

TE Connectivity Ltd.
Form 10-Q
July 26, 2017

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2017

Or

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

001-33260
(Commission File Number)

TE CONNECTIVITY LTD.

(Exact name of registrant as specified in its charter)

Switzerland
(Jurisdiction of Incorporation)

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

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

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+41 (0)52 633 66 61

(Registrant's telephone number)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

The number of common shares outstanding as of July 21, 2017 was 353,384,098.

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| | For the Quarters Ended | | For the Nine Months Ended | |
|---|--------------------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions, except per share data) | | | |
| Net sales | \$ 3,367 | \$ 3,121 | \$ 9,657 | \$ 8,906 |
| Cost of sales | 2,229 | 2,099 | 6,346 | 5,977 |
| Gross margin | 1,138 | 1,022 | 3,311 | 2,929 |
| Selling, general, and administrative expenses | 412 | 367 | 1,196 | 1,074 |
| Research, development, and engineering expenses | 170 | 161 | 490 | 479 |
| Acquisition and integration costs | 1 | 11 | 5 | 19 |
| Restructuring and other charges (credits), net | 19 | 31 | 125 | (28) |
| Operating income | 536 | 452 | 1,495 | 1,385 |
| Interest income | 3 | 2 | 14 | 12 |
| Interest expense | (32) | (31) | (95) | (93) |
| Other expense, net | (4) | (651) | (6) | (631) |
| Income (loss) from continuing operations before income taxes | 503 | (228) | 1,408 | 673 |
| Income tax (expense) benefit | (71) | 1,019 | (164) | 831 |
| Income from continuing operations | 432 | 791 | 1,244 | 1,504 |
| Income from discontinued operations, net of income taxes | 3 | 48 | 5 | 68 |
| Net income | \$ 435 | \$ 839 | \$ 1,249 | \$ 1,572 |

| | | | | |
|---|---------|---------|---------|---------|
| Basic earnings per share: | | | | |
| Income from continuing operations | \$ 1.22 | \$ 2.22 | \$ 3.50 | \$ 4.08 |
| Income from discontinued operations | 0.01 | 0.13 | 0.01 | 0.18 |
| Net income | 1.23 | 2.35 | 3.52 | 4.26 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | \$ 1.21 | \$ 2.19 | \$ 3.47 | \$ 4.03 |
| Income from discontinued operations | 0.01 | 0.13 | 0.01 | 0.18 |
| Net income | 1.22 | 2.32 | 3.48 | 4.21 |
| Dividends paid per common share | \$ 0.40 | \$ 0.37 | \$ 1.14 | \$ 1.03 |
| Weighted-average number of shares outstanding: | | | | |
| Basic | 355 | 357 | 355 | 369 |

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See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Net income. | \$ 435 | \$ 839 | \$ 1,249 | \$ 1,572 |
| Other comprehensive income (loss): | | | | |
| Currency translation | 77 | 8 | (25) | (84) |
| Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes | 13 | 12 | 38 | 26 |
| Gains (losses) on cash flow hedges, net of income taxes | (12) | 54 | 23 | 56 |
| Other comprehensive income (loss) | 78 | 74 | 36 | (2) |
| Comprehensive income. | \$ 513 | \$ 913 | \$ 1,285 | \$ 1,570 |

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

| | June 30, 2017 | September 30, 2016 |
|---|-------------------------------------|-----------------------|
| | (in millions, except share data) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 755 | \$ 647 |
| Accounts receivable, net of allowance for doubtful accounts of \$20 and \$17, respectively | 2,271 | 2,046 |
| Inventories | 1,787 | 1,596 |
| Prepaid expenses and other current assets | 541 | 486 |
| Total current assets | 5,354 | 4,775 |
| Property, plant, and equipment, net | 3,165 | 3,052 |
| Goodwill | 5,516 | 5,492 |
| Intangible assets, net | 1,790 | 1,879 |
| Deferred income taxes | 2,287 | 2,111 |
| Other assets | 408 | 299 |
| Total Assets | \$ 18,520 | \$ 17,608 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 878 | \$ 331 |
| Accounts payable | 1,309 | 1,090 |
| Accrued and other current liabilities | 1,623 | 1,437 |
| Deferred revenue | 62 | 208 |
| Total current liabilities | 3,872 | 3,066 |
| Long-term debt | 3,113 | 3,739 |
| Long-term pension and postretirement liabilities | 1,494 | 1,502 |
| Deferred income taxes | 197 | 207 |
| Income taxes | 283 | 247 |
| Other liabilities | 420 | 362 |
| Total Liabilities | 9,379 | 9,123 |
| Commitments and contingencies (Note 9) | | |
| Shareholders' equity: | | |
| Common shares, CHF 0.57 par value, 357,069,981 shares authorized and issued, and 382,835,381 shares authorized and issued, respectively | 157 | 168 |
| Contributed surplus | | 1,801 |
| Accumulated earnings | 9,747 | 8,682 |
| Treasury shares, at cost, 3,380,507 and 27,554,005 shares, respectively | (257) | (1,624) |
| Accumulated other comprehensive loss | (506) | (542) |
| Total Shareholders' Equity | 9,141 | 8,485 |

| | | | | |
|---|----|--------|----|--------|
| Total Liabilities and Shareholders' Equity | \$ | 18,520 | \$ | 17,608 |
|---|----|--------|----|--------|

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

| | Common Shares | | Treasury Shares | | Contributed | Accumulated | Accumulated | Other | Total |
|--|---------------|--------|-----------------|------------|-------------|-------------|-------------|---------------|-------|
| | Shares | Amount | Shares | Amount | Surplus | Earnings | Loss | Shareholders' | |
| | (in millions) | | | | | | | | |
| Balance at September 30, 2016 | 383 | \$ 168 | (28) | \$ (1,624) | \$ 1,801 | \$ 8,682 | \$ (542) | \$ 8,485 | |
| Adoption of ASU No. 2016-09 | | | | | | 165 | | 165 | |
| Net income | | | | | | 1,249 | | 1,249 | |
| Other comprehensive income | | | | | | | 36 | 36 | |
| Share-based compensation expense | | | | | 73 | | | 73 | |
| Dividends approved | | | | | (566) | | | (566) | |
| Exercise of share options | | | 3 | 86 | | | | 86 | |
| Restricted share award vestings and other activity | | | 1 | 155 | (156) | | | (1) | |
| Repurchase of common shares | | | (5) | (386) | | | | (386) | |
| Cancellation of treasury shares | (26) | (11) | 26 | 1,512 | (1,152) | (349) | | | |
| Balance at June 30, 2017 | 357 | \$ 157 | (3) | \$ (257) | \$ | \$ 9,747 | \$ (506) | \$ 9,141 | |
| Balance at September 25, 2015 | 414 | \$ 182 | (20) | \$ (1,256) | \$ 4,359 | \$ 6,673 | \$ (373) | \$ 9,585 | |
| Net income | | | | | | 1,572 | | 1,572 | |
| Other comprehensive loss | | | | | | | (2) | (2) | |
| Share-based compensation expense | | | | | 67 | | | 67 | |
| Dividends approved | | | | | (514) | | | (514) | |
| Exercise of share options | | | 2 | 77 | | | | 77 | |
| Restricted share award vestings and other activity | | | 2 | 128 | (134) | | | (6) | |
| Repurchase of common shares | | | (41) | (2,514) | | | | (2,514) | |
| Cancellation of treasury shares | (31) | (14) | 31 | 2,006 | (1,992) | | | | |
| Balance at June 24, 2016 | 383 | \$ 168 | (26) | \$ (1,559) | \$ 1,786 | \$ 8,245 | \$ (375) | \$ 8,265 | |

