TE Connectivity Ltd.
Form 10-Q
January 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended December 30, 2011

Or

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

001-33260
(Commission File Number)

TE CONNECTIVITY LTD.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

The number of common shares outstanding as of January 24, 2012 was 426,179,148.

TE CONNECTIVITY LTD.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Quarters Ended December 30, 2011	For the Quarters Ended December 24, 2010
	(in millions, except per share data)	
Net sales	$ 3,309	$ 3,200
Cost of sales	2,326	2,179
Gross margin	983	1,021
Selling, general, and administrative expenses	398	402
Research, development, and engineering expenses	184	163
Acquisition and integration costs	4	17
Restructuring and other charges, net	19	39
Operating income	378	400
Interest income	5	5
Interest expense	(38)	(35)
Other income, net	1	12
Income from continuing operations before income taxes	346	382
Income tax expense	(92)	(113)
Income from continuing operations	254	269
Income (loss) from discontinued operations, net of income taxes	8	(3)
Net income	262	266
Less: net income attributable to noncontrolling interests	(2)	(1)
Net income attributable to TE Connectivity Ltd.	$ 260	$ 265
Amounts attributable to TE Connectivity Ltd.:		
Income from continuing operations	$ 252	$ 268
Income (loss) from discontinued operations	8	(3)
Net income	$ 260	$ 265
Basic earnings per share attributable to TE Connectivity Ltd.:		
Income from continuing operations	$ 0.59	$ 0.60
Income (loss) from discontinued operations	0.02	
Net income	$ 0.61	$ 0.60

Diluted earnings per share attributable to TE Connectivity Ltd.:				
Income from continuing operations	$	0.59	$	0.60
Income (loss) from discontinued operations		0.02		(0.01)
Net income	$	0.61	$	0.59
Dividends and cash distributions paid per common share of TE Connectivity Ltd.	$	0.18	$	0.16
Weighted-average number of shares outstanding:				
Basic		425		444
Diluted		429		449

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	December 30, 2011	September 30, 2011
	(in millions, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,390	$ 1,219
Accounts receivable, net of allowance for doubtful accounts of $41 and $39, respectively	2,241	2,425
Inventories	1,918	1,939
Prepaid expenses and other current assets	625	646
Deferred income taxes	403	403
Total current assets	6,577	6,632
Property, plant, and equipment, net	3,090	3,163
Goodwill	3,569	3,586
Intangible assets, net	638	655
Deferred income taxes	2,322	2,365
Receivable from Tyco International Ltd. and Covidien plc	1,068	1,066
Other assets	259	256
Total Assets	$ 17,523	$ 17,723
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 896	$ 1
Accounts payable	1,393	1,483
Accrued and other current liabilities	1,434	1,772
Deferred revenue	97	145
Total current liabilities	3,820	3,401
Long-term debt	1,950	2,668
Long-term pension and postretirement liabilities	1,174	1,204
Deferred income taxes	333	333
Income taxes	2,139	2,122
Other liabilities	517	511
Total Liabilities	9,933	10,239
Commitments and contingencies (Note 11)		
Equity:		
TE Connectivity Ltd. Shareholders' Equity:		
Common shares, 463,080,684 shares authorized and issued, CHF 1.37 par value	593	593
Contributed surplus	7,578	7,604
Accumulated earnings	344	84
Treasury shares, at cost, 37,351,457 and 39,303,550 shares, respectively	(1,184)	(1,235)
Accumulated other comprehensive income	250	428
Total TE Connectivity Ltd. shareholders' equity	7,581	7,474
Noncontrolling interests	9	10

Total Equity		7,590		7,484
Total Liabilities and Equity	$	17,523	$	17,723

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Quarters Ended December 30, 2011	December 24, 2010
	(in millions)	
Cash Flows From Operating Activities:		
Net income	$ 262	$ 266
(Income) loss from discontinued operations, net of income taxes	(8)	3
Income from continuing operations	254	269
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	143	133
Deferred income taxes	52	105
Provision for losses on accounts receivable and inventories	27	6
Share-based compensation expense	18	22
Other	(9)	(12)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable, net	88	7
Inventories	(83)	(106)
Prepaid expenses and other current assets	18	43
Accounts payable	(44)	4
Accrued and other current liabilities	(211)	(345)
Income taxes	(13)	
Deferred revenue	(46)	(12)
Long-term pension and postretirement liabilities	7	22
Other	9	18
Net cash provided by continuing operating activities	210	154
Net cash used in discontinued operating activities	(3)	
Net cash provided by operating activities	207	154
Cash Flows From Investing Activities:		
Capital expenditures	(130)	(117)
Proceeds from sale of property, plant, and equipment	5	8
Proceeds from sale of short-term investments		37
Acquisition of business, net of cash acquired		(717)
Other	(1)	(4)
Net cash used in investing activities	(126)	(793)
Cash Flows From Financing Activities:		
Net increase (decrease) in commercial paper	179	(100)
Proceeds from long-term debt		249
Proceeds from exercise of share options	12	24
Repurchase of common shares	(17)	(45)
Payment of common share dividends and cash distributions to shareholders	(77)	(71)
Other	(7)	(4)
Net cash provided by continuing financing activities	90	53

Net cash provided by discontinued financing activities		3		
Net cash provided by financing activities		93		53
Effect of currency translation on cash		(3)		3
Net increase (decrease) in cash and cash equivalents		171		(583)
Cash and cash equivalents at beginning of period		1,219		1,990
Cash and cash equivalents at end of period	$	1,390	$	1,407

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

Basis of Presentation

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

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

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

Reclassifications

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

2. Accounting Pronouncements

Recently Issued Accounting Pronouncements

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net

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

	For the Quarters Ended December 30, 2011	For the Quarters Ended December 24, 2010
	(in millions)	
Transportation Solutions	$ (4)	$ 1
Communications and Industrial Solutions	17	3
Network Solutions	6	35
Restructuring and related charges, net	$ 19	$ 39

