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r of fiscal 2015. The IRS commenced its audit of certain Tyco International income tax returns for the years 2005 through 2007 in fiscal 2011, and it is our understanding that Tyco International expects the IRS to issue general agreement Forms 870 during the first half of fiscal 2015. Over the next twelve months, we expect to make net cash payments of approximately \$31 million in connection with pre-separation U.S. tax matters.

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

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

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

Off-Balance Sheet Arrangements

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

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

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

Goodwill and Other Intangible Assets

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

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

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

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

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

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

Income Taxes

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

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

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

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

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

Pension and Postretirement Benefits

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

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

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

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

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

Acquisitions

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

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

Contingent Liabilities

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

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Accounting Pronouncements

Recently Issued Accounting Pronouncements

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

Non-GAAP Financial Measures

Organic Net Sales Growth

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

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

Free Cash Flow

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

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

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

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

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

Forward-Looking Information

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

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

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

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

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

competition and pricing pressure;

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

raw material availability, quality, and cost;

fluctuations in foreign currency exchange rates;

financial condition and consolidation of customers and vendors;

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reliance on third-party suppliers;

risks associated with current and future acquisitions and divestitures;

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

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

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

our ability to protect our intellectual property rights;

risks of litigation;

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

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

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

various risks associated with being a Swiss corporation;

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

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

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

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 foreign currency forward and swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. A 10% appreciation or depreciation of the underlying currency in our foreign currency forward or swap contracts from the September 26, 2014 market rates would have changed the unrealized value of our forward and swap contracts by \$16 million. A 10% appreciation or depreciation of the underlying currency in our foreign

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currency forward or swap contracts from the September 27, 2013 market rates would have changed the unrealized value of our forward and swap contracts by \$27 million. Such gains or losses on these contracts would be generally offset by the gains or losses on the revaluation or settlement of the underlying transactions.

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Interest Rate and Investment Exposures

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

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

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

Commodity Exposures

Our worldwide operations and product lines may expose us to risks from fluctuations in commodity prices. To limit the effects of fluctuations in the future market price paid and related volatility in cash flows, we utilize commodity swap contracts designated as cash flow hedges. We continually evaluate the commodity market with respect to our forecasted usage requirements over the next eighteen months and periodically enter into commodity swap contracts in order to hedge a portion of usage requirements over that period. At September 26, 2014, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$21 million and had a notional value of \$307 million. At September 27, 2013, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of \$27 million and had a notional value of \$278 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 26, 2014 prices would have changed the unrealized value of our forward contracts by \$29 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 27, 2013 prices would have changed the unrealized value of our forward contracts by \$25 million.

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

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 26, 2014, September 27, 2013, and September 28, 2012

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

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Consolidated Balance Sheets as of September 26, 2014 and September 27, 2013

Consolidated Statements of Equity for the Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

Consolidated Statements of Cash Flows for the Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012

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.

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 26, 2014. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 26, 2014.

Management's Report on Internal Control Over Financial Reporting

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

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

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

Changes in Internal Control Over Financial Reporting

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

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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 2015 Annual General Meeting of Shareholders (the "2015 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 2015 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 under the heading "About TE Who We Are TE Corporate Responsibility 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 2015 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 2015 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 26, 2014 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 (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) ⁽⁴⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) ⁽⁵⁾
Equity compensation plans approved by security holders:			
2007 Stock and Incentive Plan ⁽¹⁾	13,815,377	\$ 34.57	19,552,010
Equity compensation plans not approved by security holders:			
Equity awards under Tyco International Ltd. 2004 Stock and Incentive Plan and other equity incentive plans ⁽²⁾	940,864	38.98	
Equity awards under ADC Plans ⁽³⁾	1,265,226	43.12	3,162,025
Total	16,021,467		22,714,035

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- (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 December 2010, 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. During fiscal 2012, 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 2015 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 2015 Proxy Statement set forth under the caption "Agenda Item No. 7 Election of Auditors Agenda Item No. 7.1" is incorporated herein by reference.

