

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

Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended March 30, 2012

Or

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

**001-33260**

(Commission File Number)

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**TE CONNECTIVITY LTD.**

(Exact name of registrant as specified in its charter)

**Switzerland**  
(Jurisdiction of Incorporation)

**98-0518048**  
(I.R.S. Employer Identification No.)

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

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

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

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

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

(Do not check if a  
smaller reporting company)

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

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

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TE CONNECTIVITY LTD.  
INDEX TO FORM 10-Q

	<b>Page</b>
<b><u>Part I.</u></b>	
<b><u>Financial Information</u></b>	
<u>Item 1.</u>	<u>1</u>
<u>Financial Statements</u>	
<u>Condensed Consolidated Statements of Operations for the Quarters and Six Months Ended March 30, 2012 and March 25, 2011 (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of March 30, 2012 and September 30, 2011 (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 30, 2012 and March 25, 2011 (Unaudited)</u>	<u>3</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>4</u>
<u>Item 2.</u>	<u>41</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 3.</u>	<u>63</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Item 4.</u>	<u>63</u>
<u>Controls and Procedures</u>	
<b><u>Part II.</u></b>	
<b><u>Other Information</u></b>	
<u>Item 1.</u>	<u>64</u>
<u>Legal Proceedings</u>	
<u>Item 1A.</u>	<u>64</u>
<u>Risk Factors</u>	
<u>Item 2.</u>	<u>64</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Item 3.</u>	<u>64</u>
<u>Defaults Upon Senior Securities</u>	
<u>Item 4.</u>	<u>65</u>
<u>Mine Safety Disclosures</u>	
<u>Item 5.</u>	<u>65</u>
<u>Other Information</u>	
<u>Item 6.</u>	<u>65</u>
<u>Exhibits</u>	
<u>Signatures</u>	<u>66</u>

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Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## TE CONNECTIVITY LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

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

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

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

**TE CONNECTIVITY LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

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

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Noncontrolling interests	9	10
<b>Total Equity</b>	7,683	7,484
<b>Total Liabilities and Equity</b>	\$ 19,029	\$ 17,723

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

## TE CONNECTIVITY LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

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



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

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

*Basis of Presentation*

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

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

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

*Reclassifications*

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

**2. Accounting Pronouncements**

*Recently Issued Accounting Pronouncements*

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

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**3. Restructuring and Other Charges, Net**

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

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

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

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

***Restructuring and Related Cash Charges***

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****3. Restructuring and Other Charges, Net (Continued)***Fiscal 2012 Actions*

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

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

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

*Fiscal 2011 Actions*

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

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

***Pre-Fiscal 2011 Actions***

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

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

***Total Restructuring Reserves***

Restructuring reserves by segment were as follows:

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

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

**4. Discontinued Operations**

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

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

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

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**4. Discontinued Operations (Continued)**

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

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

**5. Inventories**

Inventories consisted of the following:

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



Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**6. Goodwill**

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

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

**7. Intangible Assets, Net**

Intangible assets were as follows:

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

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. Intangible Assets, Net (Continued)**

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

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

**8. Debt**

Debt was as follows:

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

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

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

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

payable semi-annually on February 3 and August 3 of each year, beginning

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**8. Debt (Continued)**

August 3, 2012. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur. Net proceeds from the issuance of the notes due 2015 and 2022, were approximately \$250 million and \$498 million, respectively. In connection with the issuance of the senior notes in February 2012, the commitments of the lenders under the \$700 million 364-day credit agreement, dated as of December 20, 2011, automatically terminated.

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

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants.

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

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

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

**9. Guarantees**

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. Guarantees (Continued)**

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

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

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We have no reason to believe that these uncertainties would have a material adverse effect on our results of operations, financial position, or cash flows.

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

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

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

**10. Commitments and Contingencies**

**TE Connectivity Legal Proceedings**

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

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

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

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

**Legal Matters under Separation and Distribution Agreement**

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

***Compliance Matters***

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

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

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

**Income Taxes**

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

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

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

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

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

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

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

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

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

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

**Environmental Matters**

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of March 30, 2012, we concluded that it was probable that we would incur remedial costs in the range of \$11 million to \$21 million. As of March 30, 2012, we concluded that the best estimate within this range is \$12 million, of which \$8 million is included in accrued and other current liabilities and \$4 million is included in other liabilities on the Condensed Consolidated Balance Sheet. In view of our financial position and reserves for environmental matters of \$12 million, we believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

**11. Financial Instruments**

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



Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**11. Financial Instruments (Continued)**

*Foreign Exchange Risks*

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

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

*Interest Rate and Investment Risk Management*

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

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

*Commodity Hedges*

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

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 11. Financial Instruments (Continued)

*Hedges of Net Investment*

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

*Derivative Instrument Summary*

The fair value of our derivative instruments is summarized below.

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

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

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

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

(3)

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**11. Financial Instruments (Continued)**

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

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

(1)

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

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

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

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(1)

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 11. Financial Instruments (Continued)

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

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

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

(1)

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**11. Financial Instruments (Continued)**

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

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

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

**12. Fair Value Measurements**

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

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

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

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Fair Value Measurements (Continued)**

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

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

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

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



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

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Fair Value Measurements (Continued)**

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

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

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

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

***Other Financial Instruments***

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

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

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

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

Long-term debt The fair value of long-term debt, including both current and non-current maturities, as presented in Note 8, is derived from quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

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

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



[Table of Contents](#)

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**13. Retirement Plans**

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

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

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

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

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

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

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

**14. Income Taxes**

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



Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**14. Income Taxes (Continued)**

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

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

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

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

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****14. Income Taxes (Continued)**

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

We are not aware of any other matters that would result in significant changes to the amount of unrecognized tax benefits reflected on the Condensed Consolidated Balance Sheet as of March 30, 2012.

**15. Other Income, Net**

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

**16. Earnings Per Share**

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

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

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

Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

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

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

**17. Equity**

*Common Shares*

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

*Common Shares Held in Treasury*

At March 30, 2012, approximately 36 million common shares were held in treasury, of which 12 million were owned by one of our subsidiaries. At September 30, 2011, approximately 39 million common shares were held in treasury, of which 15 million were owned by one of our subsidiaries. Shares held both directly by us and by our subsidiary are presented as treasury shares on the Condensed Consolidated Balance Sheets.

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

*Contributed Surplus*

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

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



Table of Contents

**TE CONNECTIVITY LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**17. Equity (Continued)**

*Dividends and Distributions to Shareholders*

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

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

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

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

*Share Repurchase Program*

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**18. Comprehensive Income**

Comprehensive income consisted of the following:

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

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

**19. Share Plans**

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

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

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 19. Share Plans (Continued)

*Restricted Share Awards*

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

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

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

*Share Options*

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

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

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**19. Share Plans (Continued)***Share-Based Compensation Assumptions*

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

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

**20. Segment Data**

Net sales by segment was as follows:

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

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

Operating income by segment was as follows:

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

Table of Contents

**TE CONNECTIVITY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**20. Segment Data (Continued)**

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

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

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

**21. Subsequent Events**

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

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

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

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



Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****22. Tyco Electronics Group S.A.**

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

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

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

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



Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

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

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
Net sales	\$	\$	\$ 6,446	\$	\$ 6,446
Cost of sales			4,447		4,447
<b>Gross margin</b>			1,999		1,999
Selling, general, and administrative expenses	92	1	727		820
Research, development, and engineering expenses			329		329
Acquisition and integration costs	2		16		18
Restructuring and other charges, net			50		50
<b>Operating income (loss)</b>	(94)	(1)	877		782
Interest income			11		11
Interest expense		(72)	(6)		(78)
Other income, net			18		18
Equity in net income of subsidiaries	659	682		(1,341)	
Equity in net income of subsidiaries of discontinued operations	10	10		(20)	
Intercompany interest and fees	(11)	50	(39)		
<b>Income from continuing operations before income taxes</b>	564	669	861	(1,361)	733
Income tax expense			(177)		(177)
<b>Income from continuing operations</b>	564	669	684	(1,361)	556
Income from discontinued operations, net of income taxes			10		10
<b>Net income</b>	564	669	694	(1,361)	566
Less: net income attributable to noncontrolling interests			(2)		(2)
<b>Net income attributable to TE Connectivity Ltd., Tyco Electronics Group, S.A., or Other Subsidiaries</b>	\$ 564	\$ 669	\$ 692	\$ (1,361)	\$ 564

Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

## CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

As of March 30, 2012

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries (in millions)	Consolidating Adjustments	Total
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$	\$	\$ 2,866	\$	\$ 2,866
Accounts receivable, net			2,288		2,288
Inventories			1,833		1,833
Intercompany receivables	16		26	(42)	
Prepaid expenses and other current assets	12	4	437		453
Deferred income taxes			402		402
Assets held for sale			469		469
Total current assets	28	4	8,321	(42)	8,311
Property, plant, and equipment, net			3,107		3,107
Goodwill			3,283		3,283
Intangible assets, net			606		606
Deferred income taxes			2,290		2,290
Investment in subsidiaries	8,054	14,098		(22,152)	
Investment in subsidiaries of discontinued operations		403		(403)	
Intercompany loans receivable	9	2,361	4,976	(7,346)	
Receivable from Tyco International Ltd. and Covidien plc			1,167		1,167
Other assets		34	231		265
<b>Total Assets</b>	\$ 8,091	\$ 16,900	\$ 23,981	\$ (29,943)	\$ 19,029
<b>Liabilities and Equity</b>					
Current Liabilities:					
Current maturities of long-term debt	\$	\$ 1,284	\$ 1	\$	\$ 1,285
Accounts payable	2		1,365		1,367
Accrued and other current liabilities	372	72	1,111		1,555
Deferred revenue			98		98
Intercompany payables	26		16	(42)	
Liabilities held for sale			66		66
Total current liabilities	400	1,356	2,657	(42)	4,371
Long-term debt		2,522	165		2,687
Intercompany loans payable	8	4,968	2,370	(7,346)	
Long-term pension and postretirement liabilities			1,173		1,173
Deferred income taxes			333		333
Income taxes			2,264		2,264
Other liabilities			518		518

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<b>Total Liabilities</b>	408	8,846	9,480	(7,388)	11,346
<b>Total Equity</b>	7,683	8,054	14,501	(22,555)	7,683
<b>Total Liabilities and Equity</b>	\$ 8,091	\$ 16,900	\$ 23,981	\$ (29,943)	\$ 19,029

37

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Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

## CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

As of September 30, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries (in millions)	Consolidating Adjustments	Total	
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$	\$	\$ 1,218	\$	\$ 1,218	
Accounts receivable, net		2	2,339		2,341	
Inventories			1,878		1,878	
Intercompany receivables		17	28	(45)		
Prepaid expenses and other current assets		2	4	628	634	
Deferred income taxes			402		402	
Assets held for sale			508		508	
Total current assets		21	4	7,001	(45)	6,981
Property, plant, and equipment, net				3,140		3,140
Goodwill				3,288		3,288
Intangible assets, net				631		631
Deferred income taxes				2,364		2,364
Investment in subsidiaries		7,687	13,209		(20,896)	
Investment in subsidiaries of discontinued operations			441		(441)	
Intercompany loans receivable			2,416		5,848	(8,264)
Receivable from Tyco International Ltd. and Covidien plc					1,066	1,066
Other assets			34		219	253
<b>Total Assets</b>	\$	7,708	\$ 16,104	\$ 23,557	\$ (29,646)	\$ 17,723
<b>Liabilities and Equity</b>						
Current Liabilities:						
Current maturities of long-term debt	\$	\$	\$	\$	\$	
Accounts payable		1		1,453		1,454
Accrued and other current liabilities		180	88	1,465		1,733
Deferred revenue				143		143
Intercompany payables		28		17	(45)	
Liabilities held for sale				80		80
Total current liabilities		209	88	3,158	(45)	3,410
Long-term debt			2,496	171		2,667
Intercompany loans payable		15	5,833	2,416	(8,264)	
Long-term pension and postretirement liabilities				1,202		1,202
Deferred income taxes				333		333
Income taxes				2,122		2,122
Other liabilities				505		505

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<b>Total Liabilities</b>	224	8,417	9,907	(8,309)	10,239
<b>Total Equity</b>	7,484	7,687	13,650	(21,337)	7,484
<b>Total Liabilities and Equity</b>	\$ 7,708	\$ 16,104	\$ 23,557	\$ (29,646)	\$ 17,723

38

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Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
	(in millions)				
<b>Cash Flows From Operating Activities:</b>					
Net cash provided by (used in) continuing operating activities	\$ (70)	\$ (16)	\$ 762	\$	\$ 676
Net cash provided by discontinued operating activities			53		53
Net cash provided by (used in) operating activities	(70)	(16)	815		729
<b>Cash Flows From Investing Activities:</b>					
Capital expenditures			(270)		(270)
Proceeds from sale of property, plant, and equipment			7		7
Change in intercompany loans	(16)	(810)		826	
Other			(7)		(7)
Net cash used in continuing investing activities	(16)	(810)	(270)	826	(270)
Net cash used in discontinued investing activities			(1)		(1)
Net cash used in investing activities	(16)	(810)	(271)	826	(271)
<b>Cash Flows From Financing Activities:</b>					
Changes in parent company equity <sup>(1)</sup>	261	(483)	222		
Increase in commercial paper		569			569
Proceeds from long-term debt		748			748
Proceeds from exercise of share options			48		48
Repurchase of common shares	(17)				(17)
Payment of common share dividends	(158)		5		(153)
Loan borrowing with parent			826	(826)	
Other		(8)	48		40
Net cash provided by continuing financing activities	86	826	1,149	(826)	1,235
Net cash used in discontinued financing activities			(52)		(52)
Net cash provided by financing activities	86	826	1,097	(826)	1,183
Effect of currency translation on cash			7		7
<b>Net increase in cash and cash equivalents</b>			1,648		1,648
<b>Cash and cash equivalents at beginning of period</b>			1,218		1,218
<b>Cash and cash equivalents at end of period</b>	\$	\$	\$ 2,866	\$	\$ 2,866

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



Table of Contents

## TE CONNECTIVITY LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
	(in millions)				
<b>Cash Flows From Operating Activities:</b>					
Net cash provided by (used in) continuing operating activities	\$ (110)	\$ (22)	\$ 801	\$	\$ 669
Net cash provided by discontinued operating activities			42		42
Net cash provided by (used in) operating activities	(110)	(22)	843		711
<b>Cash Flows From Investing Activities:</b>					
Capital expenditures			(227)		(227)
Proceeds from sale of property, plant, and equipment			12		12
Proceeds from sale of short-term investments			155		155
Acquisition of business, net of cash acquired			(717)		(717)
Change in intercompany loans	1	1,163		(1,164)	
Other			(9)		(9)
Net cash provided by (used in) continuing investing activities	1	1,163	(786)	(1,164)	(786)
Net cash used in discontinued investing activities			(4)		(4)
Net cash provided by (used in) investing activities	1	1,163	(790)	(1,164)	(790)
<b>Cash Flows From Financing Activities:</b>					
Changes in parent company equity <sup>(1)</sup>	537	(1,290)	753		
Decrease in commercial paper		(100)			(100)
Proceeds from long-term debt		249			249
Repayment of long-term debt			(470)		(470)
Proceeds from exercise of share options			65		65
Repurchase of common shares	(281)				(281)
Payment of cash distributions to shareholders	(147)		6		(141)
Loan borrowing with parent			(1,164)	1,164	
Other			32		32
Net cash provided by (used in) continuing financing activities	109	(1,141)	(778)	1,164	(646)
Net cash used in discontinued financing activities			(38)		(38)
Net cash provided by (used in) financing activities	109	(1,141)	(816)	1,164	(684)
Effect of currency translation on cash			12		12
<b>Net decrease in cash and cash equivalents</b>			<b>(751)</b>		<b>(751)</b>

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<b>Cash and cash equivalents at beginning of period</b>				1,990				1,990
<b>Cash and cash equivalents at end of period</b>	\$	\$	\$	1,239	\$	\$	\$	1,239

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

Table of Contents

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes included elsewhere in this Quarterly Report. The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Forward-Looking Information" and "Part II. Item 1A. Risk Factors."