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

	For the Quarters Ended December 30, 2011	For the Quarters Ended December 24, 2010
	(in millions)	
Cash charges	$ 20	$ 39
Non-cash credits	(1)	
Restructuring and related charges, net	$ 19	$ 39

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

Restructuring and Related Cash Charges

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

	Balance at September 30, 2011	Charges	Utilization	Changes in Estimate	Currency Translation	Balance at December 30, 2011
			(in millions)			
Fiscal 2012 Actions:						
Employee severance	$	$ 23	$ (3)	$	$	$ 20
Facilities exit costs						
Other						
Total		23	(3)			20
Fiscal 2011 Actions:						
Employee severance	111	3	(28)	(8)	(2)	76
Facilities exit costs	4		(1)			3
Other	1					1
Total	116	3	(29)	(8)	(2)	80
Pre-Fiscal 2011 Actions:						
Employee severance	33	1	(7)		(1)	26
Facilities exit costs	31	1	(2)		(1)	29
Other	2		(1)			1
Total	66	2	(10)		(2)	56
Total Activity	$ 182	$ 28	$ (42)	$ (8)	$ (4)	$ 156

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 quarter ended December 30, 2011, we recorded net restructuring charges of $23 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. Cash spending related to this plan was $3 million in the first quarter of fiscal 2012. We expect total cash spending to be approximately $17 million and $6 million in fiscal 2012 and 2013, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

The following table summarizes costs incurred for fiscal 2012 actions by segment:

	Costs Incurred For the Quarter Ended December 30, 2011
	(in millions)
Transportation Solutions	$ 3
Communications and Industrial Solutions	15
Network Solutions	5
Total	$ 23

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 quarters ended December 30, 2011 and December 24, 2010, we recorded net restructuring credits of $5 million and charges of $37 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 additional charges of approximately $5 million, primarily in the Communications and Industrial Solutions segment. Cash spending related to this plan was $29 million in the first quarter of fiscal 2012. We expect total cash spending to be approximately $99 million and $15 million in fiscal 2012 and 2013, respectively.

The following table summarizes costs incurred during the quarter ended December 30, 2011 and cumulative costs incurred for fiscal 2011 actions by segment:

	Costs Incurred For the Quarter Ended December 30, 2011	Cumulative Costs Incurred
	(in millions)	
Transportation Solutions	$ (7)	$ 1
Communications and Industrial Solutions	2	81
Network Solutions		81
Total	$ (5)	$ 163

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 quarters ended December 30, 2011 and December 24, 2010, we

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Restructuring and Other Charges, Net (Continued)

recorded net restructuring charges of $2 million and $2 million, respectively. Cash spending related to these plans was $10 million in the first quarter of fiscal 2012, and we expect total cash spending of approximately $31 million and $6 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 December 30, 2011, the remaining restructuring reserves related to fiscal 2002 actions were $29 million, 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:

	December 30, 2011	September 30, 2011
	(in millions)	
Transportation Solutions	$ 22	$ 32
Communications and Industrial Solutions	66	72
Network Solutions	68	78
Restructuring reserves	$ 156	$ 182

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

	December 30, 2011	September 30, 2011
	(in millions)	
Accrued and other current liabilities	$ 115	$ 136
Other liabilities	41	46
Restructuring reserves	$ 156	$ 182

4. Acquisition

Anticipated Acquisition

On December 14, 2011, we entered into a Sale and Purchase Agreement (the "SPA") to acquire Deutsch Group SAS ("Deutsch"), a global leader in high-performance connectors for harsh environments, from Deutsch's current shareholders (the "Sellers"). Pursuant to the SPA, we have agreed to pay the Sellers consideration of €1.15 billion (or approximately $1.49 billion using a December 30, 2011 exchange rate of $1.29 per €1.00), which will not be subject to an adjustment based on Deutsch's performance prior to closing and will accrue interest at a per annum rate of 5.5% after February 28, 2012 if the transaction has not closed prior to that date. The total value of the transaction amounts to €1.55 billion (approximately $2.0 billion using an exchange rate of $1.29 per €1.00), which includes Deutsch's debt to be repaid at closing.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Acquisition (Continued)

The transaction is expected to close by the end of the third quarter of fiscal 2012. The close of the transaction is subject to customary regulatory conditions including foreign investments approval by the French Ministry of Economy and Finance, approval of the Committee on Foreign Investment in the U.S. and antitrust clearances. The transaction terms also include termination rights, including a termination fee of €50 million payable to the Sellers by us if the transaction does not close.

During the first quarter of fiscal 2012, the Condensed Consolidated Statements of Operations included $4 million of acquisition costs related to acquiring Deutsch.

5. Discontinued Operations

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

	For the Quarters Ended	
	December 30, 2011	December 24, 2010
	(in millions)	
Pre-tax income from discontinued operations	$ 13	$
Pre-tax loss on sale of discontinued operations		(4)
Income tax (expense) benefit	(5)	1
Income (loss) from discontinued operations, net of income taxes	$ 8	$ (3)

In the first quarter of fiscal 2012, we recorded a $21 million partial recovery of a prior loss, net of legal fees, to pre-tax income from discontinued operations in connection with a favorable judgment related to our former Wireless Systems business's State of New York contract. See Note 11 for additional information regarding the State of New York contract. Pre-tax income from discontinued operations in the first quarter of fiscal 2012 also included a $5 million charge related to an unfavorable judgment associated with a holdback of purchase price of a previously acquired business which was subsequently divested in connection with the sale of our Radio Frequency Components and Subsystem business in fiscal 2008.