Table of Contents**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:

Exhibit Number	Description
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)
3.1	Articles of Association of TE Connectivity Ltd. (Incorporated by reference to Exhibit 3.1 to TE Connectivity's Current Report on Form 8-K, filed May 9, 2014)
3.2	Organizational Regulations of TE Connectivity Ltd. (Incorporated by reference to Exhibit 3.2 to TE Connectivity's Current Report on Form 8-K, filed January 11, 2013)
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)
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)

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Exhibit Number	Description
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)
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)*
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)
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)

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Exhibit Number	Description
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)*
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.*
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**

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Exhibit Number	Description
101	Financial statements from the Annual Report on Form 10-K of TE Connectivity Ltd. for the fiscal year ended September 26, 2014, filed on November 12, 2014, 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*

*
Filed herewith

**
Furnished herewith

Management contract or compensatory plan or arrangement.

Neither TE Connectivity Ltd. nor any of its consolidated subsidiaries has outstanding any instrument with respect to its long-term debt, other than those filed as an exhibit to this Annual Report, under which the total amount of securities authorized exceeds 10% of the total assets of TE Connectivity Ltd. and its subsidiaries on a consolidated basis. TE Connectivity Ltd. hereby agrees to furnish to the U.S. Securities and Exchange Commission, upon request, a copy of each instrument that defines the rights of holders of such long-term debt that is not filed or incorporated by reference as an exhibit to this Annual Report.

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Signature	Title	Date
* _____ Yong Nam	Director	November 12, 2014
* _____ Daniel J. Phelan	Director	November 12, 2014
* _____ Frederic M. Poses	Director	November 12, 2014
* _____ Lawrence S. Smith	Director	November 12, 2014
* _____ Paula A. Sneed	Director	November 12, 2014
* _____ David P. Steiner	Director	November 12, 2014
* _____ John C. Van Scoter	Director	November 12, 2014
* _____ Laura H. Wright	Director	November 12, 2014

*
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.

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<u>Consolidated Statements of Operations for the Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012</u>	<u>76</u>
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<u>Consolidated Balance Sheets as of September 26, 2014 and September 27, 2013</u>	<u>78</u>
<u>Consolidated Statements of Equity for the Fiscal Years Ended September 26, 2014, September 27, 2013, and September 28, 2012</u>	<u>79</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 26, 2014 and September 27, 2013, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three fiscal years in the period ended September 26, 2014. Our audits also included the financial statement schedule listed in the Index 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 26, 2014 and September 27, 2013, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 26, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 12, 2014

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

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

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

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

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

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

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

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 12, 2014

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Fiscal		
	2014	2013	2012
	(in millions, except per share data)		
Net sales	\$ 13,912	\$ 13,280	\$ 13,282
Cost of sales	9,220	8,951	9,236
Gross margin	4,692	4,329	4,046
Selling, general, and administrative expenses	1,882	1,773	1,685
Research, development, and engineering expenses	675	675	688
Acquisition and integration costs	31	14	27
Restructuring and other charges, net	59	311	128
Operating income	2,045	1,556	1,518
Interest income	19	17	23
Interest expense	(131)	(142)	(176)
Other income (expense), net	63	(183)	50
Income from continuing operations before income taxes	1,996	1,248	1,415
Income tax (expense) benefit	(207)	29	(249)
Income from continuing operations	1,789	1,277	1,166
Loss from discontinued operations, net of income taxes	(8)		(51)
Net income	1,781	1,277	1,115
Less: net income attributable to noncontrolling interests		(1)	(3)
Net income attributable to TE Connectivity Ltd.	\$ 1,781	\$ 1,276	\$ 1,112
Amounts attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 1,789	\$ 1,276	\$ 1,163
Loss from discontinued operations	(8)		(51)
Net income	\$ 1,781	\$ 1,276	\$ 1,112

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Basic earnings per share attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 4.36	\$ 3.05	\$ 2.73
Loss from discontinued operations	(0.02)		(0.12)
Net income	4.34	3.05	2.61
Diluted earnings per share attributable to TE Connectivity Ltd.:			
Income from continuing operations	\$ 4.29	\$ 3.02	\$ 2.70
Loss from discontinued operations	(0.02)		(0.11)
Net income	4.27	3.02	2.59
Dividends and cash distributions paid per common share	\$ 1.08	\$ 0.92	\$ 0.78
Weighted-average number of shares outstanding:			
Basic	410	418	426
Diluted	417	423	430

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

See Notes to Consolidated Financial Statements.