Our Condensed Consolidated Financial Statements have been prepared in United States Dollars, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Organic net sales growth and free cash flow are non-GAAP financial measures which are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe these non-GAAP financial measures, together with GAAP financial measures, provide useful information to investors because they reflect the financial measures that management uses in evaluating the underlying results of our operations. See "Non-GAAP Financial Measures" for more information about these non-GAAP financial measures, including our reasons for including the measures and material limitations with respect to the usefulness of the measures.

**Overview**

TE Connectivity Ltd. ("TE Connectivity" or the "Company", which may be referred to as "we," "us," or "our") is a global company that designs and manufactures approximately 500,000 products that connect and protect the flow of power and data inside millions of products used by consumers and industries. We partner with customers in a broad array of industries from consumer electronics, energy, and healthcare to automotive, aerospace, and communication networks. We operate through three reportable segments: Transportation Solutions, Communications and Industrial Solutions, and Network Solutions.

**Outlook**

Our business and operating results have been and will continue to be affected by worldwide economic conditions. Our sales are dependent on certain industry end markets that are impacted by consumer as well as industrial and infrastructure spending, and our operating results can be affected by changes in demand in those markets. Overall, our net sales decreased 2.7% and 0.4% in the second quarter and first six months of fiscal 2012, respectively, as compared to the same periods of fiscal 2011. On an organic basis, net sales decreased 1.3% and 2.2% in the second quarter and first six months of fiscal 2012, respectively, as compared to the same periods of fiscal 2011. We experienced moderate growth in our sales into consumer based markets, as growth in the automotive end market in our Transportation Solutions segment was partially offset by declines within the consumer devices and appliance end markets in our Communications and Industrial Solutions segment. On an organic basis, we experienced declines in our sales into industrial and infrastructure based markets, as weakness in the industrial and data communications end markets in our Communications and Industrial Solutions segment and telecom networks and subsea communications end markets in our Network Solutions segment were partially offset by moderate growth in the aerospace, defense and marine end market in our Transportation Solutions segment and in the energy end market in our Network Solutions segment. The acquisition of ADC Telecommunications, Inc. ("ADC") in December 2010 benefited the telecom networks and enterprise networks end markets in the Network Solutions segment. ADC contributed

Table of Contents

incremental sales of \$154 million in the first quarter of fiscal 2012 as compared to the first quarter of fiscal 2011.

Net sales in the third quarter of fiscal 2012 are expected to be between \$3.55 billion and \$3.65 billion. This reflects an increase in net sales in the Transportation Solutions segment, with growth in both the automotive and aerospace, defense, and marine end markets, partially offset by decreases in the Communications and Industrial Solutions and Network Solutions segments, as compared to the third quarter of fiscal 2011. We expect the automotive end market to benefit from an anticipated increase of 11% in global automotive production as compared to the third quarter of fiscal 2011. Deutsch Group SAS ("Deutsch") sales are expected to be approximately \$190 million in the third quarter of fiscal 2012. During the third quarter of fiscal 2012, we expect the Communications and Industrial Solutions segment to be adversely impacted by continued weakness in the data communications and industrial end markets. We expect the Network Solutions segment to be negatively impacted by lower spending by North American and European telecommunication carriers and lower levels of project activity in the subsea communications end market in the third quarter of fiscal 2012 as compared to the same period of fiscal 2011. In the third quarter of fiscal 2012, we expect diluted earnings per share to be in the range of \$0.58 to \$0.62 per share.

For fiscal 2012, we expect net sales to be between \$13.5 billion and \$13.8 billion, reflecting an increase in net sales in the Transportation Solutions segment, with growth in both the automotive and aerospace, defense, and marine end markets. We expect the automotive end market to benefit from an anticipated increase in global automotive production of approximately 5% over fiscal 2011 levels. Also, Deutsch sales are expected to be approximately \$370 million in the second half of fiscal 2012. In the Communications and Industrial Solutions segment, we expect a recovery in the data communications and industrial end markets in the second half of the fiscal year as compared to the first half of the fiscal year as a result of seasonal increases. In the Network Solutions segment, we expect a seasonal increase in the second half of the fiscal year as compared to the first half of the fiscal year in the telecom networks and energy end markets. Also, in the Network Solutions segment, we expect the subsea communications end market to be negatively impacted by lower levels of project activity in fiscal 2012 as compared to fiscal 2011. We expect diluted earnings per share to be in the range of \$2.50 to \$2.60 per share for fiscal 2012.

The above outlook assumes current foreign exchange and commodity rates and includes the recently completed acquisition of Deutsch.

We are monitoring the current environment and its potential effects on our customers and on the end markets we serve. Additionally, we continue to closely manage our costs in order to respond to changing conditions. We are also managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund our future capital needs. (See further discussion in "Liquidity and Capital Resources.")

### **Acquisition**

On April 3, 2012, we acquired 100% of the outstanding shares of Deutsch Group SAS. The total value paid for the transaction amounts to €1.55 billion (approximately \$2.05 billion using an exchange rate of \$1.33 per €1.00), net of cash acquired. The total value paid included the repayment of Deutsch's financial debt in an aggregate amount equal to approximately \$660 million. Deutsch is a global leader in high-performance connectors for harsh environments, and the acquisition will significantly expand our product portfolio and enable us to better serve customers in the industrial and commercial transportation, aerospace, defense, and marine, and rail markets. This acquisition will be reported as part of our Transportation Solutions segment. For the quarter and six months ended March 30, 2012, we incurred Deutsch-related acquisition costs of \$4 million and \$8 million, respectively. These costs are presented in acquisition and integration costs on the Condensed Consolidated Statements of

Table of Contents

Operations. See additional information regarding the acquisition of Deutsch in Note 21 to the Condensed Consolidated Financial Statements.

**Discontinued Operations**

In March 2012, we authorized the sale of our Touch Solutions and TE Professional Services businesses. These businesses met the held for sale and discontinued operations criteria in the second quarter of fiscal 2012 and have been included in discontinued operations in all periods presented. Prior to reclassification to discontinued operations, the Touch Solutions and TE Professional Services businesses were included in the Communications and Industrial Solutions and Network Solutions segments, respectively.

On April 7, 2012, we entered into a definitive agreement to sell our TE Professional Services business for \$24 million in cash. Also, on April 9, 2012, we entered into a definitive agreement to sell our Touch Solutions business for \$380 million in cash. The agreement includes contingent earn-out provisions through 2015 based on business performance. Although we have not yet completed our accounting related to the divestiture of the Touch Solutions business, we currently expect to incur an income tax charge of approximately \$65 million primarily as a result of being unable to fully realize a tax benefit from the write-off of goodwill at the time of the sale. We expect to make tax payments of approximately \$10 million associated with this charge. The sales of the TE Professional Services and Touch Solutions businesses are expected to close by the end of the third quarter of fiscal 2012.

See Notes 4 and 21 to the Condensed Consolidated Financial Statements for additional information regarding discontinued operations.

**Manufacturing Simplification and Cost Actions due to Current Economic Conditions**

We plan to continue to simplify our global manufacturing footprint by migrating facilities from higher-cost to lower-cost countries, consolidating within countries, and transferring product lines to lower-cost countries. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for profitability growth in the years ahead.

In connection with our manufacturing simplification plan and in response to economic conditions, we incurred restructuring charges of approximately \$50 million during the first six months of fiscal 2012 and expect to incur restructuring charges of approximately \$100 million during fiscal 2012. In the first six months of fiscal 2012, cash spending related to restructuring was \$75 million. We expect total spending, which will be funded with cash from operations, to be approximately \$185 million in fiscal 2012. Annualized cost savings related to these actions are expected to be approximately \$135 million. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses.