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

| | For the Nine Months Ended | |
|--|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 |
| | (in millions) | |
| Cash Flows From Operating Activities: | | |
| Net income | \$ 1,249 | \$ 1,572 |
| Income from discontinued operations, net of income taxes | (5) | (68) |
| Income from continuing operations | 1,244 | 1,504 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 469 | 438 |
| Deferred income taxes | (146) | 162 |
| Provision for losses on accounts receivable and inventories | 15 | 27 |
| Tax sharing expense | 6 | 632 |
| Share-based compensation expense | 73 | 66 |
| Gain on divestiture | | (143) |
| Other | 17 | 84 |
| Changes in assets and liabilities, net of the effects of acquisitions and divestitures: | | |
| Accounts receivable, net | (260) | 15 |
| Inventories | (195) | (2) |
| Prepaid expenses and other current assets | (6) | 302 |
| Accounts payable | 217 | (4) |
| Accrued and other current liabilities | 56 | (68) |
| Deferred revenue | (150) | (22) |
| Income taxes | 54 | (1,735) |
| Other | 55 | 6 |
| Net cash provided by continuing operating activities | 1,449 | 1,262 |
| Net cash provided by (used in) discontinued operating activities | (1) | 1 |
| Net cash provided by operating activities | 1,448 | 1,263 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (452) | (420) |
| Proceeds from sale of property, plant, and equipment | 12 | 3 |
| Acquisition of businesses, net of cash acquired | (77) | (994) |
| Proceeds from divestiture of business, net of cash retained by sold business | 4 | 326 |
| Other | (25) | 28 |
| Net cash used in investing activities | (538) | (1,057) |
| Cash Flows From Financing Activities: | | |
| Net increase (decrease) in commercial paper | (162) | 300 |
| Proceeds from issuance of debt | 89 | 350 |
| Repayment of debt | | (500) |
| Proceeds from exercise of share options | 86 | 77 |
| Repurchase of common shares | (376) | (2,657) |
| Payment of common share dividends to shareholders | (405) | (377) |

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| | | |
|--|--------|---------|
| Other | (24) | (29) |
| Net cash used in continuing financing activities | (792) | (2,836) |
| Net cash provided by (used in) discontinued financing activities | 1 | (1) |
| Net cash used in financing activities | (791) | (2,837) |
| Effect of currency translation on cash | (11) | (4) |
| Net increase (decrease) in cash and cash equivalents | 108 | (2,635) |
| Cash and cash equivalents at beginning of period | 647 | 3,329 |
| Cash and cash equivalents at end of period | \$ 755 | \$ 694 |

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 and Accounting Pronouncements

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 ("U.S.") dollars, in accordance with accounting principles generally accepted in the U.S. ("GAAP") and the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. 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 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, 2016.

Unless otherwise indicated, references in the Condensed Consolidated Financial Statements to fiscal 2017 and fiscal 2016 are to our fiscal years ending September 29, 2017 and ended September 30, 2016, respectively.

Recently Issued Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 which created new Accounting Standards Codification ("ASC") topic 606, *Revenue from Contracts with Customers*. This guidance supersedes ASC 605, *Revenue Recognition*, and introduces a single, comprehensive, five-step revenue recognition model. ASC 606 also enhances disclosures related to revenue recognition. ASC 606, as amended, is effective for us in the first quarter of fiscal 2019 and allows for either a full retrospective or a modified retrospective approach at adoption. We are continuing to assess the impact of adopting ASC 606 and intend to use a modified retrospective approach. Based on the initial evaluation of our current contracts and revenue streams, we do not expect that adoption will have a material impact on our results of operations or financial position. We believe we are following an appropriate timeline to allow for the proper recognition, reporting, and disclosure of revenue upon adoption of ASC 606 at the beginning of fiscal 2019.

Recently Adopted Accounting Pronouncement

In March 2016, the FASB issued ASU No. 2016-09, an update to ASC 718, *Compensation - Stock Compensation*, to simplify various aspects of accounting for share-based payments to employees. We elected to early adopt this update in the first quarter of fiscal 2017. The provisions of the update addressing the accounting for excess tax benefits and deficiencies were adopted using a modified retrospective transition approach, with a cumulative-effect adjustment to beginning accumulated earnings and a corresponding increase in deferred tax assets of \$165 million. The provision of the update addressing the presentation on the statement of cash flows of employee taxes paid via the withholding of shares was applied retrospectively and did not have a material impact on our Condensed Consolidated Financial Statements. Adoption of other provisions, which were applied prospectively, also did not have a material impact on our Condensed Consolidated Financial Statements.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****2. Restructuring and Other Charges (Credits), Net**

Net restructuring and other charges (credits) consisted of the following:

| | For the Quarters Ended | | For the Nine Months Ended | |
|----------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Restructuring charges, net | \$ 19 | \$ 25 | \$ 124 | \$ 86 |
| (Gain) loss on divestiture | | 3 | | (143) |
| Other charges | | 3 | 1 | 29 |
| | \$ 19 | \$ 31 | \$ 125 | \$ (28) |

Restructuring Charges, Net

Net restructuring charges by segment were as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|----------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Transportation Solutions | \$ 3 | \$ 20 | \$ 60 | \$ 39 |
| Industrial Solutions | 14 | 1 | 53 | 24 |
| Communications Solutions | 2 | 4 | 11 | 23 |
| Restructuring charges, net | \$ 19 | \$ 25 | \$ 124 | \$ 86 |

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

2. Restructuring and Other Charges (Credits), Net (Continued)

Activity in our restructuring reserves during the nine months ended June 30, 2017 is summarized as follows:

| | Balance at September 30, 2016 | Charges | Changes in Estimates | Cash Payments | Non-Cash Items | Currency Translation | Balance at June 30, 2017 |
|--------------------------------|-------------------------------------|---------------|----------------------------|------------------|-------------------|-------------------------|--------------------------------|
| (in millions) | | | | | | | |
| Fiscal 2017 Actions: | | | | | | | |
| Employee severance | \$ | \$ 104 | \$ (1) | \$ (21) | \$ | 3 | \$ 85 |
| Facility and other exit costs | | 2 | | (1) | | | 1 |
| Property, plant, and equipment | | 14 | | | (14) | | |
| Total | | 120 | (1) | (22) | (14) | 3 | 86 |
| Fiscal 2016 Actions: | | | | | | | |
| Employee severance | 54 | 8 | (1) | (24) | | | 37 |
| Facility and other exit costs | | 2 | | (2) | | | |
| Total | 54 | 10 | (1) | (26) | | | 37 |
| Pre-Fiscal 2016 Actions: | | | | | | | |
| Employee severance | 25 | | (4) | (6) | | | 15 |
| Facility and other exit costs | 12 | | | (3) | | | 9 |
| Total | 37 | | (4) | (9) | | | 24 |
| Total Activity | \$ 91 | \$ 130 | \$ (6) | \$ (57) | (14) | 3 | \$ 147 |

Fiscal 2017 Actions

During fiscal 2017, we initiated a restructuring program associated with footprint consolidation related to recent acquisitions and structural improvements impacting all segments. In connection with this program, during the nine months ended June 30, 2017, we recorded net restructuring charges of \$119 million. We expect to complete all restructuring actions commenced during the nine months ended June 30, 2017 by the end of fiscal 2018 and to incur total charges of approximately \$130 million with remaining charges primarily related to employee severance.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2017 program by segment:

| | Total Expected Charges | Cumulative Charges Incurred | Remaining Expected Charges |
|--------------------------|------------------------------|-----------------------------------|----------------------------------|
| (in millions) | | | |
| Transportation Solutions | \$ 63 | \$ 59 | \$ 4 |

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| | | | |
|--------------------------|--------|--------|-------|
| Industrial Solutions | 57 | 52 | 5 |
| Communications Solutions | 10 | 8 | 2 |
| Total | \$ 130 | \$ 119 | \$ 11 |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****2. Restructuring and Other Charges (Credits), Net (Continued)***Fiscal 2016 Actions*

During fiscal 2016, we initiated a restructuring program associated with headcount reductions impacting all segments and product line closures in the Communications Solutions segment. In connection with this program, during the nine months ended June 30, 2017 and June 24, 2016, we recorded net restructuring charges of \$9 million and \$87 million, respectively. We expect to complete all restructuring actions commenced during fiscal 2016 by the end of fiscal 2019 and to incur total charges of approximately \$165 million with remaining charges related primarily to employee severance.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2016 program by segment:

| | Total Expected Charges | Cumulative Charges Incurred | Remaining Expected Charges |
|--------------------------|---------------------------------------|--|---|
| | (in millions) | | |
| Transportation Solutions | \$ 43 | \$ 40 | \$ 3 |
| Industrial Solutions | 30 | 29 | 1 |
| Communications Solutions | 92 | 70 | 22 |
| Total | \$ 165 | \$ 139 | \$ 26 |

Pre-Fiscal 2016 Actions

Prior to fiscal 2016, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments. During the nine months ended June 30, 2017 and June 24, 2016, we recorded net restructuring credits of \$4 million and \$1 million, respectively, related to pre-fiscal 2016 actions. We do not expect to incur any additional charges related to pre-fiscal 2016 actions.