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

	Fiscal Year End	
	2014	2013
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,457	\$ 1,403
Accounts receivable, net of allowance for doubtful accounts of \$35 and \$48, respectively	2,439	2,323
Inventories	1,745	1,762
Prepaid expenses and other current assets	567	487
Deferred income taxes	336	334
Total current assets	7,544	6,309
Property, plant, and equipment, net	3,126	3,166
Goodwill	4,595	4,326
Intangible assets, net	1,329	1,244
Deferred income taxes	2,058	2,146
Receivable from Tyco International Ltd. and Covidien plc	1,037	1,002
Other assets	463	268
Total Assets	\$ 20,152	\$ 18,461
Liabilities and Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 667	\$ 711
Accounts payable	1,391	1,383
Accrued and other current liabilities	1,717	1,762
Deferred revenue	179	68
Total current liabilities	3,954	3,924
Long-term debt	3,281	2,303
Long-term pension and postretirement liabilities	1,287	1,155
Deferred income taxes	240	321
Income taxes	2,045	1,979
Other liabilities	332	393
Total Liabilities	11,139	10,075
Commitments and contingencies (Note 13)		

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Equity:

TE Connectivity Ltd. shareholders' equity:		
Common shares, 419,070,781 shares authorized and issued, CHF 0.57 par value, and 428,527,307 shares authorized and issued, CHF 0.57 par value, respectively	184	189
Contributed surplus	5,231	6,136
Accumulated earnings	4,253	2,472
Treasury shares, at cost, 11,383,631 and 17,020,636 shares, respectively	(644)	(720)
Accumulated other comprehensive income (loss)	(17)	303
Total TE Connectivity Ltd. shareholders' equity	9,007	8,380
Noncontrolling interests	6	6
Total Equity	9,013	8,386
Total Liabilities and Equity	\$ 20,152	\$ 18,461

See Notes to Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF EQUITY

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

	Common Shares		Treasury Shares		Contributed	Accumulated	Other Comprehensive Income	TE Connectivity Ltd. Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Surplus	Earnings	(Loss)			
	(in millions)									
Balance at September 30, 2011	463	\$ 593	(39)	\$ (1,235)	\$ 7,604	\$ 84	\$ 428	\$ 7,474	\$ 10	\$ 7,484
Net income						1,112		1,112	3	1,115
Other comprehensive loss							(199)	(199)		(199)
Share-based compensation expense					70			70		70
Distributions approved		(389)		33				(356)		(356)
Exercise of share options			2	60				60		60
Restricted share award vestings and other activity			3	51	(47)			4		4
Repurchase of common shares			(6)	(194)				(194)		(194)
Cancellation of treasury shares	(24)	(11)	24	801	(790)					
Dividends to noncontrolling interests									(7)	(7)
Balance at September 28, 2012	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)
Balance at September 27, 2013	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)					

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Balance at September 26, 2014 419 \$ 184 (11) \$ (644) \$ 5,231 \$ 4,253 \$ (17) \$ 9,007 \$ 6 \$ 9,013

See Notes to Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	Fiscal 2013	2012
	(in millions)		
Cash Flows From Operating Activities:			
Net income	\$ 1,781	\$ 1,277	\$ 1,115
Loss from discontinued operations, net of income taxes	8		51
Income from continuing operations	1,789	1,277	1,166
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	617	607	609
Non-cash restructuring charges	20	84	1
Deferred income taxes	(234)	30	(48)
Provision for losses on accounts receivable and inventories	50	59	58
Tax sharing (income) expense	(65)	181	(52)
Share-based compensation expense	84	78	68
Other	50	56	63
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	(205)	(81)	17
Inventories	(76)	(61)	116
Inventoried costs on long-term contracts	14	18	7
Prepaid expenses and other current assets	(14)	11	103
Accounts payable	52	167	(189)
Accrued and other current liabilities	(282)	(13)	(92)
Deferred revenue	112	(54)	(31)
Income taxes	158	(371)	7
Other	25	60	85
Net cash provided by continuing operating activities	2,095	2,048	1,888
Net cash provided by (used in) discontinued operating activities	(12)	(2)	59
Net cash provided by operating activities	2,083	2,046	1,947
Cash Flows From Investing Activities:			
Capital expenditures	(673)	(615)	(533)
Proceeds from sale of property, plant, and equipment	129	39	23
Acquisition of businesses, net of cash acquired	(528)	(6)	(1,384)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations		14	394
Other	(3)	23	(9)
Net cash used in continuing investing activities	(1,075)	(545)	(1,509)
Net cash used in discontinued investing activities			(1)
Net cash used in investing activities	(1,075)	(545)	(1,510)