Table of Contents**Results of Operations****Consolidated Operations**

Key business factors that influenced our results of operations during the periods discussed in this report include:

**Raw material prices.** We expect to purchase approximately 175 million pounds of copper, 149,000 troy ounces of gold, and 2.9 million troy ounces of silver in fiscal 2012. Prices have increased in recent years and continue to fluctuate. The following table sets forth the average prices incurred related to copper, gold, and silver during the periods presented:

	Measure	For the Quarters Ended		For the Six Months Ended	
		March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Copper	Lb.	\$ 3.98	\$ 4.10	\$ 3.94	\$ 3.92
Gold	Troy oz.	\$ 1,596	\$ 1,302	\$ 1,576	\$ 1,286
Silver	Troy oz.	\$ 36.41	\$ 28.13	\$ 34.94	\$ 26.16

**Foreign exchange.** Approximately 55% of our net sales are invoiced in currencies other than the U.S. Dollar. Our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. Dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. Dollars at the end of each fiscal period. The percentage of net sales in the first six months of fiscal 2012 by major currencies invoiced was as follows:

U.S. Dollar	45%
Euro	29
Japanese Yen	8
Chinese Renminbi	6
Korean Won	3
Brazilian Real	2
British Pound Sterling	1
All others	6
<b>Total</b>	<b>100%</b>

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Table of Contents

The following table sets forth certain items from our Condensed Consolidated Statements of Operations and the percentage of net sales that such items represent for the periods shown.

	For the Quarters Ended				For the Six Months Ended			
	March 30, 2012		March 25, 2011		March 30, 2012		March 25, 2011	
	(\$ in millions)							
Net sales	\$ 3,249	100.0%	\$ 3,339	100.0%	\$ 6,419	100.0%	\$ 6,446	100.0%
Cost of sales	2,228	68.6	2,331	69.8	4,455	69.4	4,447	69.0
<b>Gross margin</b>	1,021	31.4	1,008	30.2	1,964	30.6	1,999	31.0
Selling, general, and administrative expenses	427	13.1	431	12.9	810	12.6	820	12.7
Research, development, and engineering expenses	173	5.3	173	5.2	350	5.5	329	5.1
Acquisition and integration costs	4	0.1	1		8	0.1	18	0.3
Restructuring and other charges, net	32	1.0	11	0.3	50	0.8	50	0.8
<b>Operating income</b>	385	11.8	392	11.7	746	11.6	782	12.1
Interest income	7	0.2	6	0.2	12	0.2	11	0.2
Interest expense	(44)	(1.4)	(43)	(1.3)	(83)	(1.3)	(78)	(1.2)
Other income, net	11	0.3	6	0.2	12	0.2	18	0.3
<b>Income from continuing operations before income taxes</b>	359	11.0	361	10.8	687	10.7	733	11.4
Income tax expense	(91)	(2.8)	(69)	(2.1)	(179)	(2.8)	(177)	(2.7)
<b>Income from continuing operations</b>	268	8.2	292	8.7	508	7.9	556	8.6
Income (loss) from discontinued operations, net of income taxes	(10)	(0.3)	8	0.2	12	0.2	10	0.2
<b>Net income</b>	258	7.9	300	9.0	520	8.1	566	8.8
Less: net income attributable to noncontrolling interests	(1)		(1)		(3)		(2)	
<b>Net income attributable to TE Connectivity Ltd.</b>	\$ 257	7.9%	\$ 299	9.0%	\$ 517	8.1%	\$ 564	8.7%

**Net Sales.** Net sales decreased \$90 million, or 2.7%, to \$3,249 million in the second quarter of fiscal 2012 from \$3,339 million in the second quarter of fiscal 2011. The decrease was primarily a result of decreased net sales in the Communications and Industrial Solutions segment, and to a lesser degree the Network Solutions segment, partially offset by increased net sales in the Transportation Solutions segment. Foreign currency exchange rates negatively affected net sales by \$47 million in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011. On an organic basis, net sales decreased \$43 million, or 1.3%, in the second quarter of fiscal 2012 as compared to the second quarter of fiscal 2011.

In the first six months of fiscal 2012, net sales decreased \$27 million, or 0.4%, to \$6,419 million from \$6,446 million in the first six months of fiscal 2011. The decrease was due primarily to lower net sales in our Communications and Industrial Solutions segment, partially offset by increased net sales in the Transportation Solutions segment. The ADC acquisition in the first quarter of fiscal 2011 resulted in incremental net sales of \$154 million in the first quarter of fiscal 2012 over the same period of the prior year, as ADC contributed net sales of \$198 million in the first quarter of fiscal 2012 as compared to \$44 million in the first quarter of fiscal 2011. Foreign currency exchange rates negatively affected net sales by \$39 million in the first six months of fiscal 2012 as compared to the same period of fiscal 2011. On an organic basis, net sales decreased \$142 million, or 2.2%, in the first six months of fiscal 2012 as

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### Table of Contents

compared to the first six months of fiscal 2011. See further discussion of organic net sales below under Results of Operations by Segment.

The following table sets forth the percentage of our total net sales by geographic region:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Europe/Middle East/Africa (EMEA)	35%	36%	34%	36%
Asia-Pacific	33	32	34	34
Americas	32	32	32	30
Total	100%	100%	100%	100%

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

	Change in Net Sales for the Quarter Ended March 30, 2012 versus Net Sales for the Quarter Ended March 25, 2011			Change in Net Sales for the Six Months Ended March 30, 2012 versus Net Sales for the Six Months Ended March 25, 2011		
	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total
(\$ in millions)						
EMEA	\$ (17)	(1.5)%	\$ (52)	(\$ 69)	(5.8)%	\$ (93)
Asia-Pacific	(2)	(0.3)	14	12	1.1	(33)
Americas	(24)	(2.2)	(9)	(33)	(3.1)	(16)
Total	\$ (43)	(1.3)%	\$ (47)	(\$ 90)	(2.7)%	(\$ 142)

(1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

The following table sets forth the percentage of our total net sales by segment:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Transportation Solutions	45%	41%	45%	41%
Communications and Industrial Solutions	30	33	30	35
Network Solutions	25	26	25	24
Total	100%	100%	100%	100%

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

	Change in Net Sales for the Quarter Ended March 30, 2012 versus Net Sales for the Quarter Ended March 25, 2011			Change in Net Sales for the Six Months Ended March 30, 2012 versus Net Sales for the Six Months Ended March 25, 2011		
	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total
(\$ in millions)						
Transportation Solutions	\$ 122	8.9%	\$ (22)	\$ 100	7.4%	\$ 211
Communications and Industrial Solutions	(134)	(12.1)	(2)	(136)	(12.2)	(305)
Network Solutions	5	0.1	5	5	0.1	5
Total	\$ (17)	(1.3)%	\$ (47)	(\$ 142)	(2.7)%	(\$ 300)



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Network Solutions	(31)	(3.7)	(23)	(54)	(6.2)	(48)	(3.2)	(27)	154	79	5.2
Total	\$ (43)	(1.3)%	\$ (47)	(90)	(2.7)%	\$ (142)	(2.2)%	\$ (39)	154	\$ (27)	(0.4)%

- 
- (1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Table of Contents

**Gross Margin.** Gross margin increased \$13 million to \$1,021 million in the second quarter of fiscal 2012 from \$1,008 million in the second quarter of fiscal 2011. Gross margin as a percentage of net sales increased to 31.4% in the second quarter of fiscal 2012 from 30.2% in the same period of fiscal 2011. The increase in gross margin was due to improved manufacturing productivity, partially offset by the unfavorable impacts of decreased volume and, to a lesser extent, increased material costs. In addition, in the second quarter of fiscal 2011, gross margin included charges of \$29 million associated with the amortization of acquisition accounting-related fair value adjustments primarily related to acquired inventories and customer order backlog associated with ADC.

Gross margin decreased \$35 million to \$1,964 million in the first six months of fiscal 2012 from \$1,999 million in the first six months of fiscal 2011. Gross margin as a percentage of net sales decreased to 30.6% in the first six months of fiscal 2012 from 31.0% in the same period of fiscal 2011. The decrease in gross margin was due to the unfavorable impacts of decreased volume and increased material costs, partially offset by the gross margin on incremental ADC sales and improved manufacturing productivity. Also, in the first six months of fiscal 2011, gross margin included charges of \$36 million associated with the amortization of acquisition accounting-related fair value adjustments primarily related to acquired inventories and customer order backlog associated with ADC.

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expenses decreased \$4 million to \$427 million in the second quarter of fiscal 2012 from \$431 million in the second quarter of fiscal 2011. Selling, general, and administrative expenses as a percentage of net sales were 13.1% and 12.9% in the second quarters of fiscal 2012 and 2011, respectively. Selling, general, and administrative expenses decreased \$10 million to \$810 million in the first six months of fiscal 2012 from \$820 million in the first six months of fiscal 2011. Selling, general, and administrative expenses as a percentage of net sales were 12.6% and 12.7% in the first six months of fiscal 2012 and 2011, respectively.