Total Restructuring Reserves

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

| | June 30, 2017 | September 30, 2016 |
|---------------------------------------|--------------------------|-------------------------------|
| | (in millions) | |
| Accrued and other current liabilities | \$ 127 | \$ 64 |
| Other liabilities | 20 | 27 |
| Restructuring reserves | \$ 147 | \$ 91 |

Gain on Divestiture

During the quarter ended March 25, 2016, we sold our Circuit Protection Devices ("CPD") business for net cash proceeds of \$326 million, subject to working capital adjustments. We recognized a pre-tax gain of \$143 million on the transaction during the nine months ended June 24, 2016. The CPD business was reported in our Communications Solutions segment.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****2. Restructuring and Other Charges (Credits), Net (Continued)****Other Charges**

During the nine months ended June 24, 2016, we incurred charges of \$15 million related to the write-off of certain investments and costs of \$14 million associated with the divestiture of certain businesses.

3. Discontinued Operations

Income from discontinued operations for the quarter ended June 24, 2016 included pre-tax credits of \$30 million recorded in connection with the settlement of the Com-Net case related to our former Wireless Systems business which was sold in fiscal 2009.

During fiscal 2015, we sold our Broadband Network Solutions ("BNS") business and recognized a pre-tax gain of \$1.1 billion on the transaction. During the nine months ended June 24, 2016, we recognized an additional pre-tax gain of \$21 million on the divestiture, related primarily to pension and net working capital adjustments.

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

4. Acquisitions

During the quarter ended June 30, 2017, we acquired MicroGroup, a manufacturer of specialized metal tubing for medical devices, for a cash purchase price of \$77 million, net of cash acquired. This business will be reported as part of our Industrial Solutions segment.

During the nine months ended June 24, 2016, we acquired three businesses, including the Creganna Medical group. The following unaudited pro forma financial information reflects our consolidated results of operations had the fiscal 2016 acquisitions occurred at the beginning of fiscal 2015:

| | Pro Forma for the Quarter Ended June 24, 2016 | Pro Forma for the Nine Months Ended June 24, 2016 |
|----------------------------|--|--|
| | (in millions, except per share data) | |
| Net sales | \$ 3,128 | \$ 9,065 |
| Net income | 839 | 1,584 |
| Diluted earnings per share | \$ 2.32 | \$ 4.25 |

The pro forma adjustments, which were not significant, included interest expense based on pro forma changes in our combined capital structure, charges related to acquired customer order backlog, charges related to the amortization of the fair value of acquired intangible assets, charges related to the fair value adjustment to acquisition-date inventories, and acquisition and other costs, and the related tax effects.

Pro forma results do not include any anticipated synergies or other anticipated benefits of these acquisitions. Accordingly, the unaudited pro forma financial information is not necessarily indicative of

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either future results of operations or results that might have been achieved had the fiscal 2016 acquisitions occurred at the beginning of fiscal 2015.

5. Inventories

Inventories consisted of the following:

| | June 30, 2017 | September 30, 2016 |
|--|------------------|-----------------------|
| | (in millions) | |
| Raw materials | \$ 281 | \$ 241 |
| Work in progress | 563 | 504 |
| Finished goods | 791 | 669 |
| Inventoried costs on long-term contracts | 152 | 182 |
| Inventories | \$ 1,787 | \$ 1,596 |

6. Goodwill

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

| | Transportation Solutions | Industrial Solutions | Communications Solutions | Total |
|---|-----------------------------|-------------------------|-----------------------------|----------|
| | (in millions) | | | |
| September 30, 2016 ⁽¹⁾ | \$ 1,903 | \$ 3,005 | \$ 584 | \$ 5,492 |
| Currency translation and other ⁽²⁾ | 6 | 15 | 3 | 24 |
| June 30, 2017 ⁽¹⁾ | \$ 1,909 | \$ 3,020 | \$ 587 | \$ 5,516 |

(1) At June 30, 2017 and September 30, 2016, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$2,191 million, \$669 million, and \$1,514 million, respectively.

(2) Includes \$50 million of goodwill recognized in connection with the acquisition of MicroGroup and a reduction of goodwill of \$33 million associated with adjustments made to the purchase price allocation of certain fiscal 2016 acquisitions primarily within the Industrial Solutions segment.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. Intangible Assets, Net**

Intangible assets consisted of the following:

| | June 30, 2017 | | | September 30, 2016 | | |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (in millions) | | | | | |
| Customer relationships | \$ 1,363 | \$ (276) | \$ 1,087 | \$ 1,332 | \$ (212) | \$ 1,120 |
| Intellectual property | 1,233 | (551) | 682 | 1,300 | (563) | 737 |
| Other | 36 | (15) | 21 | 36 | (14) | 22 |
| Total | \$ 2,632 | \$ (842) | \$ 1,790 | \$ 2,668 | \$ (789) | \$ 1,879 |

Intangible asset amortization expense was \$43 million and \$40 million for the quarters ended June 30, 2017 and June 24, 2016, respectively, and \$126 million and \$108 million for the nine months ended June 30, 2017 and June 24, 2016, respectively.

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

| | (in millions) |
|--------------------------|---------------|
| Remainder of fiscal 2017 | \$ 44 |
| Fiscal 2018 | 176 |
| Fiscal 2019 | 174 |
| Fiscal 2020 | 166 |
| Fiscal 2021 | 163 |
| Fiscal 2022 | 162 |
| Thereafter | 905 |
| Total | \$ 1,790 |

8. Debt

During the nine months ended June 30, 2017, we reclassified \$708 million of 6.55% senior notes due 2017 from long-term debt to short-term debt on the Condensed Consolidated Balance Sheet.

As of June 30, 2017, Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, had \$168 million of commercial paper outstanding at a weighted-average interest rate of 1.40%. TEGSA had \$330 million of commercial paper outstanding at a weighted-average interest rate of 0.69% at September 30, 2016.

The fair value of our debt, based on indicative valuations, was approximately \$4,242 million and \$4,424 million at June 30, 2017 and September 30, 2016, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

9. Commitments and Contingencies

Legal Proceedings

In the normal 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.

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 June 30, 2017, we concluded that it was probable that we would incur remedial costs in the range of \$16 million to \$43 million, and that the best estimate within this range was \$19 million. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

Guarantees

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

At June 30, 2017, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$285 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 materially affect our results of operations, financial position, or cash flows.

We generally record estimated product warranty costs when contract revenues are recognized under the percentage-of-completion method for construction related contracts; other warranty reserves are not significant. The estimation is based primarily on historical experience and actual warranty claims. Amounts accrued for warranty claims were \$52 million and \$48 million at June 30, 2017 and September 30, 2016, respectively.

Tax Sharing Agreement

As previously reported, under a Tax Sharing Agreement, we, Tyco International plc ("Tyco International"), and Covidien plc ("Covidien") share 31%, 27%, and 42%, respectively, of income tax

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****9. Commitments and Contingencies (Continued)**

liabilities that arise from adjustments made by tax authorities to the collective income tax returns for certain of our, Tyco International's, and Covidien's income tax liabilities for periods prior to and including June 29, 2007. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. We have substantially settled all U.S. federal income tax matters with the Internal Revenue Service ("IRS") for periods covered under the Tax Sharing Agreement. Certain shared U.S. state and non-U.S. income tax matters remain open. We do not expect these matters will have a material effect on our results of operations, financial position, or cash flows.

10. Financial Instruments

We hedge our net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was \$3,762 million and \$3,480 million at June 30, 2017 and September 30, 2016, respectively. The impacts of our hedging program were as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|---------------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Foreign exchange gains (losses) | \$ (129) | \$ 5 | \$ 15 | \$ 6 |

These foreign exchange gains and losses were recorded as currency translation, a component of accumulated other comprehensive loss, offsetting foreign exchange losses and gains attributable to the translation of the net investment.