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Cash Flows From Financing Activities:			
Net increase (decrease) in commercial paper	(23)	50	300
Proceeds from issuance of long-term debt	1,322		748
Repayment of long-term debt	(360)	(715)	(642)
Proceeds from exercise of share options	156	214	60
Repurchase of common shares	(578)	(844)	(185)
Payment of common share dividends and cash distributions to shareholders	(443)	(384)	(332)
Other	(21)	(1)	44
Net cash provided by (used in) continuing financing activities	53	(1,680)	(7)
Net cash provided by (used in) discontinued financing activities	12	2	(58)
Net cash provided by (used in) financing activities	65	(1,678)	(65)
Effect of currency translation on cash	(19)	(9)	(1)
Net increase (decrease) in cash and cash equivalents	1,054	(186)	371
Cash and cash equivalents at beginning of fiscal year	1,403	1,589	1,218
Cash and cash equivalents at end of fiscal year	\$ 2,457	\$ 1,403	\$ 1,589

Supplemental Cash Flow Information:

Interest paid	\$ 121	\$ 155	\$ 181
Income taxes paid, net of refunds	283	312	290

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

Description of the Business

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

We consist of four reportable segments:

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

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

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

Consumer Solutions. The Consumer Solutions segment is a top supplier of electronic components, including connectors, circuit protection devices, antennas, relays, and heat shrink tubing, for the consumer devices and appliances markets.

Use of Estimates

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of Presentation (Continued)

Fiscal Year

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Revenue Recognition

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

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Inventories

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

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Goodwill and Other Intangible Assets

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

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

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

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

Research and Development

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

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

Income Taxes

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

Financial Instruments

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

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

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

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

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

Level 2. Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flows methodologies, and similar techniques that use significant unobservable inputs.

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

Derivative financial instruments. Fair value of these assets and liabilities is generally determined using observable inputs such as spot and forward rates for commodities, foreign currencies, and interest rates (level 2).

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

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

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

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

Pension and Postretirement Benefits

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

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

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

Share-Based Compensation

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

Earnings Per Share

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Currency Translation

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

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

Restructuring Charges

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

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

Acquisitions

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

Contingent Liabilities

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

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

Recently Issued Accounting Pronouncements

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

3. Restructuring and Other Charges, Net

Restructuring and other charges consisted of the following:

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

Restructuring Charges, Net

Net restructuring charges by segment were as follows:

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

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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 at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation	Balance at End of Fiscal Year
(in millions)							
Fiscal 2014 Activity:							
Fiscal 2014 Actions:							
Employee severance	\$	\$ 31	\$ (1)	\$ (13)	\$	\$ (1)	\$ 16
Facility and other exit costs		1					1
Property, plant, and equipment		9			(9)		
Total		41	(1)	(13)	(9)	(1)	17
Fiscal 2013 Actions:							
Employee severance	168	23	(12)	(105)		(4)	70
Facility and other exit costs	1	5		(5)			1
Property, plant, and equipment		11			(11)		
Total	169	39	(12)	(110)	(11)	(4)	71
Fiscal 2012 Actions:							
Employee severance	35	3	(8)	(23)			7
Facility and other exit costs		1	1	(1)			1
Total	35	4	(7)	(24)			8
Pre-Fiscal 2012 Actions:							
Employee severance	16	1	(4)	(6)			7
Facility and other exit costs	26	2		(7)		(1)	20
Total	42	3	(4)	(13)		(1)	27

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

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

Fiscal 2014 Actions

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

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

	Total Expected Charges	Charges Incurred Fiscal 2014
(in millions)		
Employee severance	\$ 30	\$ 30

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Facility and other exit costs		1		1
Property, plant, and equipment		10		9

Total \$ 41 \$ 40

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

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

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

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

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

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

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

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

Fiscal 2012 Actions

During fiscal 2012, we initiated a restructuring program to reduce headcount across all segments. Also, we initiated a restructuring program in the Transportation Solutions and Industrial Solutions segments associated with the acquisition of Deutsch Group SAS ("Deutsch"). In

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connection with these actions we recorded net restructuring credits of \$3 million, charges of \$24 million, and charges of \$129 million in fiscal 2014, 2013, and 2012, respectively. We do not expect to incur any additional expense related to restructuring programs commenced in fiscal 2012.