6. Inventories

Inventories consisted of the following:

	December 30, 2011	September 30, 2011
	(in millions)	
Raw materials	$ 315	$ 301
Work in progress	564	550
Finished goods	952	1,005
Inventoried costs on long-term contracts	87	83
Inventories	$ 1,918	$ 1,939

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

7. Goodwill

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

	Transportation Solutions	Communications and Industrial Solutions	Network Solutions	Total
		(in millions)		
Balance at September 30, 2011:				
Goodwill	$ 2,712	$ 3,314	$ 2,235	$ 8,261
Accumulated impairment losses	(2,191)	(1,459)	(1,025)	(4,675)
Goodwill, net of impairment losses	521	1,855	1,210	3,586
Changes in goodwill:				
Currency translation	(2)	(9)	(6)	(17)
Balance at December 30, 2011:				
Goodwill	2,710	3,305	2,229	8,244
Accumulated impairment losses	(2,191)	(1,459)	(1,025)	(4,675)
Goodwill, net of impairment losses	$ 519	$ 1,846	$ 1,204	$ 3,569

8. Intangible Assets, Net

Intangible assets were as follows:

	December 30, 2011			September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in millions)			
Intellectual property	$ 850	$ (404)	$ 446	$ 850	$ (394)	$ 456
Customer relationships	176	(18)	158	176	(13)	163
Other	54	(20)	34	55	(19)	36
Total	$ 1,080	$ (442)	$ 638	$ 1,081	$ (426)	$ 655

Intangible asset amortization expense was $15 million and $11 million for the quarters ended December 30, 2011 and December 24, 2010, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

8. Intangible Assets, Net (Continued)

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

	(in millions)
Remainder of fiscal 2012	$ 45
Fiscal 2013	59
Fiscal 2014	60
Fiscal 2015	61
Fiscal 2016	62
Fiscal 2017	62
Thereafter	289
Total	$ 638

9. Debt

Debt was as follows:

	December 30, 2011	September 30, 2011
	(in millions)	
6.00% senior notes due 2012	$ 716	$ 716
5.95% senior notes due 2014	300	300
6.55% senior notes due 2017	735	736
4.875% senior notes due 2021	269	269
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 0.46%	179	
Other	82	83
Total debt(1)	2,846	2,669
Less current maturities of long-term debt(2)	896	1
Long-term debt	$ 1,950	$ 2,668

(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 December 30, 2011 was comprised of the 6.00% senior notes due 2012, commercial paper, and a portion of amounts shown as other. The current maturities of long-term debt at September 30, 2011 was comprised of a portion of amounts shown as other.

In December 2011, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, entered into a 364-day credit agreement ("364-Day Credit Facility") with total commitments of $700 million. Under the terms of the agreement, the commitments will be reduced upon certain events, including the incurrence of certain types of debt, certain equity issuances, and certain dispositions. TEGSA had no borrowings under the 364-Day Credit Facility at December 30, 2011.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

9. Debt (Continued)

Borrowings under the 364-Day Credit Facility will bear interest at a rate per annum equal to, at the option of TEGSA, (1) the London interbank offered rate ("LIBOR") plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) JP Morgan Chase Bank, N.A. New York branch's prime rate, (ii) the federal funds effective rate plus $^1/_2$ of 1%, and (iii) one-month LIBOR plus 1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA. TEGSA is required to pay an annual facility fee ranging from 10.0 to 22.5 basis points based upon the amount of the lenders' commitments under the 364-Day Credit Facility and the applicable credit ratings of TEGSA.

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

The 364-Day Credit Facility and the Five-Year Credit Facility (together, the "Credit Facilities") contain financial ratio covenants providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt (as defined in the Credit Facilities) to Consolidated EBITDA (as defined in the Credit Facilities) 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 Facilities) is triggered. The Credit Facilities and our other debt agreements contain other customary covenants.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facilities 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 12 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 $3,148 million and $2,970 million at December 30, 2011 and September 30, 2011, respectively.

10. 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

TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Guarantees (Continued)

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*.

At December 30, 2011, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of $250 million of which $230 million was reflected in other liabilities and $20 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 one year.

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 $250 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 December 30, 2011, we had outstanding letters of credit and letters of guarantee in the amount of $425 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 December 30, 2011 and September 30, 2011 were $56 million and $60 million, respectively.

11. 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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Commitments and Contingencies (Continued)

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. 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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Commitments and Contingencies (Continued)

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. For those issues not remaining in dispute, it is likely that Tyco International will settle with the IRS and pay any related deficiencies within the next twelve months. Over the next twelve months, we expect to pay approximately $70 million, inclusive of related indemnification payments, in connection with 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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Commitments and Contingencies (Continued)

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 December 30, 2011 and September 30, 2011, we have reflected $218 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 December 30, 2011, we concluded that it was probable that we would incur remedial costs in the range of $12 million to $23 million. As of December 30, 2011, we concluded that the best estimate within this range is $12 million, of which $4 million is included in accrued and other current liabilities and $8 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.

Matters Related to Our Former Wireless Systems Business

Certain liabilities and contingencies related to our former Wireless Systems business were retained by us when this business was sold in fiscal 2009. These include certain retained liabilities related to the State of New York contract and a contingent purchase price commitment related to the acquisition of Com-Net by the Wireless Systems business in 2001. See additional information below.

State of New York Contract

In September 2005, we were awarded a twenty-year lease contract with the State of New York to construct, operate, and maintain a statewide wireless communications network for use by state and municipal first responders. In August 2008, we were served by the State with a default notice related to the first regional network, pursuant to the contract. In January 2009, the State notified us that, in the State's opinion, we had not fully remediated issues cited by the State and it had determined that we were in default of the contract and that it had exercised its right to terminate the contract. The State contended that it had the right under the contract to recoup costs incurred by the State in conjunction with the implementation of the network, and as a result of this contention, in January 2009, the State drew down $50 million against an irrevocable standby letter of credit funded by us.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Commitments and Contingencies (Continued)

In February 2009, we filed a claim in the New York Court of Claims, seeking over $100 million in damages, and alleging a number of causes of action, including breach of contract, unjust enrichment, defamation, conversion, breach of the covenant of good faith and fair dealing, the imposition of a constructive trust, and seeking a declaration that the State terminated the contract "for convenience." In September 2009, the Court granted the State's motion to dismiss all counts of the complaint, with the exception of the breach of contract claim and a claim for breach of warranty in connection with the State's drawdown on the $50 million letter of credit. In November 2009, the State filed an answer to the complaint and counterclaim asserting breach of contract and alleging that the State has incurred damages in excess of $275 million. We moved to dismiss the counterclaim in February 2010, and in June 2010 the Court denied our motion. We filed our answer to the State's counterclaim in July 2010. On December 27, 2011, the Court of Claims entered judgment in our favor in the amount of $25 million, payment of which is expected to be made in the third quarter of fiscal 2012. The Court also dismissed the State's counterclaim against us with prejudice. The Court's judgment resolves all outstanding issues between the parties in this matter. The $25 million judgment is reflected in income from discontinued operations on the Condensed Consolidated Statement of Operations for the quarter ended December 30, 2011.