11. Retirement Plans

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

| | U.S. Plans For the Quarters Ended | | Non-U.S. Plans For the Quarters Ended | |
|--------------------------------------|---|------------------|---|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Service cost | \$ 3 | \$ 3 | \$ 13 | \$ 11 |
| Interest cost | 11 | 12 | 9 | 13 |
| Expected return on plan assets | (13) | (15) | (18) | (17) |
| Amortization of net actuarial loss | 10 | 10 | 11 | 9 |
| Amortization of prior service credit | | | (2) | (1) |
| Net periodic pension benefit cost | \$ 11 | \$ 10 | \$ 13 | \$ 15 |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****11. Retirement Plans (Continued)**

| | U.S. Plans | | Non-U.S. Plans | |
|--------------------------------------|-------------------|----------|-------------------|----------|
| | For the | | For the | |
| | Nine Months Ended | | Nine Months Ended | |
| | June 30, | June 24, | June 30, | June 24, |
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Service cost | \$ 9 | \$ 7 | \$ 39 | \$ 35 |
| Interest cost | 33 | 37 | 27 | 40 |
| Expected return on plan assets | (40) | (44) | (53) | (52) |
| Amortization of net actuarial loss | 30 | 30 | 32 | 27 |
| Amortization of prior service credit | | | (5) | (4) |
| Net periodic pension benefit cost | \$ 32 | \$ 30 | \$ 40 | \$ 46 |

During the nine months ended June 30, 2017, we contributed \$30 million to our non-U.S. pension plans.

12. Income Taxes

During the quarter and nine months ended June 30, 2017, we recorded income tax expense of \$71 million and \$164 million, respectively. The income tax expense for the quarter and nine months ended June 30, 2017 included a \$14 million income tax benefit associated with pre-separation tax matters. The income tax expense for the nine months ended June 30, 2017 also included a \$52 million income tax benefit associated with the tax impacts of certain intercompany transactions and the corresponding reduction in the valuation allowance for U.S. tax loss carryforwards, as well as a \$24 million income tax benefit resulting from lapses of statutes of limitations in the U.S. and certain non-U.S. jurisdictions.

During the quarter and nine months ended June 24, 2016, we recorded an income tax benefit of \$1,019 million and \$831 million, respectively. These income tax benefits included a \$1,135 million income tax benefit related to the effective settlement of pre-separation tax matters for the years 1997 through 2000 which resolved all aspects of a disputed debt matter with the IRS through the year 2007, partially offset by a \$91 million increase to the valuation allowance for deferred tax assets primarily related to certain U.S. federal and state tax loss and credit carryforwards. Based on our forecast of taxable income for certain U.S. tax reporting groups, U.S. tax loss and credit carryforwards finalized as a result of settlement of the disputed debt matter with the IRS, and certain tax planning actions and strategies, we believed it was more likely than not that a portion of our deferred tax assets would not be realized. Additionally, the income tax benefits recorded during the quarter and nine months ended June 24, 2016 included an \$83 million net income tax benefit related to tax settlements in certain other tax jurisdictions, partially offset by an income tax charge related to certain legal entity restructurings.

During the nine months ended June 24, 2016, we made a payment to the IRS of \$443 million for tax deficiencies associated with the disputed debt matter discussed above. Concurrent with remitting this payment, we received net reimbursements of \$303 million from Tyco International and Covidien pursuant to indemnifications for pre-separation U.S. tax matters.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****12. Income Taxes (Continued)**

We record accrued interest and penalties related to uncertain tax positions as part of income tax expense. As of June 30, 2017 and September 30, 2016, we had \$57 million and \$54 million, respectively, of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheets, recorded primarily in income taxes. During the nine months ended June 30, 2017, we recognized income tax benefits of \$7 million related to interest and penalties on the Condensed Consolidated Statement of Operations.

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that approximately \$50 million of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months.

We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected on the Condensed Consolidated Balance Sheet as of June 30, 2017.

13. Other Expense, Net

During the quarters and nine months ended June 30, 2017 and June 24, 2016, we recorded net other expense primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. Net other expense of \$651 million and \$631 million, recorded during the quarter and nine months ended June 24, 2016, respectively, included \$604 million related to the effective settlement of pre-separation tax matters for the years 1997 through 2000 which resolved all aspects of a disputed debt matter with the IRS through the year 2007 and \$46 million related to a tax settlement in another jurisdiction. See Notes 9 and 12 for further information regarding the Tax Sharing Agreement and the settlement with the IRS, respectively.

14. Earnings Per Share

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

| | For the Quarters Ended | | For the Nine Months Ended | |
|--|-----------------------------------|--------------------------|--------------------------------------|--------------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Basic | 355 | 357 | 355 | 369 |
| Dilutive impact of share-based compensation arrangements | 3 | 4 | 4 | 4 |
| Diluted | 358 | 361 | 359 | 373 |

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****14. Earnings Per Share (Continued)**

The following 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.

| | For the Quarters Ended | | For the Nine Months Ended | |
|----------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Antidilutive share options | 3 | 1 | 3 | 3 |

15. Equity***Common Shares Held in Treasury***

In March 2017, our shareholders approved the cancellation of 26 million shares purchased under our share repurchase program during the period from December 11, 2015 to September 30, 2016. The capital reduction by cancellation of these shares was subject to a notice period and filing with the commercial register in Switzerland and became effective in May 2017.

Contributed Surplus

During the nine months ended June 30, 2017, cumulative equity transactions, including dividend activity and treasury share cancellations, have reduced our contributed surplus balance to zero with residual activity recorded against accumulated earnings as reflected on the Condensed Consolidated Statement of Shareholders' Equity. To the extent that the contributed surplus balance continues to be zero, the impact of future transactions that normally would have been recorded as a reduction of contributed surplus will be recorded in accumulated earnings.

As previously disclosed, contributed surplus established for Swiss tax and statutory purposes, which we can distribute free from withholding tax and is updated annually, was CHF 7,878 million (equivalent to \$6,992 million) at September 30, 2016 and is not impacted by our GAAP treatment.

Dividends

In March 2017, our shareholders approved a dividend payment to shareholders of \$1.60 (equivalent to CHF 1.62) per share, payable in four equal quarterly installments beginning in the third quarter of fiscal 2017 through the second quarter of fiscal 2018. We paid the first installment of the dividend at a rate of \$0.40 per share in the quarter ended June 30, 2017.

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to shareholders' equity. At June 30, 2017 and September 30, 2016, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled \$424 million and \$263 million, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

15. Equity (Continued)

Share Repurchase Program

Common shares repurchased under the share repurchase program were as follows:

| | For the Nine Months Ended | |
|-------------------------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 |
| | (in millions) | |
| Number of common shares repurchased | 5 | 41 |
| Repurchase value | \$ 386 | \$ 2,514 |

At June 30, 2017, we had \$716 million of availability remaining under our share repurchase authorization.

16. Share Plans

Share-based compensation expense, which was included in selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations, was as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|----------------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Share-based compensation expense | \$ 26 | \$ 23 | \$ 73 | \$ 66 |

As of June 30, 2017, there was \$154 million of unrecognized compensation expense related to share-based awards, which is expected to be recognized over a weighted-average period of 2.0 years.