**Research, Development, and Engineering Expenses.** Research, development, and engineering expenses were \$173 million in both the second quarters of fiscal 2012 and 2011. Research, development, and engineering expenses increased to \$350 million in the first six months of fiscal 2012 from \$329 million in the first six months of fiscal 2011. The increase was a result of our continued focus on developing future technologies within our businesses.

**Acquisition and Integration Costs.** In connection with the acquisition of Deutsch, we incurred acquisition costs of \$4 million and \$8 million during the second quarter and first six months of fiscal 2012, respectively. In connection with the acquisition of ADC, we incurred acquisition and integration costs of \$1 million and \$18 million during the second quarter and first six months of fiscal 2011, respectively.

**Restructuring and Other Charges, Net.** Net restructuring and other charges were \$32 million in the second quarter of fiscal 2012 as compared to \$11 million in the same period of fiscal 2011. Net restructuring and other charges were \$50 million in both the first six months of fiscal 2012 and 2011. Fiscal 2012 actions were primarily associated with headcount reductions in the Communications and Industrial Solutions segment. Fiscal 2011 actions were primarily associated with the acquisition of ADC and related headcount reductions in the Network Solutions segment. See Note 3 to the Condensed Consolidated Financial Statements for further information regarding net restructuring and other charges.

**Operating Income.** Operating income was \$385 million in the second quarter of fiscal 2012 as compared to \$392 million in the same period of fiscal 2011. As discussed above, results for the second quarter of fiscal 2012 included net restructuring and other charges of \$32 million and acquisition costs of \$4 million. Results for the second quarter of fiscal 2011 included charges of \$29 million associated with the amortization of acquisition accounting-related fair value adjustments primarily related to

Table of Contents

acquired inventories and customer order backlog, net restructuring and other charges of \$11 million, and acquisition and integration costs of \$1 million. Excluding these items, the decrease in operating income resulted from the unfavorable impacts of decreased volume and, to a lesser extent, increased material costs, partially offset by improved manufacturing productivity.

Operating income was \$746 million and \$782 million in the first six months of fiscal 2012 and 2011, respectively. Results for the first six months of fiscal 2012 included net restructuring and other charges of \$50 million and acquisition costs of \$8 million. Results for the first six months of fiscal 2011 included net restructuring and other charges of \$50 million, charges of \$36 million associated with the amortization of acquisition accounting-related fair value adjustments primarily related to acquired inventories and customer order backlog, and acquisition and integration costs of \$18 million. Excluding these items, the decrease in operating income resulted from the unfavorable impacts of decreased volume, and to a lesser degree, increased material costs, partially offset by improved manufacturing productivity.

**Non-Operating Items**

**Other Income, Net**

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

**Income Taxes**

We recorded a tax provision of \$91 million, for an effective income tax rate of 25.3%, and a tax provision of \$69 million, for an effective income tax rate of 19.1%, for the quarters ended March 30, 2012 and March 25, 2011, respectively. The effective income tax rate for the quarter ended March 30, 2012 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2012 in certain entities operating in lower tax rate jurisdictions. In addition, the effective income tax rate for the quarter ended March 30, 2012 reflects accruals of interest related to uncertain tax positions partially offset by tax benefits recognized due to the lapse of statutes of limitations in certain non-U.S. locations. The effective income tax rate for the quarter ended March 25, 2011 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2011 in certain entities operating in lower tax rate jurisdictions partially offset by accruals of interest related to uncertain tax positions. In addition, the effective income tax rate for the quarter ended March 25, 2011 reflects tax benefits associated with certain ADC related restructuring charges and acquisition costs as well as tax benefits related to a favorable tax settlement.

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

Table of Contents

**Income (Loss) from Discontinued Operations, Net of Income Taxes**

Loss from discontinued operations was \$10 million and income from discontinued operations was \$8 million in the second quarters of fiscal 2012 and 2011, respectively. In the first six months of fiscal 2012 and 2011, income from discontinued operations was \$12 million and \$10 million, respectively.

In March 2012, we authorized the sale of our Touch Solutions and TE Professional Services businesses. Based on an estimated sales price, we determined that the carrying value of the TE Professional Services business was in excess of its fair value. In the second quarter of fiscal 2012, we recorded a pre-tax impairment charge of \$28 million, which is included in income (loss) from discontinued operations, net of income taxes on the Condensed Consolidated Statements of Operations, to write the carrying value of the business down to its estimated fair value less costs to sell.

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

See Notes 4 and 21 to the Condensed Consolidated Financial Statements for additional information regarding discontinued operations.

**Results of Operations by Segment**

**Transportation Solutions**

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(\$ in millions)			
Net sales	\$ 1,457	\$ 1,357	\$ 2,862	\$ 2,668
Operating income	\$ 227	\$ 211	\$ 450	\$ 400
Operating margin	15.6%	15.5%	15.7%	15.0%

The following table sets forth Transportation Solutions' percentage of total net sales by primary industry end market<sup>(1)</sup>:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Automotive	88%	88%	88%	88%
Aerospace, Defense, and Marine	12	12	12	12
Total	100%	100%	100%	100%

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

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### Table of Contents

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

	Change in Net Sales for the Quarter Ended March 30, 2012 versus Net Sales for the Quarter Ended March 25, 2011					Change in Net Sales for the Six Months Ended March 30, 2012 versus Net Sales for the Six Months Ended March 25, 2011				
	Organic <sup>(1)</sup>		Translation <sup>(2)</sup>		Total	Organic <sup>(1)</sup>		Translation <sup>(2)</sup>		Total
	(\$ in millions)									
Automotive	\$ 101	8.5%	\$ (18)	\$ 83	7.0%	\$ 176	7.5%	\$ (13)	\$ 163	6.9%
Aerospace, Defense, and Marine	21	12.6	(4)	17	10.4	35	10.9	(4)	31	9.7
<b>Total</b>	<b>\$ 122</b>	<b>8.9%</b>	<b>\$ (22)</b>	<b>\$ 100</b>	<b>7.4%</b>	<b>\$ 211</b>	<b>7.9%</b>	<b>\$ (17)</b>	<b>\$ 194</b>	<b>7.3%</b>

(1)

Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2)

Represents the change in net sales resulting from changes in foreign currency exchange rates.

### ***Quarter Ended March 30, 2012 Compared to Quarter Ended March 25, 2011***

Transportation Solutions' net sales increased \$100 million, or 7.4%, to \$1,457 million in the second quarter of fiscal 2012 from \$1,357 million in the second quarter of fiscal 2011. Organic net sales increased by \$122 million, or 8.9%, in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011 due primarily to an increase of \$101 million in the automotive end market. The weakening of certain foreign currencies negatively affected net sales by \$22 million in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011.

In the automotive end market, our organic net sales increased 8.5% in the second quarter of fiscal 2012 as compared to the second quarter of fiscal 2011. The increase resulted from growth of 12.8% in the Asia-Pacific region, 12.0% in the Americas region, and 4.3% in the EMEA region. This growth was driven by higher automotive production and increased content per vehicle. In the aerospace, defense, and marine end markets, our organic net sales increased 12.6% in the second quarter of fiscal 2012 as compared to the same period in fiscal 2011 primarily as a result of share gains and growth in commercial aviation due to increased production and, in the marine market, as a result of increased oil and gas exploration driven by increasing crude oil prices.

Transportation Solutions' operating income increased \$16 million to \$227 million in the second quarter of fiscal 2012 from \$211 million in the second quarter of fiscal 2011. Segment results for the second quarter of fiscal 2012 included \$4 million of acquisition costs related to the acquisition of Deutsch. Segment results included \$2 million of restructuring and other charges in the second quarter of fiscal 2012 and \$6 million of net credits to restructuring and other charges (credits) in the second quarter of fiscal 2011. Excluding these items, the increase in operating income resulted primarily from the favorable impacts of increased volume and pricing actions.