Com-Net

At December 30, 2011, 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.

12. Financial Instruments

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

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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Financial Instruments (Continued)

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 swap contracts, a portion of which are designated as cash flow hedges, to manage interest rate and earnings exposure on cash and cash equivalents and certain non-qualified deferred compensation liabilities.

Commodity Hedges

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

At December 30, 2011 and September 30, 2011, our commodity hedges had notional values of $237 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.

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 $1,663 million and $1,542 million at December 30, 2011 and September 30, 2011, respectively. We recorded foreign exchange gains of $52 million and $14 million during the quarters ended December 30, 2011 and December 24, 2010, 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 19.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Financial Instruments (Continued)

Derivative Instrument Summary

The fair value of our derivative instruments is summarized below.

	December 30, 2011		September 30, 2011	
	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign currency contracts(3)	$ 1	$ 4	$ 1	$ 1
Interest rate swaps and swaptions	22	22	21	21
Commodity swap contracts	5	20	13	14
Total derivatives designated as hedging instruments	28	46	35	36
Derivatives not designated as hedging instruments:				
Foreign currency contracts(3)	2	28	6	10
Investment swaps	3			5
Total derivatives not designated as hedging instruments	5	28	6	15
Total derivatives	$ 33	$ 74	$ 41	$ 51

(1) All foreign currency, commodity swap, investment swap, interest rate swap, forward starting 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 $12 million at December 30, 2011 and September 30, 2011. Interest rate swaps and foreign currency 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 $21 million at December 30, 2011 and September 30, 2011.

(2) All foreign currency, commodity swap, investment swap, interest rate swap, forward starting 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 $71 million and $43 million at December 30, 2011 and September 30, 2011, respectively. Interest rate swaps and foreign currency contracts in liability positions that mature more than one year from the balance sheet date are recorded in other liabilities on the Condensed Consolidated Balance Sheets and totaled $3 million at December 30, 2011; there were no derivatives in other liabilities at September 30, 2011.

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. 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 December 30, 2011	Gain Recognized For the Quarters Ended December 24, 2010
		(in millions)	
Interest rate swaps[(1)]	Interest expense	$ 2	$ 2

(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 December 30, 2011 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 were as follows:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI (Effective Portion) Amount	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Amount	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing) Location	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing) Amount
		(in millions)			
For the Quarter Ended December 30, 2011:					
Foreign currency contracts	$ (3)	Cost of sales	$	Cost of sales	$
Commodity swap contracts	(4)	Cost of sales	10	Cost of sales	
Interest rate swaps and swaptions[(1)]	(1)	Interest expense	(1)	Interest expense	
Total	$ (8)		$ 9		$
For the Quarter Ended December 24, 2010:					
Foreign currency contracts	$	Cost of sales	$ 2	Cost of sales	$
Commodity swap contracts	12	Cost of sales	6	Cost of sales	
Interest rate swaps and swaptions[(1)]	6	Interest expense	(1)	Interest expense	2
Total	$ 18		$ 7		$ 2

(1)

Certain forward starting interest rate swaps designated as cash flow hedges were terminated in September 2007. Terminated forward starting interest rate swaps resulted in losses of $1 million reflected in interest expense for the quarters ended December 30, 2011 and December 24, 2010, respectively. Forward starting interest rate swaps in place at December 30, 2011 and December 24, 2010 resulted in a loss of $1 million and a gain of $6 million, respectively, in other comprehensive income related to the effective portions of the hedge during the periods. Interest rate swaptions in place at December 30, 2011 resulted in no gains or losses recorded in either other comprehensive income related to the effective portions of the hedges or interest expense as a result of amounts excluded from the hedging relationships. Interest rate swaptions in place at December 24, 2010 resulted in no gains or losses recorded in other comprehensive income related to the effective portions of the hedges and gains of $2 million in interest expense as a result of amounts excluded from the hedging relationships.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Financial Instruments (Continued)

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

		Gain (Loss) Recognized	
		For the Quarters Ended	
Derivatives not Designated as Hedging Instruments	Location	December 30, 2011	December 24, 2010
		(in millions)	
Foreign currency contracts	Selling, general, and administrative expenses	$ (32)	$
Investment swaps	Selling, general, and administrative expenses	3	(1)
Total		$ (29)	$ (1)

During the first quarter of fiscal 2012, we incurred losses of $32 million as a result of marking foreign currency derivatives not designated as hedging instruments to fair value. These losses were principally driven by Euro-denominated foreign currency contracts entered into in anticipation of the acquisition of Deutsch 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.

13. Fair Value Measurements

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

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

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Fair Value Measurements (Continued)

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

Description	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3	Fair Value
		(in millions)		
December 30, 2011:				
Assets:				
Commodity swap contracts	$ 5	$	$	$ 5
Interest rate swaps and swaptions		22		22
Foreign currency contracts[(1)]		3		3
Investment swap contracts		3		3
Rabbi trust assets	5	79		84
Total assets at fair value	$ 10	$ 107	$	$ 117
Liabilities:				
Commodity swap contracts	$ 20	$	$	$ 20
Interest rate swaps and swaptions		22		22
Foreign currency contracts[(1)]		32		32
Total liabilities at fair value	$ 20	$ 54	$	$ 74
September 30, 2011:				
Assets:				
Commodity swap contracts	$ 13	$	$	$ 13
Interest rate swaps and swaptions		21		21
Foreign currency contracts[(1)]		7		7
Rabbi trust assets	5	79		84
Total assets at fair value	$ 18	$ 107	$	$ 125
Liabilities:				
Commodity swap contracts	$ 14	$	$	$ 14
Interest rate swaps and swaptions		21		21
Investment swap contracts		5		5
Foreign currency contracts[(1)]		11		11
Total liabilities at fair value	$ 14	$ 37	$	$ 51

(1) Contracts are presented gross without regard to any right of offset that exists. See Note 12 for a reconciliation of amounts to the Condensed Consolidated Balance Sheets.

