                     |                            |           | 2,920                                  |                              | 2,920     |
| Goodwill  |                            |           | 4,824                                  |                              | 4,824     |
| Intangible assets, net                                  |                            |           | 1,555                                  |                              | 1,555     |
| Deferred income taxes                                   |                            |           | 2,144                                  |                              | 2,144     |
| Investment in subsidiaries                              | 9,505                      | 19,645    |  | (29,150)                     |           |
| Intercompany loans receivable                           | 22                         | 2,328     | 8,110                                  | (10,460)                     |           |
| Receivable from Tyco International plc and Covidien plc |                            |           | 964                                    |                              | 964       |
| Other assets  |                            | 44        | 270                                    |                              | 314       |
| <b>Total Assets</b>                                     | \$ 10,344                  | \$ 22,412 | \$ 28,730                              | \$ (40,878)                  | \$ 20,608 |
| <b>Liabilities and Equity</b>                           |                            |           |  |                              |           |
| Current liabilities:                                    |                            |           |  |                              |           |
| Current maturities of long-term debt                    | \$                         | \$ 500    | \$                                     | \$                           | \$ 500    |
| Accounts payable  | 2                          |           | 1,141                                  |                              | 1,143     |
| Accrued and other current liabilities                   | 442                        | 75        | 1,232                                  |                              | 1,749     |
| Deferred revenue  |                            |           | 185                                    |                              | 185       |
| Intercompany payables                                   | 311                        | 824       | 133                                    | (1,268)                      |           |
| Total current liabilities                               | 755                        | 1,399     | 2,691                                  | (1,268)                      | 3,577     |
| Long-term debt  |                            | 3,402     | 1                                      |                              | 3,403     |
| Intercompany loans payable                              | 4                          | 8,106     | 2,350                                  | (10,460)                     |           |
| Long-term pension and postretirement liabilities        |                            |           | 1,327                                  |                              | 1,327     |
| Deferred income taxes                                   |                            |           | 329                                    |                              | 329       |
| Income taxes  |                            |           | 1,954                                  |                              | 1,954     |
| Other liabilities                                       |                            |           | 433                                    |                              | 433       |
| <b>Total Liabilities</b>                                | 759                        | 12,907    | 9,085                                  | (11,728)                     | 11,023    |
| <b>Total Equity</b>                                     | 9,585                      | 9,505     | 19,645                                 | (29,150)                     | 9,585     |

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|                                     |    |        |    |        |    |        |    |          |    |        |
|-------------------------------------|----|--------|----|--------|----|--------|----|----------|----|--------|
| <b>Total Liabilities and Equity</b> | \$ | 10,344 | \$ | 22,412 | \$ | 28,730 | \$ | (40,878) | \$ | 20,608 |
|-------------------------------------|----|--------|----|--------|----|--------|----|----------|----|--------|

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Condensed Consolidating Balance Sheet  
As of September 26, 2014