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

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

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

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

Pre-Fiscal 2012 Actions

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

Total Restructuring Reserves

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

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Fiscal Year End

2014 2013

(in millions)

Accrued and other current liabilities	\$ 92	\$ 168
Other liabilities	31	78

Restructuring reserves	\$ 123	\$ 246
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Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Discontinued Operations**

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

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

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

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Acquisitions***Fiscal 2014 Acquisitions*

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

Fiscal 2012 Acquisition

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

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

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

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

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

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

Intangible assets acquired consisted of the following:

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

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

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

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

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

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

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

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

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

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

6. Inventories

Inventories consisted of the following:

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

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:

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

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

8. Goodwill

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

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

(1)

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

(2)

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

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

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

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

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

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

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

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	Fiscal Year End	
	2014	2013
	(in millions)	
Accrued payroll and employee benefits	\$ 539	\$ 498
Dividends and cash distributions payable to shareholders	236	206
Income taxes payable	160	112

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Restructuring reserves	92	168
Interest payable	51	51
Deferred income taxes	28	54
Warranty liability	19	21
Tax Sharing Agreement guarantee liabilities pursuant to ASC 460	8	185
Other	584	467

Accrued and other current liabilities \$ 1,717 \$ 1,762

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Debt

Debt was as follows:

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

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

In July 2014, Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, issued \$500 million aggregate principal amount of senior floating rate notes due January 29, 2016, \$250 million aggregate principal amount of 2.35% senior notes due August 1, 2019, and \$250 million aggregate principal amount of 3.45% senior notes due August 1, 2024. The senior floating rate notes due 2016 bear interest at a rate of three-month London interbank offered rate ("LIBOR") plus 0.20% per year. In connection with the issuance of the senior notes in July

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2014, the commitments of the lenders under a \$1 billion 364-day credit agreement, dated as of June 27, 2014, automatically terminated.

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

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

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

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

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

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

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

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

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

The aggregate amounts of total debt maturing are as follows:

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees

Tax Sharing Agreement

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

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

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

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

Indemnification

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees (Continued)

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

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

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

Other Matters

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

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

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

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

13. Commitments and Contingencies

General Matters

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. Commitments and Contingencies (Continued)**

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

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

Legal Proceedings

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

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

Income Tax Matters

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

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

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

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

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

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

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

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

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

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

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

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

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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 2014, we concluded that it was probable that we would incur remedial costs in the range of \$18 million to \$40 million. As of fiscal year end 2014, we concluded that the best estimate within this range is \$21 million, of which \$5 million is included in accrued and other current liabilities and \$16 million is included in other liabilities on the Consolidated Balance Sheet. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

14. Financial Instruments and Fair Value Measurements

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

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

Foreign Exchange Risks

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

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

Interest Rate and Investment Risk Management

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Financial Instruments and Fair Value Measurements (Continued)

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

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

Hedges of Net Investment

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

Commodity Hedges

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

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

Fair Value Measurements

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans

Defined Benefit Pension Plans

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

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

	U.S. Plans			Non-U.S. Plans		
	Fiscal			Fiscal		
	2014	2013	2012	2014	2013	2012
	(\$ in millions)					
Service cost	\$ 7	\$ 6	\$ 7	\$ 50	\$ 55	\$ 51
Interest cost	50	46	51	73	70	76
Expected return on plan assets	(63)	(60)	(58)	(71)	(69)	(54)
Amortization of net actuarial loss	25	36	42	24	33	29
Other			(1)	(3)	(18)	(5)
Net periodic pension benefit cost	\$ 19	\$ 28	\$ 41	\$ 73	\$ 71	\$ 97

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

Discount rate	4.84%	3.98%	4.71%	3.38%	3.27%	4.12%
Expected return on plan assets	7.16%	6.65%	7.10%	5.99%	6.31%	5.43%
Rate of compensation increase	%	%	4.00%	2.86%	2.88%	3.01%

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

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Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:

Discount rate		4.34%	4.84%	2.76%	3.38%
Rate of compensation increase		%	%	2.87%	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	
	2014	2013	2014	2013
	(in millions)			
<i>Change in net loss:</i>				
Unrecognized net loss at beginning of fiscal year	\$ 320	\$ 438	\$ 592	\$ 705
Current year change recorded in accumulated other comprehensive income (loss)	30	(82)	180	(80)
Amortization reclassified to earnings	(25)	(36)	(24)	(33)
Unrecognized net loss at end of fiscal year	\$ 325	\$ 320	\$ 748	\$ 592
<i>Change in prior service credit:</i>				
Unrecognized prior service credit at beginning of fiscal year	\$	\$	\$ (68)	\$ (112)
Current year change recorded in accumulated other comprehensive income (loss)			(4)	37
Amortization reclassified to earnings			5	7
Unrecognized prior service credit at end of fiscal year	\$	\$	\$ (67)	\$ (68)