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

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Fair Value Measurements (Continued)

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).

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.

As of December 30, 2011, we did not have significant financial assets or liabilities that were measured at fair value on a non-recurring basis or non-financial assets or liabilities that were measured at fair value.

14. Retirement Plans

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

	U.S. Plans		Non-U.S. Plans	
	For the Quarters Ended		For the Quarters Ended	
	December 30, 2011	December 24, 2010	December 30, 2011	December 24, 2010
	(in millions)			
Service cost	$ 2	$ 2	$ 13	$ 16
Interest cost	13	13	19	21
Expected return on plan assets	(15)	(16)	(13)	(14)
Amortization of prior service credit			(2)	
Amortization of net actuarial loss	10	9	8	10
Net periodic benefit pension cost	$ 10	$ 8	$ 25	$ 33

The net periodic benefit cost for postretirement benefit plans was immaterial for the quarters ended December 30, 2011 and December 24, 2010.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Retirement Plans (Continued)

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 quarter ended December 30, 2011, we contributed $1 million to our U.S. plans and $27 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 quarter ended December 30, 2011, contributions to our postretirement benefit plans were insignificant.

15. Income Taxes

We recorded a tax provision of $92 million, for an effective income tax rate of 26.6%, and a tax provision of $113 million, for an effective income tax rate of 29.6%, for the quarters ended December 30, 2011 and December 24, 2010, respectively. The effective income tax rate for the quarter ended December 30, 2011 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. The effective income tax rate for the quarter ended December 24, 2010 reflects tax benefits recognized in connection with expected increased profitability in fiscal 2011 in certain entities operating in lower tax rate jurisdictions. These benefits were partially offset by accruals of interest related to uncertain tax positions and the impacts of acquisition and integration costs and restructuring charges related to the acquisition of ADC for which a tax benefit was not recognized.

We record accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of December 30, 2011, we had recorded $1,305 million of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheet, of which $1,176 million was recorded in income taxes and $129 million was recorded in accrued and other current liabilities. During the quarter ended December 30, 2011, we recognized $22 million 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 11 for additional information regarding the status of IRS examinations.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

15. 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 remaining in dispute, it is likely that Tyco International will settle with the IRS and pay any related deficiencies within the next twelve months. 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 December 30, 2011.

16. Other Income, Net

We recorded net other income of $1 million and $12 million in the quarters ended December 30, 2011 and December 24, 2010, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

17. 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	
	December 30, 2011	December 24, 2010
	(in millions)	
Weighted-average shares outstanding:		
Basic	425	444
Dilutive share options and restricted share awards	4	5
Diluted	429	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 shares and inclusion would be antidilutive. Such shares not included in the computation were 16 million and 18 million for the quarters ended December 30, 2011 and December 24, 2010, respectively.

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TE CONNECTIVITY LTD.

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FINANCIAL STATEMENTS (UNAUDITED) (Continued)

18. 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 December 30, 2011, approximately 37 million common shares were held in treasury, of which 13 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.

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.

Upon our implementation of Swiss tax law regarding the classification of Swiss Contributed Surplus for Swiss tax and statutory purposes, distributions to shareholders from Swiss Contributed Surplus will be free from withholding tax. We are in discussions with Swiss tax authorities regarding certain administrative aspects of the law related to the classification of Swiss Contributed Surplus for tax and statutory reporting purposes. Should we not be successful in our discussions, we may need to formally enter into an appeal process in order to gain a favorable ruling. While these discussions are on-going, as of September 30, 2011, we provisionally reclassified CHF 9,745 million from free reserves (contributed surplus) to legal reserves (reserves from capital contributions) on our Swiss statutory balance sheet to conform to the presentation requirements of the Swiss tax law as currently interpreted by the Swiss tax authorities. We may, in the future and depending upon the outcome of our discussions and any related appeals, reverse the classification. The current classification may negatively impact our ability to repurchase our shares in future years. As of September 30, 2011, Swiss Contributed Surplus was $8,940 million (equivalent to CHF 9,745 million).

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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

18. Equity (Continued)

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 installment of the dividend at a rate of $0.18 per share during the quarter ended December 30, 2011.

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. The unpaid portion of the dividend payment approved in March 2011 was recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets and totaled $77 million and $153 million at December 30, 2011 and September 30, 2011, respectively.

Share Repurchase Program

During the first quarter of fiscal 2012, we did not purchase any of our common shares under our share repurchase authorization. During the first quarter of fiscal 2011, we purchased approximately 1.4 million of our common shares for $45 million. At December 30, 2011, we had $1,501 million of availability remaining under our share repurchase authorization.

19. Comprehensive Income

Comprehensive income consisted of the following:

	For the Quarters Ended December 30, 2011	For the Quarters Ended December 24, 2010
	(in millions)	
Net income	$ 262	$ 266
Currency translation[(1)]	(173)	(29)
Gain (loss) on cash flow hedges, net of income taxes	(15)	11
Effects of unrecognized pension and postretirement benefit costs, net of income taxes	10	12
	84	260
Less: comprehensive income attributable to noncontrolling interests	(2)	(1)
Comprehensive income attributable to TE Connectivity Ltd.	$ 82	$ 259

(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.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

20. Share Plans

Total share-based compensation costs were $18 million and $22 million during the quarters ended December 30, 2011 and December 24, 2010, respectively. Share-based compensation costs were primarily presented in selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations.

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 quarter 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.

As of December 30, 2011, we had 6 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.