During the quarter ended December 30, 2016, we granted the following share-based awards as part of our annual incentive plan grant:

| | Shares (in millions) | Weighted-Average Grant-Date Fair Value |
|--------------------------|-------------------------|--|
| | | |
| Share options | 2.1 | \$ 12.79 |
| Restricted share awards | 0.7 | 66.74 |
| Performance share awards | 0.3 | 66.74 |

In March 2017, our shareholders approved an increase of 10 million shares in the number of shares available for awards under the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of March 8, 2017 (the "2017 Plan"). As of June 30, 2017, we had 23 million shares available for issuance under our stock and incentive plans, of which the 2017 Plan was the primary plan.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Share Plans (Continued)

Share-Based Compensation Assumptions

The weighted-average assumptions we used in the Black-Scholes-Merton option pricing model for the options granted as part of our annual incentive plan grant were as follows:

| | |
|-------------------------------------|---------|
| Expected share price volatility | 24% |
| Risk free interest rate | 1.9% |
| Expected annual dividend per share | \$ 1.48 |
| Expected life of options (in years) | 5.6 |

17. Segment Data

Net sales by segment were as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|--------------------------|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Transportation Solutions | \$ 1,765 | \$ 1,652 | \$ 5,195 | \$ 4,767 |
| Industrial Solutions | 905 | 849 | 2,553 | 2,296 |
| Communications Solutions | 697 | 620 | 1,909 | 1,843 |
| Total ⁽¹⁾ | \$ 3,367 | \$ 3,121 | \$ 9,657 | \$ 8,906 |

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

Operating income by segment was as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|--------------------------|---------------------------|------------------|------------------------------|--------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Transportation Solutions | \$ 328 | \$ 297 | \$ 971 | \$ 847 |
| Industrial Solutions | 98 | 95 | 251 | 224 |
| Communications Solutions | 110 | 60 | 273 | 314 ⁽¹⁾ |
| Total | \$ 536 | \$ 452 | \$ 1,495 | \$ 1,385 |

(1)

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Includes pre-tax gain of \$143 million on the sale of our CPD business during the nine months ended June 24, 2016.

Table of Contents**TE CONNECTIVITY LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****18. Tyco Electronics Group S.A.**

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

**Condensed Consolidating Statement of Operations (UNAUDITED)
For the Quarter Ended June 30, 2017**

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries | Consolidating Adjustments | Total |
|---|----------------------------|--------|-----------------------|------------------------------|----------|
| | (in millions) | | | | |
| Net sales | \$ | \$ | \$ 3,367 | \$ | \$ 3,367 |
| Cost of sales | | | 2,229 | | 2,229 |
| Gross margin | | | 1,138 | | 1,138 |
| Selling, general, and administrative expenses, net | 68 | 18 | 326 | | 412 |
| Research, development, and engineering expenses | | | 170 | | 170 |
| Acquisition and integration costs | | | 1 | | 1 |
| Restructuring and other charges, net | | | 19 | | 19 |
| Operating income (loss) | (68) | (18) | 622 | | 536 |
| Interest income | | | 3 | | 3 |
| Interest expense | | (32) | | | (32) |
| Other expense, net | | | (4) | | (4) |
| Equity in net income of subsidiaries | 507 | 530 | | (1,037) | |
| Equity in net income of subsidiaries of discontinued operations | 3 | 4 | | (7) | |
| Intercompany interest income (expense), net | (7) | 27 | (20) | | |
| Income from continuing operations before income taxes | 435 | 511 | 601 | (1,044) | 503 |
| Income tax expense | | | (71) | | (71) |
| Income from continuing operations | 435 | 511 | 530 | (1,044) | 432 |
| Income (loss) from discontinued operations, net of income taxes | | (1) | 4 | | 3 |
| Net income | 435 | 510 | 534 | (1,044) | 435 |
| Other comprehensive income | 78 | 78 | 83 | (161) | 78 |
| Comprehensive income | \$ 513 | \$ 588 | \$ 617 | \$ (1,205) | \$ 513 |

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Statement of Operations (UNAUDITED)
For the Quarter Ended June 24, 2016

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries | Consolidating Adjustments | Total |
|---|----------------------------|--------|-----------------------|------------------------------|----------|
| | (in millions) | | | | |
| Net sales | \$ | \$ | \$ 3,121 | \$ | \$ 3,121 |
| Cost of sales | | | 2,099 | | 2,099 |
| Gross margin | | | 1,022 | | 1,022 |
| Selling, general, and administrative expenses, net | 50 | (2) | 319 | | 367 |
| Research, development, and engineering expenses | | | 161 | | 161 |
| Acquisition and integration costs | 1 | | 10 | | 11 |
| Restructuring and other charges (credits), net | 2 | (1) | 30 | | 31 |
| Operating income (loss) | (53) | 3 | 502 | | 452 |
| Interest income | | | 2 | | 2 |
| Interest expense | | (31) | | | (31) |
| Other expense, net | | | (651) | | (651) |
| Equity in net income of subsidiaries | 852 | 847 | | (1,699) | |
| Equity in net income of subsidiaries of discontinued operations | 47 | 47 | | (94) | |
| Intercompany interest income (expense), net | (8) | 33 | (25) | | |
| Income (loss) from continuing operations before income taxes | 838 | 899 | (172) | (1,793) | (228) |
| Income tax benefit | | | 1,019 | | 1,019 |
| Income from continuing operations | 838 | 899 | 847 | (1,793) | 791 |
| Income from discontinued operations, net of income taxes | 1 | | 47 | | 48 |
| Net income | 839 | 899 | 894 | (1,793) | 839 |
| Other comprehensive income | 74 | 74 | 33 | (107) | 74 |
| Comprehensive income | \$ 913 | \$ 973 | \$ 927 | \$ (1,900) | \$ 913 |

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Statement of Operations (UNAUDITED)
For the Nine Months Ended June 30, 2017

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|--|----------------------------|----------|--|------------------------------|----------|
| Net sales | \$ | \$ | \$ 9,657 | \$ | \$ 9,657 |
| Cost of sales | | | 6,346 | | 6,346 |
| Gross margin | | | 3,311 | | 3,311 |
| Selling, general, and administrative expenses, net | 144 | (52) | 1,104 | | 1,196 |
| Research, development, and engineering expenses | | | 490 | | 490 |
| Acquisition and integration costs | | | 5 | | 5 |
| Restructuring and other charges, net | | | 125 | | 125 |
| Operating income (loss) | (144) | 52 | 1,587 | | 1,495 |
| Interest income | | | 14 | | 14 |
| Interest expense | | (95) | | | (95) |
| Other expense, net | | | (6) | | (6) |
| Equity in net income of subsidiaries | 1,409 | 1,369 | | (2,778) | |
| Equity in net income of subsidiaries of discontinued operations | 5 | 18 | | (23) | |
| Intercompany interest income (expense), net | (21) | 83 | (62) | | |
| Income from continuing operations before income taxes | 1,249 | 1,427 | 1,533 | (2,801) | 1,408 |
| Income tax expense | | | (164) | | (164) |
| Income from continuing operations | 1,249 | 1,427 | 1,369 | (2,801) | 1,244 |
| Income (loss) from discontinued operations, net of income taxes ⁽¹⁾ | | (13) | 18 | | 5 |
| Net income | 1,249 | 1,414 | 1,387 | (2,801) | 1,249 |
| Other comprehensive income | 36 | 36 | 14 | (50) | 36 |
| Comprehensive income | \$ 1,285 | \$ 1,450 | \$ 1,401 | \$ (2,851) | \$ 1,285 |

(1) Includes the internal allocation of gains and losses associated with the divestiture of our BNS business.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Statement of Operations (UNAUDITED)
For the Nine Months Ended June 24, 2016

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|--|----------------------------|----------|--|------------------------------|----------|
| Net sales | \$ | \$ | \$ 8,906 | \$ | \$ 8,906 |
| Cost of sales | | | 5,977 | | 5,977 |
| Gross margin | | | 2,929 | | 2,929 |
| Selling, general, and administrative expenses, net | 135 | 35 | 904 | | 1,074 |
| Research, development, and engineering expenses | | | 479 | | 479 |
| Acquisition and integration costs | 1 | | 18 | | 19 |
| Restructuring and other charges (credits), net | 2 | (1) | (29) | | (28) |
| Operating income (loss) | (138) | (34) | 1,557 | | 1,385 |
| Interest income | | | 12 | | 12 |
| Interest expense | | (92) | (1) | | (93) |
| Other expense, net | | | (631) | | (631) |
| Equity in net income of subsidiaries | 1,658 | 1,724 | | (3,382) | |
| Equity in net income of subsidiaries of discontinued operations | 67 | 183 | | (250) | |
| Intercompany interest income (expense), net | (16) | 60 | (44) | | |
| Income from continuing operations before income taxes | 1,571 | 1,841 | 893 | (3,632) | 673 |
| Income tax benefit | | | 831 | | 831 |
| Income from continuing operations | 1,571 | 1,841 | 1,724 | (3,632) | 1,504 |
| Income (loss) from discontinued operations, net of income taxes ⁽¹⁾ | 1 | (116) | 183 | | 68 |
| Net income | 1,572 | 1,725 | 1,907 | (3,632) | 1,572 |
| Other comprehensive loss | (2) | (2) | (24) | 26 | (2) |
| Comprehensive income | \$ 1,570 | \$ 1,723 | \$ 1,883 | \$ (3,606) | \$ 1,570 |

(1) Includes the internal allocation of gains and losses associated with the divestiture of our BNS business.