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

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

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

The investment strategy for the U.S. pension plans is governed by our investment committee; investment strategies for non-U.S. pension plans are governed locally. Our investment strategy for our pension plans is to manage the plans on a going concern basis. Current investment

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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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Retirement Plans (Continued)**

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

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

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

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

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Retirement Plans (Continued)**

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

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

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

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

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

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Items to reconcile to fair value of plan assets ⁽⁷⁾	11	29
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Fair value of plan assets	\$ 931	\$ 1,185
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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.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Retirement Plans (Continued)**

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

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

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

Defined Contribution Retirement Plans

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

Deferred Compensation Plans and Rabbi Trusts

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Retirement Plans (Continued)**

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

Postretirement Benefit Plans

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

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

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

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

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Retirement Plans (Continued)**

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

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

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

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

	One Percentage Point Increase	One Percentage Point Decrease
	(in millions)	
Effect on total of service and interest cost	\$	\$
Effect on postretirement benefit obligation	4	(4)
	117	

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

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

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

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

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

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

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

(1)

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

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

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

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

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

of income tax

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

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

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

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

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

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

carryforwards (tax effected) have no expiration.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Other Income (Expense), Net**

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

18. Earnings Per Share

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

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

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

19. Equity***Common Shares***

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

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

Common Shares Held in Treasury

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

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

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

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

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

Contributed Surplus

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

Dividends and Distributions to Shareholders

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

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

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

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

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

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

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

Share Repurchase Program

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

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

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

21. Share Plans

Equity awards (primarily restricted share awards, performance share awards, and share options) granted by us are administered by the management development and compensation committee of our board of directors, which consists exclusively of independent directors. Our

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

Share-Based Compensation Expense

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

Restricted Share Awards

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

A summary of restricted share award activity is presented below:

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

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

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

Performance Share Awards

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. Share Plans (Continued)**

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

A summary of performance share award activity is presented below:

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

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

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

Share Options

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

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

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

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

Share-Based Compensation Assumptions

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. Share Plans (Continued)**

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

	Fiscal		
	2014	2013	2012
Weighted-average grant-date fair value	\$ 16.81	\$ 8.62	\$ 9.49

Assumptions:

Expected share price volatility	39%	34%	36%
Risk free interest rate	1.8%	0.9%	1.3%
Expected annual dividend per share	\$ 1.00	\$ 0.84	\$ 0.84
Expected life of options (in years)	6.0	6.0	6.0

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

22. Segment and Geographic Data

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Segment and Geographic Data (Continued)**

Net sales and operating income by segment were as follows:

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

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

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

Depreciation and amortization and capital expenditures were as follows:

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****22. Segment and Geographic Data (Continued)**

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

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

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

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

	Net Sales⁽¹⁾			Property, Plant, and Equipment, Net		
	Fiscal			Fiscal Year End		
	2014	2013	2012	2014	2013	2012
	(in millions)					
Europe/Middle East/Africa:						
Switzerland	\$ 4,006	\$ 3,689	\$ 3,719	\$ 54	\$ 54	\$ 52
Germany	126	123	120	330	356	339
Other Europe/Middle East/Africa	792	750	663	697	702	692
Total Europe/Middle East/Africa	4,924	4,562	4,502	1,081	1,112	1,083
Asia Pacific:						
China	2,436	2,197	2,159	512	516	432
Other Asia Pacific	2,132	2,144	2,333	478	500	572

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Total Asia Pacific	4,568	4,341	4,492	990	1,016	1,004
Americas:						
U.S.	3,867	3,811	3,664	923	958	1,042
Other Americas	553	566	624	132	80	84
Total Americas	4,420	4,377	4,288	1,055	1,038	1,126
Total	\$ 13,912	\$ 13,280	\$ 13,282	\$ 3,126	\$ 3,166	\$ 3,213

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Quarterly Financial Data (unaudited)

Summarized quarterly financial data was as follows:

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

(1) Results for the fourth quarter of fiscal 2014 include \$282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.