Restricted Share Awards

A summary of restricted share award activity during the quarter ended December 30, 2011 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 30, 2011	5,022,839	$ 26.48
Granted	1,636,896	34.55
Vested	(1,494,867)	23.70
Forfeited	(189,966)	24.54
Non-vested at December 30, 2011	4,974,902	$ 30.04

As of December 30, 2011, there was $122 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 2.3 years.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

20. Share Plans (Continued)

Share Options

A summary of share option award activity during the quarter ended December 30, 2011 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	3,337,500	34.52		
Exercised	(517,661)	22.69		
Expired	(710,342)	53.12		
Forfeited	(180,618)	25.76		
Outstanding at December 30, 2011	23,849,330	$ 31.92	5.9	$ 77
Vested and non-vested expected to vest at December 30, 2011	23,105,635	$ 31.97	5.9	$ 75
Exercisable at December 30, 2011	15,636,232	$ 32.93	4.3	$ 52

As of December 30, 2011, there was $59 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 2.3 years.

Share-Based Compensation Assumptions

The weighted-average grant-date fair value of options granted during the quarter ended December 30, 2011 and the weighted-average assumptions we used in the Black-Scholes-Merton option pricing model for the quarter 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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

21. Segment Data

Net sales and operating income by segment were as follows:

	Net Sales[(1)]		Operating Income	
	For the Quarters Ended		For the Quarters Ended	
	December 30, 2011	December 24, 2010	December 30, 2011	December 24, 2010
	(in millions)			
Transportation Solutions	$ 1,405	$ 1,311	$ 223	$ 189
Communications and Industrial Solutions	1,075	1,223	76	181
Network Solutions	829	666	79	30
Total	$ 3,309	$ 3,200	$ 378	$ 400

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

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

	December 30, 2011	September 30, 2011
	(in millions)	
Transportation Solutions	$ 3,139	$ 3,187
Communications and Industrial Solutions	2,212	2,379
Network Solutions	1,898	1,961
Total segment assets[(1)]	7,249	7,527
Other current assets	2,418	2,268
Other non-current assets	7,856	7,928
Total assets	$ 17,523	$ 17,723

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

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 Facilities, which are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd. The following tables present condensed consolidating financial information for TE Connectivity Ltd., TEGSA, and all other subsidiaries that are not providing a guarantee of debt but which represent assets of TEGSA, using the equity method of accounting.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Quarter Ended December 30, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 3,309	$	$ 3,309
Cost of sales			2,326		2,326
Gross margin			983		983
Selling, general, and administrative expenses	16	1	381		398
Research, development, and engineering expenses			184		184
Acquisition costs		2	2		4
Restructuring and other charges, net			19		19
Operating income (loss)	(16)	(3)	397		378
Interest income			5		5
Interest expense		(37)	(1)		(38)
Other income, net			1		1
Equity in net income of subsidiaries	270	294		(564)	
Equity in net income of subsidiaries of discontinued operations	8	8		(16)	
Intercompany interest and fees	(2)	16	(14)		
Income from continuing operations before income taxes	260	278	388	(580)	346
Income tax expense			(92)		(92)
Income from continuing operations	260	278	296	(580)	254
Income from discontinued operations, net of income taxes			8		8
Net income	260	278	304	(580)	262
Less: net income attributable to noncontrolling interests			(2)		(2)
Net income attributable to TE Connectivity Ltd., Tyco Electronics Group S.A., or Other Subsidiaries	$ 260	$ 278	$ 302	$ (580)	$ 260

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
For the Quarter Ended December 24, 2010

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 3,200	$	$ 3,200
Cost of sales			2,179		2,179
Gross margin			1,021		1,021
Selling, general, and administrative expenses	43	1	358		402
Research, development, and engineering expenses			163		163
Acquisition and integration costs	2		15		17
Restructuring and other charges, net			39		39
Operating income (loss)	(45)	(1)	446		400
Interest income			5		5
Interest expense		(33)	(2)		(35)
Other income, net			12		12
Equity in net income of subsidiaries	318	328		(646)	
Equity in net loss of subsidiaries of discontinued operations	(3)	(3)		6	
Intercompany interest and fees	(5)	24	(19)		
Income from continuing operations before income taxes	265	315	442	(640)	382
Income tax expense			(113)		(113)
Income from continuing operations	265	315	329	(640)	269
Loss from discontinued operations, net of income taxes			(3)		(3)
Net income	265	315	326	(640)	266
Less: net income attributable to noncontrolling interests			(1)		(1)
Net income attributable to TE Connectivity Ltd., Tyco Electronics Group, S.A., or Other Subsidiaries	$ 265	$ 315	$ 325	$ (640)	$ 265

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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 December 30, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current Assets:					
Cash and cash equivalents	$	$	$ 1,390	$	$ 1,390
Accounts receivable, net	2		2,239		2,241
Inventories			1,918		1,918
Intercompany receivables	24		31	(55)	
Prepaid expenses and other current assets	1	6	618		625
Deferred income taxes			403		403
Total current assets	27	6	6,599	(55)	6,577
Property, plant, and equipment, net			3,090		3,090
Goodwill			3,569		3,569
Intangible assets, net			638		638
Deferred income taxes			2,322		2,322
Investment in subsidiaries	7,676	13,379		(21,055)	
Intercompany loans receivable	9	2,297	5,305	(7,611)	
Receivable from Tyco International Ltd. and Covidien plc			1,068		1,068
Other assets		33	226		259
Total Assets	$ 7,712	$ 15,715	$ 22,817	$ (28,721)	$ 17,523
Liabilities and Equity					
Current Liabilities:					
Current maturities of long-term debt	$	$ 895	$ 1	$	$ 896
Accounts payable	2		1,391		1,393
Accrued and other current liabilities	81	67	1,286		1,434
Deferred revenue			97		97
Intercompany payables	31		24	(55)	
Total current liabilities	114	962	2,799	(55)	3,820
Long-term debt		1,779	171		1,950
Intercompany loans payable	8	5,298	2,305	(7,611)	
Long-term pension and postretirement liabilities			1,174		1,174
Deferred income taxes			333		333
Income taxes			2,139		2,139
Other liabilities			517		517