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Balance Sheet (UNAUDITED)
As of June 30, 2017

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|--|----------------------------|-----------|--|------------------------------|-----------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ 755 | \$ | \$ 755 |
| Accounts receivable, net | | | 2,271 | | 2,271 |
| Inventories | | | 1,787 | | 1,787 |
| Intercompany receivables | 33 | 1,795 | 38 | (1,866) | |
| Prepaid expenses and other current assets | 2 | 62 | 477 | | 541 |
| Total current assets | 35 | 1,857 | 5,328 | (1,866) | 5,354 |
| Property, plant, and equipment, net | | | 3,165 | | 3,165 |
| Goodwill | | | 5,516 | | 5,516 |
| Intangible assets, net | | | 1,790 | | 1,790 |
| Deferred income taxes | | | 2,287 | | 2,287 |
| Investment in subsidiaries | 11,376 | 20,584 | | (31,960) | |
| Intercompany loans receivable | 1 | 4,092 | 11,088 | (15,181) | |
| Other assets | | 7 | 401 | | 408 |
| Total Assets | \$ 11,412 | \$ 26,540 | \$ 29,575 | \$ (49,007) | \$ 18,520 |
| Liabilities and Shareholders' Equity | | | | | |
| Current liabilities: | | | | | |
| Short-term debt | \$ | \$ 877 | \$ 1 | \$ | \$ 878 |
| Accounts payable | 3 | | 1,306 | | 1,309 |
| Accrued and other current liabilities | 435 | 47 | 1,141 | | 1,623 |
| Deferred revenue | | | 62 | | 62 |
| Intercompany payables | 1,833 | | 33 | (1,866) | |
| Total current liabilities | 2,271 | 924 | 2,543 | (1,866) | 3,872 |
| Long-term debt | | 3,111 | 2 | | 3,113 |
| Intercompany loans payable | | 11,088 | 4,093 | (15,181) | |
| Long-term pension and postretirement liabilities | | | 1,494 | | 1,494 |
| Deferred income taxes | | | 197 | | 197 |
| Income taxes | | | 283 | | 283 |
| Other liabilities | | 41 | 379 | | 420 |
| Total Liabilities | 2,271 | 15,164 | 8,991 | (17,047) | 9,379 |
| Total Shareholders' Equity | 9,141 | 11,376 | 20,584 | (31,960) | 9,141 |

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| | | | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|----------|----|--------|
| Total Liabilities and Shareholders' Equity | \$ | 11,412 | \$ | 26,540 | \$ | 29,575 | \$ | (49,007) | \$ | 18,520 |
|---|----|--------|----|--------|----|--------|----|----------|----|--------|

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Balance Sheet (UNAUDITED)
As of September 30, 2016

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|--|----------------------------|-----------|--|------------------------------|-----------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ 647 | \$ | \$ 647 |
| Accounts receivable, net | | | 2,046 | | 2,046 |
| Inventories | | | 1,596 | | 1,596 |
| Intercompany receivables | 37 | 1,314 | 48 | (1,399) | |
| Prepaid expenses and other current assets | 3 | 17 | 466 | | 486 |
| Total current assets | 40 | 1,331 | 4,803 | (1,399) | 4,775 |
| Property, plant, and equipment, net | | | 3,052 | | 3,052 |
| Goodwill | | | 5,492 | | 5,492 |
| Intangible assets, net | | | 1,879 | | 1,879 |
| Deferred income taxes | | | 2,111 | | 2,111 |
| Investment in subsidiaries | 10,053 | 19,425 | | (29,478) | |
| Intercompany loans receivable | 22 | 3,739 | 10,313 | (14,074) | |
| Other assets | | 14 | 285 | | 299 |
| Total Assets | \$ 10,115 | \$ 24,509 | \$ 27,935 | \$ (44,951) | \$ 17,608 |
| Liabilities and Shareholders' Equity | | | | | |
| Current liabilities: | | | | | |
| Short-term debt | \$ | \$ 330 | \$ 1 | \$ | \$ 331 |
| Accounts payable | 1 | | 1,089 | | 1,090 |
| Accrued and other current liabilities | 266 | 57 | 1,114 | | 1,437 |
| Deferred revenue | | | 208 | | 208 |
| Intercompany payables | 1,363 | | 36 | (1,399) | |
| Total current liabilities | 1,630 | 387 | 2,448 | (1,399) | 3,066 |
| Long-term debt | | 3,737 | 2 | | 3,739 |
| Intercompany loans payable | | 10,314 | 3,760 | (14,074) | |
| Long-term pension and postretirement liabilities | | | 1,502 | | 1,502 |
| Deferred income taxes | | | 207 | | 207 |
| Income taxes | | | 247 | | 247 |
| Other liabilities | | 18 | 344 | | 362 |
| Total Liabilities | 1,630 | 14,456 | 8,510 | (15,473) | 9,123 |
| Total Shareholders' Equity | 8,485 | 10,053 | 19,425 | (29,478) | 8,485 |

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| | | | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|----------|----|--------|
| Total Liabilities and Shareholders' Equity | \$ | 10,115 | \$ | 24,509 | \$ | 27,935 | \$ | (44,951) | \$ | 17,608 |
|---|----|--------|----|--------|----|--------|----|----------|----|--------|

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TE CONNECTIVITY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

Condensed Consolidating Statement of Cash Flows (UNAUDITED)
For the Nine Months Ended June 30, 2017

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|--|----------------------------|-----------|--|------------------------------|---------------|
| Cash Flows From Operating Activities: | | | | | |
| Net cash provided by (used in) continuing operating activities | \$ (159) | \$ (58) | \$ 1,666 | \$ | \$ 1,449 |
| Net cash used in discontinued operating activities | | | (1) | | (1) |
| Net cash provided by (used in) operating activities | (159) | (58) | 1,665 | | 1,448 |
| Cash Flows From Investing Activities: | | | | | |
| Capital expenditures | | | (452) | | (452) |
| Proceeds from sale of property, plant, and equipment | | | 12 | | 12 |
| Acquisition of business, net of cash acquired | | | (77) | | (77) |
| Proceeds from divestiture of business, net of cash retained by sold business | | | 4 | | 4 |
| Change in intercompany loans | | 16 | | (16) | |
| Other | | (8) | (13) | (4) | (25) |
| Net cash provided by (used in) investing activities | | 8 | (526) | (20) | (538) |
| Cash Flows From Financing Activities: | | | | | |
| Changes in parent company equity ⁽¹⁾ | 67 | 123 | (190) | | |
| Net decrease in commercial paper | | (162) | | | (162) |
| Proceeds from issuance of debt | | 89 | | | 89 |
| Proceeds from exercise of share options | | | 86 | | 86 |
| Repurchase of common shares | | | (376) | | (376) |
| Payment of common share dividends to shareholders | (407) | | 2 | | (405) |
| Loan activity with parent | 499 | | (515) | 16 | |
| Other | | | (28) | 4 | (24) |
| Net cash provided by (used in) continuing financing activities | 159 | 50 | (1,021) | 20 | (792) |
| Net cash provided by discontinued financing activities | | | 1 | | 1 |
| Net cash provided by (used in) financing activities | 159 | 50 | (1,020) | 20 | (791) |
| Effect of currency translation on cash | | | (11) | | (11) |
| Net increase in cash and cash equivalents | | | 108 | | 108 |
| Cash and cash equivalents at beginning of period | | | 647 | | 647 |
| Cash and cash equivalents at end of period | \$ | \$ | \$ 755 | \$ | \$ 755 |

- (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)