### ***Six Months Ended March 30, 2012 Compared to Six Months Ended March 25, 2011***

In the first six months of fiscal 2012, Transportation Solutions' net sales increased \$194 million, or 7.3%, to \$2,862 million from \$2,668 million in the same period of fiscal 2011. Organic net sales increased by \$211 million, or 7.9%, in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 due primarily to an increase of \$176 million in the automotive end market. The weakening of certain foreign currencies negatively affected net sales by \$17 million in the first six months of fiscal 2012 as compared to the same period of fiscal 2011.

In the automotive end market, our organic net sales increased 7.5% in the first six months of fiscal 2012 as compared to the same period of fiscal 2011. The increase was due primarily to growth in the Asia-Pacific region of 13.5% and in the Americas region of 11.8%. This growth was driven by higher automotive production and increased content per vehicle. In the aerospace, defense, and marine end

Table of Contents

markets, our organic net sales increased 10.9% in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 primarily as a result of share gains and growth in commercial aviation due to increased production and, in the marine market, as a result of increased oil and gas exploration driven by increasing crude oil prices.

Transportation Solutions' operating income increased \$50 million to \$450 million in the first six months of fiscal 2012 from \$400 million in the same period of fiscal 2011. Segment results for the first six months of fiscal 2012 included \$8 million of acquisition costs related to the acquisition of Deutsch. Segment results included \$2 million and \$5 million of net credits to restructuring and other charges (credits) in the first six months of fiscal 2012 and 2011, respectively. Excluding these items, the increase in operating income resulted primarily from the favorable impacts of increased volume and pricing actions.

**Communications and Industrial Solutions**

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(\$ in millions)			
Net sales	\$ 975	\$ 1,111	\$ 1,949	\$ 2,249
Operating income	\$ 75	\$ 135	\$ 136	\$ 306
Operating margin	7.7%	12.2%	7.0%	13.6%

The following table sets forth Communications and Industrial Solutions' percentage of total net sales by primary industry end market<sup>(1)</sup>:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Industrial	33%	34%	33%	33%
Consumer Devices	27	25	28	27
Data Communications	21	23	21	23
Appliance	19	18	18	17
Total	100%	100%	100%	100%

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

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

	Change in Net Sales for the Quarter Ended March 30, 2012 versus Net Sales for the Quarter Ended March 25, 2011			Change in Net Sales for the Six Months Ended March 30, 2012 versus Net Sales for the Six Months Ended March 25, 2011		
	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total
	(\$ in millions)					
Industrial	\$ (55)	(14.3)%	\$ (1)	\$ (56)	(14.9)%	\$ (109)
Consumer Devices	(21)	(7.5)	1	(20)	(7.1)	(57)
Data Communications	(46)	(18.1)	(1)	(47)	(18.4)	(98)
Appliance	(12)	(6.0)	(1)	(13)	(6.6)	(41)
Total	\$ (134)	(12.1)%	\$ (2)	\$ (136)	(12.2)%	\$ (305)

(1)

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Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.

(2)

Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

Table of Contents

***Quarter Ended March 30, 2012 Compared to Quarter Ended March 25, 2011***

Communications and Industrial Solutions' net sales decreased \$136 million, or 12.2%, to \$975 million in the second quarter of fiscal 2012 from \$1,111 million in the second quarter of fiscal 2011. Organic net sales decreased \$134 million, or 12.1%, during the second quarter of fiscal 2012 as compared to the same period of fiscal 2011.

In the industrial end market, our organic net sales decreased 14.3% in the second quarter of fiscal 2012 as compared to the second quarter of fiscal 2011 primarily as a result of inventory corrections in the supply chain and market weakness, particularly in the EMEA and Asia-Pacific regions. In the consumer devices end market, our organic net sales decreased 7.5% in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011 due to weaker demand in the mobile phone market driven by our platform position, as well as softness in the personal computer market, partially offset by market share growth in tablets. In the data communications end market, our organic net sales decreased 18.1% in the second quarter of fiscal 2012 from the same period of fiscal 2011 due to market softness and inventory reductions in the supply chain. In the appliance end market, our organic net sales decreased 6.0% in the second quarter of fiscal 2012 as compared to the second quarter of fiscal 2011 primarily as a result of weakness in the Asia-Pacific and EMEA regions, resulting from lower demand, partially offset by improvements in demand in the Americas region.

Communications and Industrial Solutions' operating income decreased \$60 million to \$75 million in the second quarter of fiscal 2012 from \$135 million in the same period of fiscal 2011. Segment results included restructuring and other charges of \$18 million in the second quarter of fiscal 2012. Excluding this item, the decrease in operating income resulted from the unfavorable impacts of decreased volume and increased materials cost, partially offset by improved manufacturing productivity.

***Six Months Ended March 30, 2012 Compared to Six Months Ended March 25, 2011***

In the first six months of fiscal 2012, Communications and Industrial Solutions' net sales decreased \$300 million, or 13.3%, to \$1,949 million from \$2,249 million in the same period of fiscal 2011. Organic net sales decreased \$305 million, or 13.6%, during the first six months of fiscal 2012 as compared to the first six months of fiscal 2011.

In the industrial end market, our organic net sales decreased 14.7% in the first six months of fiscal 2012 as compared to the same period of fiscal 2011 due primarily to inventory corrections in the supply chain and market weakness, particularly in the EMEA and Asia-Pacific regions. In the consumer devices end market, our organic net sales decreased 9.7% in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 as a result of weaker demand in the mobile phone market driven by our platform position, as well as softness in the personal computer market, partially offset by market share growth in tablets. In the data communications end market, our organic net sales decreased 18.9% in the first six months of fiscal 2012 from the same period of fiscal 2011 as a result of market softness and inventory reductions in the supply chain. In the appliance end market, our organic net sales decreased 10.5% in the first six months of fiscal 2012 as compared to the same period of fiscal 2011 due primarily to weakness in the Asia-Pacific and EMEA regions, resulting from lower demand and inventory reductions in the supply chain.

Communications and Industrial Solutions' operating income decreased \$170 million to \$136 million in the first six months of fiscal 2012 from \$306 million in the first six months of fiscal 2011. Segment results included restructuring and other charges of \$35 million and \$3 million in the first six months of fiscal 2012 and 2011, respectively. Excluding these items, the decrease in operating income resulted from the unfavorable impacts of decreased volume and increased materials costs, partially offset by improved manufacturing productivity.



Table of Contents

**Network Solutions**

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
	(\$ in millions)			
Net sales	\$ 817	\$ 871	\$ 1,608	\$ 1,529
Operating income	\$ 83	\$ 46	\$ 160	\$ 76
Operating margin	10.2%	5.3%	10.0%	5.0%

The following table sets forth Network Solutions' percentage of total net sales by primary industry end market<sup>(1)</sup>:

	For the Quarters Ended		For the Six Months Ended	
	March 30, 2012	March 25, 2011	March 30, 2012	March 25, 2011
Telecom Networks	39%	40%	38%	35%
Energy	25	22	25	26
Enterprise Networks	21	21	21	20
Subsea Communications	15	17	16	19
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

The following table provides an analysis of the change in Network Solutions' net sales by primary industry end market:

	Change in Net Sales for the Quarter Ended March 30, 2012 versus Net Sales for the Quarter Ended March 25, 2011			Change in Net Sales for the Six Months Ended March 30, 2012 versus Net Sales for the Six Months Ended March 25, 2011			
	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Total	Organic <sup>(1)</sup>	Translation <sup>(2)</sup>	Acquisition	Total
	(\$ in millions)						
Telecom Networks	\$ (20)	(5.9)%	\$ (31)	(8.9)%	\$ (23)	(4.5)%	\$ 117
Energy	18	9.0	(5)	13	6.7	10	2.3
Enterprise Networks	(1)	(0.7)	(7)	(8)	(4.4)	5	1.6
Subsea Communications	(28)	(18.5)	(28)	(18.8)	(40)	(13.6)	(40)
<b>Total</b>	<b>\$ (31)</b>	<b>(3.7)%</b>	<b>\$ (54)</b>	<b>(6.2)%</b>	<b>\$ (48)</b>	<b>(3.2)%</b>	<b>\$ 154</b>

- (1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (2) Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

***Quarter Ended March 30, 2012 Compared to Quarter Ended March 25, 2011***

Network Solutions' net sales decreased \$54 million, or 6.2%, to \$817 million in the second quarter of fiscal 2012 from \$871 million in the second quarter of fiscal 2011. Organic net sales decreased \$31 million, or 3.7%, in the second quarter of fiscal 2012 from the same period of fiscal 2011. The weakening of certain foreign currencies negatively affected net sales by \$23 million in the second quarter of fiscal 2012 as

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compared to the same period of fiscal 2011.