Total Liabilities	122	8,039	9,438	(7,666)	9,933
Total Equity	7,590	7,676	13,379	(21,055)	7,590
Total Liabilities and Equity	$ 7,712	$ 15,715	$ 22,817	$ (28,721)	$ 17,523

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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	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current Assets:					
Cash and cash equivalents	$	$	$ 1,219	$	$ 1,219
Accounts receivable, net	2		2,423		2,425
Inventories			1,939		1,939
Intercompany receivables	17		28	(45)	
Prepaid expenses and other current assets	2	4	640		646
Deferred income taxes			403		403
Total current assets	21	4	6,652	(45)	6,632
Property, plant, and equipment, net			3,163		3,163
Goodwill			3,586		3,586
Intangible assets, net			655		655
Deferred income taxes			2,365		2,365
Investment in subsidiaries	7,687	13,650		(21,337)	
Intercompany loans receivable		2,416	5,848	(8,264)	
Receivable from Tyco International Ltd. and Covidien plc			1,066		1,066
Other assets		34	222		256
Total Assets	$ 7,708	$ 16,104	$ 23,557	$ (29,646)	$ 17,723
Liabilities and Equity					
Current Liabilities:					
Current maturities of long-term debt	$	$	$ 1	$	$ 1
Accounts payable	1		1,482		1,483
Accrued and other current liabilities	180	88	1,504		1,772
Deferred revenue			145		145
Intercompany payables	28		17	(45)	
Total current liabilities	209	88	3,149	(45)	3,401
Long-term debt		2,496	172		2,668
Intercompany loans payable	15	5,833	2,416	(8,264)	
Long-term pension and postretirement liabilities			1,204		1,204
Deferred income taxes			333		333
Income taxes			2,122		2,122
Other liabilities			511		511

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
For the Quarter Ended December 30, 2011

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities	$ (23)	$ (45)	$ 278	$	$ 210
Net cash used in discontinued operating activities			(3)		(3)
Net cash provided by (used in) operating activities	(23)	(45)	275		207
Cash Flows From Investing Activities:					
Capital expenditures			(130)		(130)
Proceeds from sale of property, plant, and equipment			5		5
Change in intercompany loans	(16)	(416)		432	
Other			(1)		(1)
Net cash used in investing activities	(16)	(416)	(126)	432	(126)
Cash Flows From Financing Activities:					
Changes in parent company equity(1)	135	284	(419)		
Increase in commercial paper		179			179
Proceeds from exercise of share options			12		12
Repurchase of common shares	(17)				(17)
Payment of common share dividends	(79)		2		(77)
Loan borrowing with parent			432	(432)	
Other		(2)	(5)		(7)
Net cash provided by continuing financing activities	39	461	22	(432)	90
Net cash provided by discontinued financing activities			3		3
Net cash provided by financing activities	39	461	25	(432)	93
Effect of currency translation on cash			(3)		(3)
Net increase in cash and cash equivalents			171		171
Cash and cash equivalents at beginning of period			1,219		1,219
Cash and cash equivalents at end of period	$	$	$ 1,390	$	$ 1,390

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

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
For the Quarter Ended December 24, 2010

	TE Connectivity Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ (50)	$ (41)	$ 245	$	$ 154
Cash Flows From Investing Activities:					
Capital expenditures			(117)		(117)
Proceeds from sale of property, plant, and equipment			8		8
Proceeds from sale of short-term investments			37		37
Acquisition of business, net of cash acquired			(717)		(717)
Change in intercompany loans		1,177		(1,177)	
Other			(4)		(4)
Net cash provided by (used in) investing activities		1,177	(793)	(1,177)	(793)
Cash Flows From Financing Activities:					
Changes in parent company equity[1]	169	(1,285)	1,116		
Decrease in commercial paper		(100)			(100)
Proceeds from long-term debt		249			249
Proceeds from exercise of share options			24		24
Repurchase of common shares	(45)				(45)
Payment of cash distributions to shareholders	(74)		3		(71)
Loan borrowing with parent			(1,177)	1,177	
Other			(4)		(4)
Net cash provided by (used in) financing activities	50	(1,136)	(38)	1,177	53
Effect of currency translation on cash			3		3
Net decrease in cash and cash equivalents			(583)		(583)
Cash and cash equivalents at beginning of period			1,990		1,990
Cash and cash equivalents at end of period	$	$	$ 1,407	$	$ 1,407

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

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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 increased 3.4% in the first quarter of fiscal 2012 as compared to the same period 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 largely offset by declines within the consumer devices and appliance end markets in our Communications and Industrial Solutions segment. Also, in industrial and infrastructure based markets, our sales growth was primarily attributable to the acquisition of ADC Telecommunications, Inc. ("ADC") in December 2010. ADC contributed incremental sales of $185 million in the first quarter of fiscal 2012 as compared to the first quarter of fiscal 2011.

Net sales in the second quarter of fiscal 2012 are expected to be between $3.3 billion and $3.4 billion, reflecting a decrease in net sales in the Communications and Industrial Solutions and Network Solutions segments, partially offset by growth in the Transportation Solutions segment, with growth in both the automotive and aerospace, defense, and marine end markets, as compared to the second quarter of fiscal 2011. We expect the automotive end market to benefit from an anticipated increase of 2% in global automotive production as compared to the second quarter of fiscal 2011. During the second quarter of fiscal 2012, we expect the Communications and Industrial Solutions segment will continue to be adversely impacted by weak spending in the data communications and industrial end markets as well as inventory corrections in the supply chain. We expect the Network Solutions segment to be negatively impacted by slower spending by North American telecommunication

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carriers and lower levels of project activity in the subsea communications end market in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011. In the second quarter of fiscal 2012, we expect diluted earnings per share to be in the range of $0.57 to $0.61 per share.

For fiscal 2012, we expect net sales to be between $13.8 billion and $14.2 billion. In the Transportation Solutions segment, we expect the automotive end market to benefit from an anticipated increase in global automotive production of approximately 3% over fiscal 2011 levels. In the Communications and Industrial Solutions segment, we expect improvements in the second half of the fiscal year as compared to the first half of the fiscal year as a result of normal seasonal increases and the completion of inventory corrections in the supply chain. In the Network Solutions segment, we expect improvements 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 telecommunications and energy end markets. We expect diluted earnings per share to be in the range of $2.70 to $2.90 per share for fiscal 2012.