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

Condensed Consolidating Statement of Cash Flows (UNAUDITED)
For the Nine Months Ended June 24, 2016

| | TE Connectivity Ltd. | TEGSA | Other Subsidiaries (in millions) | Consolidating Adjustments | Total |
|---|----------------------------|-------|--|------------------------------|----------|
| Cash Flows From Operating Activities: | | | | | |
| Net cash provided by (used in) continuing operating activities ⁽¹⁾ | \$ (175) | \$ 87 | \$ 1,529 | \$ (179) | \$ 1,262 |
| Net cash provided by discontinued operating activities | | | 1 | | 1 |
| Net cash provided by (used in) operating activities | (175) | 87 | 1,530 | (179) | 1,263 |
| Cash Flows From Investing Activities: | | | | | |
| Capital expenditures | | | (420) | | (420) |
| Proceeds from sale of property, plant, and equipment | | | 3 | | 3 |
| Acquisition of businesses, net of cash acquired | | | (994) | | (994) |
| Proceeds from divestiture of business, net of cash retained by sold business | | 199 | 127 | | 326 |
| Change in intercompany loans | | (470) | | 470 | |
| Other ⁽²⁾ | | (135) | 163 | | 28 |
| Net cash used in investing activities | | (406) | (1,121) | 470 | (1,057) |
| Cash Flows From Financing Activities: | | | | | |
| Changes in parent company equity ⁽³⁾ | 380 | 174 | (554) | | |
| Net increase in commercial paper | | 300 | | | 300 |
| Proceeds from issuance of debt | | 349 | 1 | | 350 |
| Repayment of debt | | (500) | | | (500) |
| Proceeds from exercise of share options | | | 77 | | 77 |
| Repurchase of common shares | (2,657) | | | | (2,657) |
| Payment of common share dividends to shareholders | (381) | | 4 | | (377) |
| Loan activity with parent | 2,833 | | (2,363) | (470) | |
| Intercompany distributions ⁽¹⁾ | | | (179) | 179 | |
| Other | | (4) | (25) | | (29) |
| Net cash provided by (used in) continuing financing activities | 175 | 319 | (3,039) | (291) | (2,836) |
| Net cash used in discontinued financing activities | | | (1) | | (1) |
| Net cash provided by (used in) financing activities | 175 | 319 | (3,040) | (291) | (2,837) |
| Effect of currency translation on cash | | | (4) | | (4) |
| Net decrease in cash and cash equivalents | | | (2,635) | | (2,635) |
| Cash and cash equivalents at beginning of period | | | 3,329 | | 3,329 |
| Cash and cash equivalents at end of period | \$ | \$ | \$ 694 | \$ | \$ 694 |

- (1) During the nine months ended June 24, 2016, other subsidiaries made distributions to TEGSA in the amount of \$179 million.
- (2) Includes the internal allocation of proceeds of \$135 million between TEGSA and other subsidiaries associated with the divestiture of our BNS business.
- (3) 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 on Form 10-Q. 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 ("U.S.") dollars, in accordance with accounting principles generally accepted in the U.S. ("GAAP").

The following discussion includes organic net sales growth which is a non-GAAP financial measure. See "Non-GAAP Financial Measure" for additional information regarding this measure.

Overview

TE Connectivity Ltd. ("TE Connectivity" or the "Company," which may be referred to as "we," "us," or "our") is a global technology leader. We design and manufacture connectivity and sensor solutions to help build a safer, greener, smarter, and more connected world. Our products are built to work reliably, even in the harshest of environments. Our commitment to innovation enables advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

Highlights for the third quarter and first nine months of fiscal 2017 include the following:

Our net sales increased 7.9% and 8.4% in the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016 as a result of sales growth in all segments. On an organic basis, our net sales increased 8.3% and 7.7% during the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016. Price erosion adversely affected organic net sales by \$54 million and \$164 million in the third quarter and first nine months of fiscal 2017, respectively. Foreign currency exchange rates negatively impacted net sales by \$51 million and \$124 million in the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016.

Our net sales by segment were as follows:

Transportation Solutions Our net sales increased 6.8% and 9.0% in the third quarter and first nine months of fiscal 2017, respectively, as a result of sales increases in all end markets.

Industrial Solutions Our net sales increased 6.6% and 11.2% during the third quarter and first nine months of fiscal 2017, respectively, due primarily to increased sales in the industrial equipment end market where we benefitted from sales contributions from recent acquisitions.

Communications Solutions Our net sales increased 12.4% and 3.6% in the third quarter and first nine months of fiscal 2017, respectively, due primarily to increased sales in the subsea communications and appliances end markets. Our net sales declined in the data and devices end market in the first nine months of fiscal 2017 as a result of the divestiture of our Circuit Protection Devices ("CPD") business in fiscal 2016.

Net cash provided by continuing operating activities was \$1,449 million in the first nine months of fiscal 2017.

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Outlook

In the fourth quarter of fiscal 2017, we expect net sales to be between \$3.2 billion and \$3.3 billion as compared to \$3.3 billion in the same period of fiscal 2016, due primarily to sales declines in the Transportation Solutions and Communications Solutions segments relative to the fourth quarter of fiscal 2016. The fourth quarter of fiscal 2016 included an additional week which contributed \$238 million in net sales and \$0.13 per share to diluted earnings per share. Additional information regarding expectations for our reportable segments for the fourth quarter of fiscal 2017 as compared to the same period of fiscal 2016 is as follows:

Transportation Solutions We expect our net sales to decrease in the automotive end market due to the impact of the additional week in fiscal 2016. Our net sales in the sensors and commercial transportation end markets are expected to be consistent with prior year sales. Excluding the impact of the additional week, we expect our net sales to increase in all end markets with our net sales growth in the automotive end market outpacing anticipated global automotive production growth of 1%. The additional week in fiscal 2016 contributed \$130 million in net sales.

Industrial Solutions We expect our net sales to increase in the industrial equipment end market due primarily to recent acquisitions and continued growth in the factory automation and controls and the medical markets. This increase is expected to be offset by sales declines in the energy and the aerospace, defense, oil, and gas end markets. Excluding the impact of the additional week, we expect our net sales to increase in the industrial equipment and the aerospace, defense, oil, and gas end markets. The additional week contributed \$65 million in net sales in fiscal 2016.

Communications Solutions We expect our net sales in the subsea communications end market to be consistent with the prior year sales. Our net sales in the data and devices and the appliances end markets are expected to decrease relative to the fourth quarter of fiscal 2016. Excluding the impact of the additional week, we expect our net sales to increase in all end markets. The additional week in fiscal 2016 contributed \$43 million in net sales.

We expect diluted earnings per share from continuing operations to be in the range of \$1.07 to \$1.09 per share in the fourth quarter of fiscal 2017.

For fiscal 2017, we expect net sales to be between \$12.85 billion and \$12.95 billion, an increase from \$12.2 billion in fiscal 2016 which included the additional week discussed above. This increase is attributable to sales growth in all segments. Additional information regarding expectations for our reportable segments for fiscal 2017 compared to fiscal 2016 is as follows:

Transportation Solutions We expect our net sales growth in the automotive end market to exceed anticipated global automotive production growth of approximately 3% with the benefits of increased content per vehicle and market share gains being partially offset by the impact of the additional week in fiscal 2016. We continue to expect our net sales to increase in the commercial transportation and sensors end markets.

Industrial Solutions We expect our net sales to increase in the industrial equipment end market due primarily to recent acquisitions and continued growth in the factory automation and controls and the medical markets.

Communications Solutions We expect our net sales growth in the subsea communications and the appliances end markets to be partially offset by sales declines in the data and devices end market due primarily to the divestiture of our CPD business.

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We expect diluted earnings per share from continuing operations to be in the range of \$4.54 to \$4.56 per share in fiscal 2017. This outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$124 million and \$0.07 per share, respectively, in fiscal 2017 as compared to fiscal 2016.