In the telecom networks end market, our organic net sales decreased 5.9% in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011 largely due to decreased capital investments by major carriers in the telecommunications industry, particularly in the Americas region. In the energy end market, our organic net sales increased 9.0% in the second quarter of fiscal 2012 as

Table of Contents

compared to the second quarter of fiscal 2011 primarily as a result of growth in the Americas region. In the enterprise networks end market, our organic sales decreased 0.7% in the second quarter of fiscal 2012 from fiscal 2011 levels due to softness in office networks, partially offset by continued data center investments. The subsea communications end market's organic net sales decreased 18.5% in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011 due to lower levels of project activity.

Network Solutions' operating income increased \$37 million to \$83 million in the second quarter of fiscal 2012 from \$46 million in the same period of fiscal 2011. Segment results for the second quarter of fiscal 2012 included \$12 million of restructuring charges. Segment results for the second quarter of fiscal 2011 included \$46 million of charges related to the acquisition of ADC, including \$29 million of charges associated with the amortization of acquisition accounting-related fair value adjustments primarily related to acquired inventories and customer order backlog, \$16 million of restructuring charges, and \$1 million of acquisition and integration costs. Segment results also included additional restructuring charges of \$1 million in the second quarter of fiscal 2011. Excluding these items, the increase in operating income was attributable to improved manufacturing productivity, largely offset by the unfavorable impacts of decreased volume and price erosion.

***Six Months Ended March 30, 2012 Compared to Six Months Ended March 25, 2011***

Network Solutions' net sales increased \$79 million, or 5.2%, to \$1,608 million in the first six months of fiscal 2012 from \$1,529 million in the same period of fiscal 2011. Organic net sales decreased \$48 million, or 3.2%, in the first six months of fiscal 2012 from the first six months of fiscal 2011. The weakening of certain foreign currencies negatively affected net sales by \$27 million in the first six months of fiscal 2012 as compared to the same period of fiscal 2011. The acquisition of ADC on December 8, 2010 resulted in incremental net sales of \$154 million in the first quarter of fiscal 2012 over the same period of fiscal 2011, as ADC contributed net sales of \$198 million in the first quarter of fiscal 2012 as compared to \$44 million in the first quarter of fiscal 2011.

In the telecom networks end market, our organic net sales decreased 4.5% in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 due primarily to decreased capital investments by major carriers in the telecommunications industry, particularly in the Americas and EMEA regions. In the energy end market, our organic net sales increased 2.3% in the first six months of fiscal 2012 as compared to the same period of fiscal 2011 as a result of growth in the Americas region. In the enterprise networks end market, our organic sales increased 1.6% in the first six months of fiscal 2012 from fiscal 2011 levels due to continued data center investments, particularly in the Asia-Pacific and Americas regions. The subsea communications end market's organic net sales decreased 13.6% in the first six months of fiscal 2012 as compared to the first six months of fiscal 2011 as a result of lower levels of project activity.

In the first six months of fiscal 2012, Network Solutions' operating income increased \$84 million to \$160 million from \$76 million in the first six months of fiscal 2011. Segment results for the first six months of fiscal 2012 included \$17 million of restructuring charges. Segment results for the first six months of fiscal 2011 included \$105 million of charges related to the acquisition of ADC, including \$51 million of restructuring charges, \$36 million of charges associated with the amortization of acquisition accounting-related fair value adjustments primarily related to acquired inventories and customer order backlog, and \$18 million of acquisition and integration costs. Segment results also included additional restructuring charges of \$1 million in the first six months of fiscal 2011. Excluding these items, the decrease in operating income was attributable to the unfavorable impacts of decreased volume and price erosion, largely offset by improved manufacturing productivity.

Table of Contents

**Liquidity and Capital Resources**

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of our 6.00% senior notes due in October 2012. We may use excess cash to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law, to purchase a portion of our common shares pursuant to our authorized share repurchase program, to pay distributions or dividends on our common shares, or to acquire strategic businesses or product lines. On April 3, 2012, we acquired Deutsch. The total value paid, including the repayment of Deutsch's financial debt at closing, was approximately \$2.05 billion, net of cash acquired. In anticipation of the acquisition, we had previously raised funds through the issuance of \$750 million of senior notes and \$569 million of commercial paper. (See additional information regarding debt and the acquisition of Deutsch in Notes 8 and 21 to the Condensed Consolidated Financial Statements.) The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets, to respond as necessary to changing conditions.

**Cash Flows from Operating Activities**

In the first six months of fiscal 2012, net cash provided by continuing operating activities increased \$7 million to \$676 million from \$669 million in the first six months of fiscal 2011. The increase resulted from improved working capital offset by higher income taxes paid and lower income levels.

The amount of income taxes paid, net of refunds, was \$168 million and \$69 million during the first six months of fiscal 2012 and 2011, respectively. Payments during the second quarter of fiscal 2012 included \$52 million for tax deficiencies related to undisputed tax adjustments for the years 1997 through 2000. Also during the second quarter of fiscal 2012, we received net reimbursements of \$36 million from Tyco International and Covidien pursuant to their indemnifications for pre-separation tax matters.

We expect to make net cash payments related to pre-separation tax matters of approximately \$26 million over the next twelve months. These amounts include payments in which we are the primary obligor to the taxing authorities and for which we expect a portion to be reimbursed by Tyco International and Covidien under the Tax Sharing Agreement as well as indemnification payments to Tyco International and Covidien under the Tax Sharing Agreement for tax matters where they are the primary obligor to the taxing authorities. See Note 10 to the Condensed Consolidated Financial Statements for additional information related to pre-separation tax matters.

In addition to net cash provided by operating activities, we use free cash flow, a non-GAAP financial measure, as a useful measure of our performance and ability to generate cash. Free cash flow was \$449 million in the first six months of fiscal 2012 as compared to \$454 million in the first six months of fiscal 2011. The decrease in free cash flow in fiscal 2012 as compared to fiscal 2011 was primarily driven by increased capital expenditures partially offset by payments related to pre-separation tax matters and acquisition-related foreign currency derivatives settlements. The following table sets

Table of Contents

forth a reconciliation of net cash provided by continuing operating activities, the most comparable GAAP financial measure, to free cash flow.

	For the Six Months Ended	
	March 30, 2012	March 25, 2011
	(in millions)	
Net cash provided by continuing operating activities	\$ 676	\$ 669
Capital expenditures	(270)	(227)
Proceeds from sale of property, plant, and equipment	7	12
Payments related to pre-separation tax matters, net	16	
Payments to settle acquisition-related foreign currency derivative contracts	20	
Free cash flow	\$ 449	\$ 454

**Cash Flows from Investing Activities**

We continue to fund capital expenditures to support new programs and to invest in machinery and our manufacturing facilities to further enhance productivity and manufacturing capabilities. In the first six months of fiscal 2012, capital spending increased \$43 million to \$270 million from \$227 million in the first six months of fiscal 2011. We expect fiscal 2012 capital spending levels to be approximately 4% to 5% of net sales.

In the first six months of fiscal 2011, we acquired ADC for a total purchase price of approximately \$1,263 million in cash (excluding cash acquired of \$546 million) and \$22 million of other non-cash consideration. Short-term investments acquired in connection with the acquisition of ADC were sold for proceeds of \$155 million in the first six months of fiscal 2011.

**Cash Flows from Financing Activities and Capitalization**

Total debt at March 30, 2012 and September 30, 2011 was \$3,972 million and \$2,667 million, respectively. See Note 8 to the Condensed Consolidated Financial Statements for additional information regarding debt.

During February 2012, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, issued \$250 million aggregate principal amount of 1.60% senior notes due February 3, 2015 and \$500 million aggregate principal amount of 3.50% senior notes due February 3, 2022. The notes were offered and sold pursuant to an effective registration statement on Form S-3 filed on January 21, 2011. Interest on the notes is payable semi-annually on February 3 and August 3 of each year, beginning August 3, 2012. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur. Net proceeds from the issuance of the notes due 2015 and 2022, were approximately \$250 million and \$498 million, respectively. In connection with the issuance of the senior notes in February 2012, the commitments of the lenders under the \$700 million 364-day credit agreement, dated as of December 20, 2011, automatically terminated.