(2) Results for the first quarter of fiscal 2013 include \$331 million of income tax benefits associated with the effective settlement of an audit of prior year tax returns as well as the related impact of \$231 million to other expense pursuant to the tax sharing agreement with Tyco International and Covidien. Results for the first quarter of fiscal 2013 also include \$30 million of income tax expense related to adjustments to prior year income tax returns and the estimated impacts of certain intercompany dividends.

(3) Results for the fourth quarter of fiscal 2013 include \$63 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Subsequent Event

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

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

25. Tyco Electronics Group S.A.

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

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

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- (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 Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Net sales	\$	\$	\$ 13,280	\$	\$ 13,280
Cost of sales			8,951		8,951
Gross margin			4,329		4,329
Selling, general, and administrative expenses	156	3	1,614		1,773
Research, development, and engineering expenses			675		675
Acquisition and integration costs			14		14
Restructuring and other charges, net			311		311
Operating income (loss)	(156)	(3)	1,715		1,556
Interest income			17		17
Interest expense		(135)	(7)		(142)
Other expense, net			(183)		(183)
Equity in net income of subsidiaries	1,445	1,533		(2,978)	
Intercompany interest income (expense), net	(13)	54	(41)		
Income from continuing operations before income taxes	1,276	1,449	1,501	(2,978)	1,248
Income tax (expense) benefit		(4)	33		29
Net income	1,276	1,445	1,534	(2,978)	1,277
Less: net income attributable to noncontrolling interests			(1)		(1)
Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	1,276	1,445	1,533	(2,978)	1,276
Other comprehensive income	74	74	64	(138)	74
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	\$ 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 Statement of Operations
For the Fiscal Year Ended September 28, 2012

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****25. Tyco Electronics Group S.A. (Continued)****Condensed Consolidating Balance Sheet
As of September 26, 2014**

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

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Income taxes			2,045		2,045
Other liabilities			332		332
Total Liabilities	547	13,788	10,059	(13,255)	11,139
Total Equity	9,013	8,602	19,966	(28,568)	9,013
Total Liabilities and Equity	\$ 9,560	\$ 22,390	\$ 30,025	\$ (41,823)	\$ 20,152

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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 27, 2013

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

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Other liabilities			393		393
Total Liabilities	475	12,397	11,130	(13,927)	10,075
Total Equity	8,386	7,014	17,040	(24,054)	8,386
Total Liabilities and Equity	\$ 8,861	\$ 19,411	\$ 28,170	\$ (37,981)	\$ 18,461

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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Net increase in cash and cash equivalents		1	1,053	1,054
Cash and cash equivalents at beginning of fiscal year			1,403	1,403

Cash and cash equivalents at end of fiscal year \$ \$ 1 \$ 2,456 \$ \$ 2,457

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- (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 Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Cash Flows From Operating Activities:					
Net cash provided by continuing operating activities ⁽¹⁾	\$ 3,621	\$ 1,972	\$ 2,331	\$ (5,876)	\$ 2,048
Net cash used in discontinued operating activities			(2)		(2)
Net cash provided by operating activities	3,621	1,972	2,329	(5,876)	2,046
Cash Flows From Investing Activities:					
Capital expenditures			(615)		(615)
Proceeds from sale of property, plant, and equipment	1		38		39
Acquisition of business, net of cash acquired			(6)		(6)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations			14		14
Intercompany distribution receipts ⁽¹⁾		1,100		(1,100)	
Change in intercompany loans		1,566		(1,566)	
Other	(3)		26		23
Net cash provided by (used in) investing activities	(2)	2,666	(543)	(2,666)	(545)
Cash Flows From Financing Activities:					
Changes in parent company equity ⁽²⁾	(826)	(174)	1,000		
Net increase in commercial paper		50			50
Repayment of long-term debt		(714)	(1)		(715)
Proceeds from exercise of share options			214		214
Repurchase of common shares	(602)		(242)		(844)
Payment of common share dividends and cash distributions to shareholders	(391)		7		(384)
Intercompany distributions ⁽¹⁾		(3,800)	(3,176)	6,976	
Loan activity with parent	(1,800)		234	1,566	
Other			(1)		(1)
Net cash used in continuing financing activities	(3,619)	(4,638)	(1,965)	8,542	(1,680)
Net cash provided by discontinued financing activities			2		2
Net cash used in financing activities	(3,619)	(4,638)	(1,963)	8,542	(1,678)
Effect of currency translation on cash			(9)		(9)
Net decrease in cash and cash equivalents			(186)		(186)

Cash and cash equivalents at beginning of fiscal year				1,589		1,589
Cash and cash equivalents at end of fiscal year	\$	\$	\$	1,403	\$	1,403

(1) During fiscal 2013, other subsidiaries made distributions to TEGSA in the amount of \$3,176 million and TEGSA made distributions to TE Connectivity Ltd. of \$3,800 million. Cash flows are presented based upon the nature of the distributions.