|   | TE<br>Connectivity<br>Ltd. | TEGSA            | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total            |
|---|----------------------------|------------------|--|------------------------------|------------------|
| <b>Assets</b>   |                            |                  |  |                              |                  |
| Current assets:   |                            |                  |  |                              |                  |
| Cash and cash equivalents                               | \$                         | \$ 1             | \$ 2,456                               | \$                           | \$ 2,457         |
| Accounts receivable, net                                |                            |                  | 2,057                                  |                              | 2,057            |
| Inventories   |                            |                  | 1,509                                  |                              | 1,509            |
| Intercompany receivables                                | 932                        | 230              | 30                                     | (1,192)                      |                  |
| Prepaid expenses and other current assets               | 6                          | 3                | 510                                    |                              | 519              |
| Deferred income taxes                                   |                            |                  | 324                                    |                              | 324              |
| Assets held for sale                                    |                            |                  | 2,013                                  |                              | 2,013            |
| Total current assets                                    | 938                        | 234              | 8,899                                  | (1,192)                      | 8,879            |
| Property, plant, and equipment, net                     |                            |                  | 2,920                                  |                              | 2,920            |
| Goodwill  |                            |                  | 3,726                                  |                              | 3,726            |
| Intangible assets, net                                  |                            |                  | 1,087                                  |                              | 1,087            |
| Deferred income taxes                                   |                            |                  | 2,047                                  |                              | 2,047            |
| Investment in subsidiaries                              | 8,602                      | 19,966           |  | (28,568)                     |                  |
| Intercompany loans receivable                           | 20                         | 2,160            | 9,883                                  | (12,063)                     |                  |
| Receivable from Tyco International plc and Covidien plc |                            |                  | 1,037                                  |                              | 1,037            |
| Other assets  |                            | 30               | 426                                    |                              | 456              |
| <b>Total Assets</b>                                     | <b>\$ 9,560</b>            | <b>\$ 22,390</b> | <b>\$ 30,025</b>                       | <b>\$ (41,823)</b>           | <b>\$ 20,152</b> |
| <b>Liabilities and Equity</b>                           |                            |                  |  |                              |                  |
| Current liabilities:                                    |                            |                  |  |                              |                  |
| Current maturities of long-term debt                    | \$                         | \$ 577           | \$                                     | \$                           | \$ 577           |
| Accounts payable  | 1                          |                  | 1,229                                  |                              | 1,230            |
| Accrued and other current liabilities                   | 282                        | 50               | 1,262                                  |                              | 1,594            |
| Deferred revenue  |                            |                  | 176                                    |                              | 176              |
| Intercompany payables                                   | 260                        |                  | 932                                    | (1,192)                      |                  |
| Liabilities held for sale                               |                            |                  | 416                                    |                              | 416              |
| Total current liabilities                               | 543                        | 627              | 4,015                                  | (1,192)                      | 3,993            |
| Long-term debt  |                            | 3,281            |  |                              | 3,281            |
| Intercompany loans payable                              | 4                          | 9,880            | 2,179                                  | (12,063)                     |                  |
| Long-term pension and postretirement liabilities        |                            |                  | 1,280                                  |                              | 1,280            |
| Deferred income taxes                                   |                            |                  | 229                                    |                              | 229              |
| Income taxes  |                            |                  | 2,044                                  |                              | 2,044            |
| Other liabilities                                       |                            |                  | 312                                    |                              | 312              |
| <b>Total Liabilities</b>                                | <b>547</b>                 | <b>13,788</b>    | <b>10,059</b>                          | <b>(13,255)</b>              | <b>11,139</b>    |

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|                                     |    |       |           |           |             |           |
|-------------------------------------|----|-------|-----------|-----------|-------------|-----------|
| <b>Total Equity</b>                 |    | 9,013 | 8,602     | 19,966    | (28,568)    | 9,013     |
| <b>Total Liabilities and Equity</b> | \$ | 9,560 | \$ 22,390 | \$ 30,025 | \$ (41,823) | \$ 20,152 |