The above outlook assumes current foreign exchange and commodity rates and does not include results related to the anticipated acquisition of Deutsch Group SAS.

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.")

Anticipated Acquisition

On December 14, 2011, we entered into a Sale and Purchase Agreement (the "SPA") to acquire Deutsch Group SAS ("Deutsch"), a global leader in high-performance connectors for harsh environments, from Deutsch's current shareholders (the "Sellers"). Pursuant to the SPA, we have agreed to pay the Sellers consideration of €1.15 billion (or approximately $1.49 billion using a December 30, 2011 exchange rate of $1.29 per €1.00), which will not be subject to an adjustment based on Deutsch's performance prior to closing and will accrue interest at a per annum rate of 5.5% after February 28, 2012 if the transaction has not closed prior to that date. The total value of the transaction amounts to €1.55 billion (approximately $2.0 billion using an exchange rate of $1.29 per €1.00), which includes Deutsch's debt to be repaid at closing.

The transaction is expected to close by the end of the third quarter of fiscal 2012. The close of the transaction is subject to customary regulatory conditions including foreign investments approval by the French Ministry of Economy and Finance, approval of the Committee on Foreign Investment in the U.S. and antitrust clearances. The transaction terms also include termination rights, including a termination fee of €50 million payable to the Sellers by us if the transaction does not close.

During the first quarter of fiscal 2012, the Condensed Consolidated Statements of Operations included $4 million of acquisition costs related to acquiring Deutsch.

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 $19 million during the first quarter of fiscal 2012 and expect to incur restructuring charges of approximately $90 million during fiscal 2012. In the first quarter of fiscal 2012, cash spending related to restructuring was $42 million. We expect total spending, which will be funded with cash from operations, to be approximately $175 million in fiscal 2012. Annualized cost savings related to these actions are expected to be approximately $145 million. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses.

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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 172 million pounds of copper, 157,000 troy ounces of gold, and 3.4 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:

		For the Quarters Ended	
	Measure	December 30, 2011	December 24, 2010
Copper	Lb.	$ 3.91	$ 3.72
Gold	Troy oz.	$ 1,491	$ 1,272
Silver	Troy oz.	$ 33.68	$ 24.02

Foreign exchange. Approximately 54% 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 quarter of fiscal 2012 by major currencies invoiced was as follows:

U.S. Dollar	46%
Euro	27
Japanese Yen	9
Chinese Renminbi	6
Korean Won	3
Brazilian Real	2
British Pound Sterling	2
All others	5
Total	100%

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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			
	December 30, 2011		December 24, 2010	
	($ in millions)			
Net sales	$ 3,309	100.0%	$ 3,200	100.0%
Cost of sales	2,326	70.3	2,179	68.1
Gross margin	983	29.7	1,021	31.9
Selling, general, and administrative expenses	398	12.0	402	12.6
Research, development, and engineering expenses	184	5.6	163	5.1
Acquisition and integration costs	4	0.1	17	0.5
Restructuring and other charges, net	19	0.6	39	1.2
Operating income	378	11.4	400	12.5
Interest income	5	0.2	5	0.2
Interest expense	(38)	(1.1)	(35)	(1.1)
Other income, net	1		12	0.4
Income from continuing operations before income taxes	346	10.5	382	11.9
Income tax expense	(92)	(2.8)	(113)	(3.5)
Income from continuing operations	254	7.7	269	8.4
Income (loss) from discontinued operations, net of income taxes	8	0.2	(3)	(0.1)
Net income	262	7.9	266	8.3
Less: net income attributable noncontrolling interests	(2)	(0.1)	(1)	
Net income attributable to TE Connectivity Ltd.	$ 260	7.9%	$ 265	8.3%

Net Sales. Net sales increased $109 million, or 3.4%, to $3,309 million in the first quarter of fiscal 2012 from $3,200 million in the first quarter of fiscal 2011. The increase was primarily a result of the acquisition of ADC in the first quarter of fiscal 2011, which contributed net sales of $236 million in the first quarter of fiscal 2012 as compared to $51 million in the first quarter of fiscal 2011, and increased net sales of $94 million in the automotive and aerospace, defense, and marine end markets. These increases were partially offset by lower net sales in our Communications and Industrial Solutions segment. Foreign currency exchange rates positively affected net sales by $7 million in the first quarter of fiscal 2012 as compared to the same period of fiscal 2011. On an organic basis, net sales decreased $83 million, or 2.6%, in the first quarter of fiscal 2012 as compared to the first quarter 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	
	December 30, 2011	December 24, 2010
Asia-Pacific	35%	35%
Europe/Middle East/Africa (EMEA)	33	36
Americas	32	29
Total	100%	100%

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

	Change in Net Sales for the Quarter Ended December 30, 2011 versus Net Sales for the Quarter Ended December 24, 2010					
	Organic[1]		Translation[2]	Acquisition	Total	
	($ in millions)					
Asia-Pacific	$ (27)	(2.4)%	$ 29	$ 29	$ 31	2.8%
EMEA	(78)	(6.8)	(11)	30	(59)	(5.1)
Americas	22	2.4	(11)	126	137	14.7
Total	$ (83)	(2.6)%	$ 7	$ 185	$ 109	3.4%

(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.

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

	For the Quarters Ended	
	December 30, 2011	December 24, 2010
Transportation Solutions	42%	41%
Communications and Industrial Solutions	33	38
Network Solutions	25	21
Total	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 December 30, 2011 versus Net Sales for the Quarter Ended December 24, 2010					
	Organic[1]		Translation[2]	Acquisition	Total	
	($ in millions)					
Transportation Solutions	$ 90	6.8%	$ 4	$	$ 94	7.2%
Communications and Industrial Solutions	(157)	(12.9)	9		(148)	(12.1)
Network Solutions	(16					