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

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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 28, 2012

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities	\$ (97)	\$ 171	\$ 2,098	\$ (284)	\$ 1,888
Net cash provided by discontinued operating activities			59		59
Net cash provided by (used in) operating activities	(97)	171	2,157	(284)	1,947
Cash Flows From Investing Activities:					
Capital expenditures			(533)		(533)
Proceeds from sale of property, plant, and equipment	7		16		23
Acquisition of businesses, net of cash acquired			(1,384)		(1,384)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations			394		394
Change in intercompany loans	(22)	2,160		(2,138)	
Other			(9)		(9)
Net cash provided by (used in) continuing investing activities	(15)	2,160	(1,516)	(2,138)	(1,509)
Net cash used in discontinued investing activities			(1)		(1)
Net cash provided by (used in) investing activities	(15)	2,160	(1,517)	(2,138)	(1,510)
Cash Flows From Financing Activities:					
Changes in parent company equity ⁽¹⁾	639	(3,371)	2,732		
Net increase in commercial paper		300			300
Proceeds from long-term debt		748			748
Repayment of long-term debt			(642)		(642)
Proceeds from exercise of share options			60		60
Repurchase of common shares	(185)				(185)
Payment of common share dividends and cash distributions to shareholders	(342)		10		(332)
Intercompany distributions			(284)	284	
Loan activity with parent			(2,138)	2,138	
Other		(8)	52		44
Net cash provided by (used in) continuing financing activities	112	(2,331)	(210)	2,422	(7)
Net cash used in discontinued financing activities			(58)		(58)

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Net cash provided by (used in) financing activities	112	(2,331)	(268)	2,422	(65)
Effect of currency translation on cash			(1)		(1)
Net increase in cash and cash equivalents			371		371
Cash and cash equivalents at beginning of fiscal year			1,218		1,218
Cash and cash equivalents at end of fiscal year	\$	\$	\$ 1,589	\$	\$ 1,589

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

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Disclosures Required by Swiss Law

We are subject to statutory reporting requirements in Switzerland. The following disclosures are presented in accordance with, and are based on definitions contained in, the Swiss Code of Obligations.

Personnel Expenses

Total personnel expenses were \$3,849 million and \$3,967 million in fiscal 2014 and 2013, respectively.

Fire Insurance Value

The fire insurance values of property, plant, and equipment were \$11,438 million and \$11,641 million at fiscal year end 2014 and 2013, respectively.

Risk Assessment

Our board of directors is responsible for appraising our major risks and overseeing that appropriate risk management and control procedures are in place. The audit committee of the board of directors meets to review and discuss, as determined to be appropriate, our major financial and accounting risk exposures and related policies and practices with management, the internal auditor, and the independent registered public accountants to assess and control such exposures, and assist the board in fulfilling its oversight responsibilities regarding our policies and guidelines with respect to risk assessment and risk management.

Our risk assessment process was in place during fiscal 2014 and 2013 and followed by the board of directors.

TE CONNECTIVITY LTD.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

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

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Acquisitions, Divestitures, and Other	Deductions	Balance at End of Year
(in millions)					
Fiscal 2014					
Allowance for doubtful accounts receivable	\$ 48	\$ 6	\$	\$ (19)	\$ 35
Valuation allowance on deferred tax assets	1,816	285		(380)	1,721
Fiscal 2013					
Allowance for doubtful accounts receivable	\$ 41	\$ 11	\$	\$ (4)	\$ 48
Valuation allowance on deferred tax assets	1,719	323		(226)	1,816
Fiscal 2012					
Allowance for doubtful accounts receivable	\$ 38	\$ 7	\$ 2	\$ (6)	\$ 41
Valuation allowance on deferred tax assets	1,921	54	31	(287)	1,719

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