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|   | TE<br>Connectivity<br>Ltd. | TEGSA    | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total    |
|---|----------------------------|----------|--|------------------------------|----------|
| <b>Cash Flows From Operating Activities:</b>  |                            |          |  |                              |          |
| Net cash provided by continuing operating activities <sup>(1)</sup>                           | \$ 1,186                   | \$ 1,270 | \$ 1,824                               | \$ (2,661)                   | \$ 1,619 |
| Net cash provided by discontinued operating activities  |                            |          | 294                                    |                              | 294      |
| Net cash provided by operating activities   | 1,186                      | 1,270    | 2,118                                  | (2,661)                      | 1,913    |
| <b>Cash Flows From Investing Activities:</b>  |                            |          |  |                              |          |
| Capital expenditures  |                            |          | (600)                                  |                              | (600)    |
| Proceeds from sale of property, plant, and equipment  |                            |          | 17                                     |                              | 17       |
| Acquisition of business, net of cash acquired   |                            |          | (1,725)                                |                              | (1,725)  |
| Proceeds from divestiture of discontinued operations, net of cash retained by sold operations |                            | 709      | 2,248                                  |                              | 2,957    |
| Change in intercompany loans  |                            | (1,304)  |  | 1,304                        |          |
| Other   |                            |          | 12                                     |                              | 12       |
| Net cash provided by (used in) continuing investing activities                                |                            | (595)    | (48)                                   | 1,304                        | 661      |
| Net cash used in discontinued investing activities  |                            |          | (25)                                   |                              | (25)     |
| Net cash provided by (used in) investing activities   |                            | (595)    | (73)                                   | 1,304                        | 636      |
| <b>Cash Flows From Financing Activities:</b>  |                            |          |  |                              |          |
| Changes in parent company equity <sup>(2)</sup>   | 80                         | 624      | (704)                                  |                              |          |
| Net decrease in commercial paper  |                            | (328)    |  |                              | (328)    |
| Proceeds from issuance of long-term debt  |                            | 617      |  |                              | 617      |
| Repayment of long-term debt   |                            | (250)    | (223)                                  |                              | (473)    |
| Proceeds from exercise of share options   |                            |          | 103                                    |                              | 103      |
| Repurchase of common shares   | (916)                      |          | (107)                                  |                              | (1,023)  |
| Payment of common share dividends to shareholders   | (515)                      |          | 13                                     |                              | (502)    |
| Intercompany distributions <sup>(1)</sup>   |                            | (1,335)  | (1,326)                                | 2,661                        |          |
| Loan activity with parent   | 165                        |          | 1,139                                  | (1,304)                      |          |
| Transfers from discontinued operations  |                            |          | 269                                    |                              | 269      |
| Other   |                            | (4)      | 4                                      |                              |          |
| Net cash used in continuing financing activities  | (1,186)                    | (676)    | (832)                                  | 1,357                        | (1,337)  |
| Net cash used in discontinued financing activities  |                            |          | (269)                                  |                              | (269)    |
| Net cash used in financing activities   | (1,186)                    | (676)    | (1,101)                                | 1,357                        | (1,606)  |
| Effect of currency translation on cash  |                            |          | (71)                                   |                              | (71)     |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                   |                            | (1)      | 873                                    |                              | 872      |
| <b>Cash and cash equivalents at beginning of fiscal year</b>                                  |                            | 1        | 2,456                                  |                              | 2,457    |
| <b>Cash and cash equivalents at end of fiscal year</b>  | \$                         | \$       | \$ 3,329                               | \$                           | \$ 3,329 |

- 
- (1) During fiscal 2015, other subsidiaries made distributions to TEGSA in the amount of \$1,326 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of \$1,335 million. Cash flows are presented based upon the nature of the distributions.
- (2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.