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

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of March 30, 2012, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

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### Table of Contents

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

Payment of common share dividends and cash distributions to shareholders were \$153 million and \$141 million in the first six months of fiscal 2012 and 2011, respectively. In March 2011, our shareholders approved a dividend payment to shareholders of 0.68 Swiss Francs ("CHF") (equivalent to \$0.72) per share out of contributed surplus, payable in four equal quarterly installments beginning in the third quarter of fiscal 2011 through the second quarter of fiscal 2012 to shareholders of record on specified dates in each of the four quarters. We paid the third and fourth installments of the dividend at a rate of \$0.18 per share each during the quarters ended December 30, 2011 and March 30, 2012.

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

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

Distributions to shareholders from Swiss Contributed Surplus are free from withholding tax. During the second quarter of fiscal 2012, we received a favorable outcome from the Swiss tax authorities related to our classification of Swiss Contributed Surplus that allows us to present Swiss Contributed Surplus as a free reserve on our statutory Swiss balance sheet. Also during the second quarter of fiscal 2012, our shareholders approved a resolution to reclassify Swiss Contributed Surplus in the amount of CHF 9,745 million from free reserves (contributed surplus) to legal reserves (reserves from capital contributions) on our Swiss statutory balance sheet, a provisional reclassification made while we were in discussions with the Swiss tax authorities. Based on the favorable outcome, we expect to reclassify our Swiss Contributed Surplus, currently presented as a legal reserve (reserves from capital contributions) to a free reserve (reserves from capital contributions) by September 28, 2012 and to seek shareholder approval for the change at our next shareholders' meeting. See Note 17 to the Condensed Consolidated Financial Statements for additional information.

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

### **Backlog**

At March 30, 2012, we had a backlog of unfilled orders of \$2,848 million compared to a backlog of \$2,878 million at September 30, 2011. Backlog by reportable segment was as follows:

	<b>March 30, 2012</b>	<b>September 30, 2011</b>
	(in millions)	
Transportation Solutions	\$ 1,143	\$ 1,041
Communications and Industrial Solutions	1,032	1,080
Network Solutions	673	757
Total	\$ 2,848	\$ 2,878

Table of Contents

**Commitments and Contingencies**

**Income Tax Matters**

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

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

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the 1997 through 2000 period. Tyco International has appealed certain proposed adjustments totaling approximately \$1 billion. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. Based upon statutory guidelines, Tyco International estimates the proposed penalties could range between \$30 million and \$50 million. The penalty is asserted against a prior subsidiary of Tyco International that was distributed to us in connection with the separation. Any penalty ultimately imposed upon our subsidiary would be subject to sharing with Tyco International and Covidien under the Tax Sharing Agreement. It is our understanding that Tyco International continues to make progress towards resolving a substantial number of proposed tax adjustments for the years 1997 through 2000; however, several significant matters remain in dispute. The remaining issues in dispute involve the tax treatment of certain intercompany debt transactions. Tyco International has indicated that it is unlikely to achieve the resolution of these contested adjustments through the IRS appeals process, and therefore may be required to litigate the disputed issues. In the second quarter of fiscal 2012, we made payments of \$52 million to the IRS for tax deficiencies related to undisputed tax adjustments for the years 1997 through 2000. Concurrent with remitting these payments, we were reimbursed \$43 million from Tyco International and Covidien pursuant to their indemnifications for pre-separation tax matters. For those issues not in dispute, we expect the IRS to complete its examination for the years 1997 through 2000 and issue special agreement Forms 870-AD during the second half of fiscal 2012. Over the next twelve months, we expect to pay approximately \$26 million, inclusive of related indemnification payments, in connection with these pre-separation tax matters.

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

Table of Contents

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

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

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

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

**Legal Matters**

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. Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that 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. See Note 10 to the Condensed Consolidated Financial Statements for further information regarding legal proceedings.

At March 30, 2012, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida was completed and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as we do not believe that any payment is probable or reasonably estimable at this time.

**Off-Balance Sheet Arrangements**

Certain of our segments 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 2012 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



Table of Contents

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

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

We have recorded liabilities for known indemnifications included as part of environmental liabilities. See Note 10 to the Condensed 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 Separation and Distribution Agreement and Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under these agreements, principally the Tax Sharing Agreement, we, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. These arrangements have been valued upon our separation from Tyco International in accordance with Accounting Standards Codification ("ASC") 460, *Guarantees*, and, accordingly, liabilities amounting to \$244 million were recorded on the Condensed Consolidated Balance Sheet at March 30, 2012. See Notes 9 and 10 to the Condensed Consolidated Financial Statements for additional information.

### **Critical Accounting Policies and Estimates**

The preparation of the Condensed Consolidated Financial Statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses.

Our accounting policies for revenue recognition, goodwill and other intangible assets, income taxes, pension and postretirement benefits, share-based compensation, and acquisitions are based on, among other things, judgments and assumptions made by management. During the six months ended March 30, 2012, there were no significant changes to these policies or to the underlying accounting assumptions and estimates used in these policies from those disclosed in the Consolidated Financial Statements and accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

### **Accounting Pronouncements**

#### **Recently Issued Accounting Pronouncements**

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

Table of Contents

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

**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, divestitures, and an additional week in the fourth quarter of the fiscal year for fiscal years which are 53 weeks in length. 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 and the impact of an additional week in the fourth quarter of the fiscal year for fiscal years which are 53 weeks in length.

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 performance and 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 excludes net capital expenditures, voluntary pension contributions, and the cash impact of special items. Net capital expenditures are subtracted because they represent long-term commitments. Voluntary pension contributions are subtracted from the GAAP measure because this activity is driven by economic financing decisions rather than operating activity. Certain special items, including net payments related to pre-separation tax matters, are also considered by management in

Table of Contents

evaluating free cash flow. We believe investors should also 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 quarterly report on Form 10-Q 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" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 and in "Part II. Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2011, could also 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 and the telecommunications, computer, and consumer electronics industries;

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;



Table of Contents

Reliance on third-party suppliers;

Our ability to attract and retain highly qualified personnel;

Risks associated with our acquisition of Deutsch;

Risks associated with future acquisitions and divestitures;

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

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 Ltd.;

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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no significant changes in our exposures to market risk during the first six months of fiscal 2012. For further discussion of our exposures to market risk, refer to "Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

**ITEM 4. 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 Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 30, 2012. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 30, 2012.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended March 30, 2012, 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.

Table of Contents**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

There have been no material developments in our legal proceedings since we filed our Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2011. For a description of our previously reported legal proceedings, refer to "Part I. Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 and "Part II. Item 1. Legal Proceedings" in our Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2011.

**ITEM 1A. RISK FACTORS**

There have been no material changes in our risk factors from those disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 and in "Part II. Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2011. The risk factors disclosed in our Annual Report on Form 10-K and subsequent Quarterly Report on Form 10-Q, in addition to other information set forth in this report, could materially affect our business operations, financial condition, or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business operations, financial condition, and liquidity.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Recent Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities**

The following table presents information about our purchases of our common shares during the quarter ended March 30, 2012:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
December 31, 2011 - January 27, 2012	6,230	\$ 34.38		\$ 1,500,631,148
January 28 - March 2, 2012	7,371	34.66		1,500,631,148
March 3 - March 30, 2012	63	34.35		1,500,631,148
Total	13,664	\$ 34.53		

(1) This column includes the acquisition of 13,664 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans during the quarter ended March 30, 2012.

(2) Our share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.





Table of Contents

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit</b>
4.1	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)
4.2	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)
10.1	TE Connectivity Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of March 7, 2012) (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed March 7, 2012)
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	Financial statements from the Quarterly Report on Form 10-Q of TE Connectivity Ltd. for the quarterly period ended March 30, 2012, filed on April 30, 2012, formatted in XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements*

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\* Filed herewith

\*\* Furnished herewith

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 TE Connectivity Ltd.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2011 or to the Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2011 or to this Quarterly 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 our annual and quarterly reports.