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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|   | TE<br>Connectivity<br>Ltd. | TEGSA    | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total    |
|---|----------------------------|----------|--|------------------------------|----------|
| <b>Cash Flows From Operating Activities:</b>                                  |                            |          |  |                              |          |
| Net cash provided by (used in) continuing operating activities <sup>(1)</sup> | \$ (296)                   | \$ 1,829 | \$ 2,153                               | \$ (1,882)                   | \$ 1,804 |
| Net cash provided by discontinued operating activities                        |                            |          | 279                                    |                              | 279      |
| Net cash provided by (used in) operating activities                           | (296)                      | 1,829    | 2,432                                  | (1,882)                      | 2,083    |
| <b>Cash Flows From Investing Activities:</b>                                  |                            |          |  |                              |          |
| Capital expenditures  |                            |          | (635)                                  |                              | (635)    |
| Proceeds from sale of property, plant, and equipment                          |                            |          | 129                                    |                              | 129      |
| Acquisition of business, net of cash acquired                                 |                            |          | (522)                                  |                              | (522)    |
| Intercompany distribution receipts <sup>(1)</sup>                             |                            | 99       |  | (99)                         |          |
| Change in intercompany loans  |                            | 347      |  | (347)                        |          |
| Other   |                            |          | (10)                                   |                              | (10)     |
| Net cash provided by (used in) continuing investing activities                |                            | 446      | (1,038)                                | (446)                        | (1,038)  |
| Net cash used in discontinued investing activities                            |                            |          | (37)                                   |                              | (37)     |
| Net cash provided by (used in) investing activities                           |                            | 446      | (1,075)                                | (446)                        | (1,075)  |
| <b>Cash Flows From Financing Activities:</b>                                  |                            |          |  |                              |          |
| Changes in parent company equity <sup>(2)</sup>                               | 67                         | (3,259)  | 3,192                                  |                              |          |
| Net decrease in commercial paper  |                            | (23)     |  |                              | (23)     |
| Proceeds from issuance of long-term debt                                      |                            | 1,322    |  |                              | 1,322    |
| Repayment of long-term debt   |                            | (303)    | (57)                                   |                              | (360)    |
| Proceeds from exercise of share options                                       |                            |          | 156                                    |                              | 156      |
| Repurchase of common shares   | (127)                      |          | (451)                                  |                              | (578)    |
| Payment of common share dividends to shareholders                             | (452)                      |          | 9                                      |                              | (443)    |
| Intercompany distributions <sup>(1)</sup>                                     |                            |          | (1,981)                                | 1,981                        |          |
| Loan activity with parent   | 808                        |          | (1,155)                                | 347                          |          |
| Transfers from discontinued operations  |                            |          | 242                                    |                              | 242      |
| Other   |                            | (11)     | 2                                      |                              | (9)      |
| Net cash provided by (used in) continuing financing activities                | 296                        | (2,274)  | (43)                                   | 2,328                        | 307      |
| Net cash used in discontinued financing activities                            |                            |          | (242)                                  |                              | (242)    |
| Net cash provided by (used in) financing activities                           | 296                        | (2,274)  | (285)                                  | 2,328                        | 65       |
| Effect of currency translation on cash  |                            |          | (19)                                   |                              | (19)     |
| <b>Net increase in cash and cash equivalents</b>                              |                            | 1        | 1,053                                  |                              | 1,054    |
| <b>Cash and cash equivalents at beginning of fiscal year</b>                  |                            |          | 1,403                                  |                              | 1,403    |
| <b>Cash and cash equivalents at end of fiscal year</b>                        | \$                         | \$ 1     | \$ 2,456                               | \$                           | \$ 2,457 |

- 
- (1) During fiscal 2014, other subsidiaries made distributions to TEGSA in the amount of \$1,981 million. Cash flows are presented based upon the nature of the distributions.
- (2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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## TE CONNECTIVITY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

|   | TE<br>Connectivity<br>Ltd. | TEGSA    | Other<br>Subsidiaries<br>(in millions) | Consolidating<br>Adjustments | Total    |
|---|----------------------------|----------|--|------------------------------|----------|
| <b>Cash Flows From Operating Activities:</b>  |                            |          |  |                              |          |
| Net cash provided by continuing operating activities <sup>(1)</sup>                           | \$ 3,621                   | \$ 1,972 | \$ 2,058                               | \$ (5,876)                   | \$ 1,775 |
| Net cash provided by discontinued operating activities  |                            |          | 271                                    |                              | 271      |
| Net cash provided by operating activities   | 3,621                      | 1,972    | 2,329                                  | (5,876)                      | 2,046    |
| <b>Cash Flows From Investing Activities:</b>  |                            |          |  |                              |          |
| Capital expenditures  |                            |          | (581)                                  |                              | (581)    |
| Proceeds from sale of property, plant, and equipment  | 1                          |          | 21                                     |                              | 22       |
| Acquisition of business, net of cash acquired   |                            |          | (6)                                    |                              | (6)      |
| Proceeds from divestiture of discontinued operations, net of cash retained by sold operations |                            |          | 14                                     |                              | 14       |
| Intercompany distribution receipts <sup>(1)</sup>   |                            | 1,100    |  | (1,100)                      |          |
| Change in intercompany loans  |                            | 1,566    |  | (1,566)                      |          |
| Other   | (3)                        |          | 26                                     |                              | 23       |
| Net cash provided by (used in) continuing investing activities                                | (2)                        | 2,666    | (526)                                  | (2,666)                      | (528)    |
| Net cash used in discontinued investing activities  |                            |          | (17)                                   |                              | (17)     |
| Net cash provided by (used in) investing activities   | (2)                        | 2,666    | (543)                                  | (2,666)                      | (545)    |
| <b>Cash Flows From Financing Activities:</b>  |                            |          |  |                              |          |
| Changes in parent company equity <sup>(2)</sup>   | (826)                      | (174)    | 1,000                                  |                              |          |
| Net increase in commercial paper  |                            | 50       |  |                              | 50       |
| Repayment of long-term debt   |                            | (714)    |  |                              | (714)    |
| Proceeds from exercise of share options   |                            |          | 214                                    |                              | 214      |
| Repurchase of common shares   | (602)                      |          | (242)                                  |                              | (844)    |
| Payment of common share dividends and cash distributions to shareholders                      | (391)                      |          | 7                                      |                              | (384)    |
| Intercompany distributions <sup>(1)</sup>   |                            | (3,800)  | (3,176)                                | 6,976                        |          |
| Loan activity with parent   | (1,800)                    |          | 234                                    | 1,566                        |          |
| Transfers from discontinued operations  |                            |          | 254                                    |                              | 254      |
| Net cash used in continuing financing activities  | (3,619)                    | (4,638)  | (1,709)                                | 8,542                        | (1,424)  |
| Net cash used in discontinued financing activities  |                            |          | (254)                                  |                              | (254)    |
| Net cash used in financing activities   | (3,619)                    | (4,638)  | (1,963)                                | 8,542                        | (1,678)  |
| Effect of currency translation on cash  |                            |          | (9)                                    |                              | (9)      |
| <b>Net decrease in cash and cash equivalents</b>  |                            |          | (186)                                  |                              | (186)    |
| <b>Cash and cash equivalents at beginning of fiscal year</b>                                  |                            |          | 1,589                                  |                              | 1,589    |
| <b>Cash and cash equivalents at end of fiscal year</b>  | \$                         | \$       | \$ 1,403                               | \$                           | \$ 1,403 |

- 
- (1) During fiscal 2013, other subsidiaries made distributions to TEGSA in the amount of \$3,176 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of \$3,800 million. Cash flows are presented based upon the nature of the distributions.
- (2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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## TE CONNECTIVITY LTD.

## SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

| Description                                   | Balance at<br>Beginning of<br>Year | Additions<br>Charged to<br>Costs and<br>Expenses | Acquisitions,<br>Divestitures,<br>and Other | Deductions | Balance at<br>End of Year |
|---|------------------------------------|--|---|------------|---------------------------|
| (in millions)                                 |                                    |  |   |            |                           |
| <b>Fiscal 2015:</b>                           |                                    |  |   |            |                           |
| Allowance for doubtful accounts<br>receivable | \$ 14                              | \$ 2   | \$ 3  | \$ (1)     | \$ 18                     |
| Valuation allowance on deferred tax<br>assets | 1,706                              | 1,627  | 1   | (97)       | 3,237                     |
| <b>Fiscal 2014:</b>                           |                                    |  |   |            |                           |
| Allowance for doubtful accounts<br>receivable | \$ 29                              | \$ 2   | \$  | \$ (17)    | \$ 14                     |
| Valuation allowance on deferred tax<br>assets | 1,801                              | 285  |   | (380)      | 1,706                     |
| <b>Fiscal 2013:</b>                           |                                    |  |   |            |                           |
| Allowance for doubtful accounts<br>receivable | \$ 26                              | \$ 3   | \$  | \$         | \$ 29                     |
| Valuation allowance on deferred tax<br>assets | 1,700                              | 323  |   | (222)      | 1,801                     |

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