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

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

Results of Operations

Net Sales

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

| | For the Quarters Ended | | | | For the Nine Months Ended | | | |
|--------------------------|---------------------------|------|------------------|------|------------------------------|------|------------------|------|
| | June 30, 2017 | | June 24, 2016 | | June 30, 2017 | | June 24, 2016 | |
| | (\$ in millions) | | | | | | | |
| Transportation Solutions | \$ 1,765 | 52% | \$ 1,652 | 53% | \$ 5,195 | 54% | \$ 4,767 | 53% |
| Industrial Solutions | 905 | 27 | 849 | 27 | 2,553 | 26 | 2,296 | 26 |
| Communications Solutions | 697 | 21 | 620 | 20 | 1,909 | 20 | 1,843 | 21 |
| Total | \$ 3,367 | 100% | \$ 3,121 | 100% | \$ 9,657 | 100% | \$ 8,906 | 100% |

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

| | Change in Net Sales for the Quarter Ended June 30, 2017 versus Net Sales for the Quarter Ended June 24, 2016 | | | | | Change in Net Sales for the Nine Months Ended June 30, 2017 versus Net Sales for the Nine Months Ended June 24, 2016 | | | | | | | | | |
|--------------------------|---|--------------------------------|-------------|--------------|-------------|---|-----------------------------------|-------------|--------------|-------------|------------------------|-----------------------------------|-------------|--------------|-------------|
| | Net Sales Growth | Organic Net Sales Growth | Translation | Acquisitions | Divestiture | Net Sales Growth | Organic Net Sales Growth | Translation | Acquisitions | Divestiture | Net Sales Growth | Organic Net Sales Growth | Translation | Acquisitions | Divestiture |
| | (\$ in millions) | | | | | | | | | | | | | | |
| Transportation Solutions | \$ 113 | 6.8% | \$ 134 | 8.1% | (30) | \$ 9 | \$ 428 | 9.0% | \$ 467 | 9.8% | (69) | \$ 30 | | | |
| Industrial Solutions | 56 | 6.6 | 42 | 4.9 | (14) | 28 | 257 | 11.2 | 64 | 2.8 | (34) | 227 | | | |
| Communications Solutions | 77 | 12.4 | 84 | 13.5 | (7) | 66 | 3.6 | 157 | 8.5 | (21) | (70) | | | | |
| Total | \$ 246 | 7.9% | \$ 260 | 8.3% | (51) | \$ 37 | \$ 751 | 8.4% | \$ 688 | 7.7% | (124) | \$ 187 | | | |

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

Net Sales by Geographic Region. Our business operates in three geographic regions the Americas, Europe/Middle East/Africa ("EMEA"), and Asia Pacific and our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. dollars at the end

of each fiscal period.

Approximately 55% of our net sales were invoiced in currencies other than the U.S. dollar in the first nine months of fiscal 2017.

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The following table presents our net sales and the percentage of total net sales by geographic region⁽¹⁾:

| | For the Quarters Ended | | | | For the Nine Months Ended | | | |
|--------------|------------------------|------|---------------|------|---------------------------|------|---------------|------|
| | June 30, 2017 | | June 24, 2016 | | June 30, 2017 | | June 24, 2016 | |
| | (\$ in millions) | | | | | | | |
| Americas | \$ 1,171 | 34% | \$ 1,071 | 34% | \$ 3,246 | 34% | \$ 3,034 | 34% |
| EMEA | 1,134 | 34 | 1,071 | 34 | 3,204 | 33 | 3,030 | 34 |
| Asia Pacific | 1,062 | 32 | 979 | 32 | 3,207 | 33 | 2,842 | 32 |
| Total | \$ 3,367 | 100% | \$ 3,121 | 100% | \$ 9,657 | 100% | \$ 8,906 | 100% |

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

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

| | Change in Net Sales for the Quarter Ended June 30, 2017 versus Net Sales for the Quarter Ended June 24, 2016 | | | | | Change in Net Sales for the Nine Months Ended June 30, 2017 versus Net Sales for the Nine Months Ended June 24, 2016 | | | | | | |
|--------------|--|--------------------------|-------------|--------------|-------------|--|--------------------------|-------------|--------------|-------------|----------|--------|
| | Net Sales Growth | Organic Net Sales Growth | Translation | Acquisitions | Divestiture | Net Sales Growth | Organic Net Sales Growth | Translation | Acquisitions | Divestiture | | |
| | (\$ in millions) | | | | | | | | | | | |
| Americas | \$ 100 | 9.3% | \$ 94 | 8.8% | \$ 1 | \$ 5 | 212 | 7.0% | \$ 121 | 4.0% | \$ 3 | \$ 88 |
| EMEA | 63 | 5.9 | 62 | 5.6 | (30) | 31 | 174 | 5.7 | 112 | 3.7 | (80) | 142 |
| Asia Pacific | 83 | 8.5 | 104 | 10.6 | (22) | 1 | 365 | 12.8 | 455 | 16.0 | (47) | (43) |
| Total | \$ 246 | 7.9% | \$ 260 | 8.3% | \$ (51) | \$ 37 | 751 | 8.4% | \$ 688 | 7.7% | \$ (124) | \$ 187 |

Cost of Sales and Gross Margin

The following table presents cost of sales and gross margin information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|------------------------------|------------------------|---------------|---------------------|---------------------------|---------------|---------------------|
| | June 30, 2017 | June 24, 2016 | Increase (Decrease) | June 30, 2017 | June 24, 2016 | Increase (Decrease) |
| | (\$ in millions) | | | | | |
| Cost of sales | \$ 2,229 | \$ 2,099 | \$ 130 | \$ 6,346 | \$ 5,977 | \$ 369 |
| As a percentage of net sales | 66.2% | 67.3% | (1.1)% | 65.7% | 67.1% | (1.4)% |
| Gross margin | \$ 1,138 | \$ 1,022 | \$ 116 | \$ 3,311 | \$ 2,929 | \$ 382 |
| As a percentage of net sales | 33.8% | 32.7% | 1.1% | 34.3% | 32.9% | 1.4% |

Gross margin increased \$116 million and \$382 million in the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016. The increases were due primarily to higher volume and lower material costs, partially offset by the negative impact of price erosion.

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Cost of sales and gross margin are subject to variability in raw material prices which continue to fluctuate for many of the raw materials used in the manufacture of our products. We expect to purchase approximately 190 million pounds of copper, 120,000 troy ounces of gold, and 2.5 million troy

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ounces of silver in fiscal 2017. The following table presents the average prices incurred related to copper, gold, and silver:

| | Measure | For the Quarters Ended | | For the Nine Months Ended | |
|--------|----------|---------------------------|------------------|------------------------------|------------------|
| | | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| Copper | Lb. | \$ 2.40 | \$ 2.36 | \$ 2.36 | \$ 2.56 |
| Gold | Troy oz. | 1,237 | 1,198 | 1,218 | 1,204 |
| Silver | Troy oz. | 17.12 | 15.75 | 16.62 | 15.92 |

Operating Expenses

The following table presents operating expense information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|---|---------------------------|------------------|------------------------|------------------------------|------------------|------------------------|
| | June 30, 2017 | June 24, 2016 | Increase (Decrease) | June 30, 2017 | June 24, 2016 | Increase (Decrease) |
| (\$ in millions) | | | | | | |
| Selling, general, and administrative expenses | \$ 412 | \$ 367 | \$ 45 | \$ 1,196 | \$ 1,074 | \$ 122 |
| As a percentage of net sales | 12.2% | 11.8% | 0.4% | 12.4% | 12.1% | 0.3% |
| Research, development, and engineering expenses | \$ 170 | \$ 161 | \$ 9 | \$ 490 | \$ 479 | \$ 11 |
| Acquisition and integration costs | \$ 1 | \$ 11 | \$ (10) | \$ 5 | \$ 19 | \$ (14) |
| Restructuring and other charges (credits), net | \$ 19 | \$ 31 | \$ (12) | \$ 125 | \$ (28) | \$ 153 |

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased \$45 million and \$122 million in the third quarter and first nine months of fiscal 2017, respectively, from the same periods in fiscal 2016. The increases resulted primarily from increased selling expenses to support higher sales levels, increased incentive compensation costs, increased costs associated with long-term expense reduction initiatives, and additional expenses associated with recent acquisitions.

Restructuring and Other Charges (Credits), Net. We are committed to continuous productivity improvements and consistently evaluate opportunities to simplify our global manufacturing footprint, migrate facilities to lower-cost regions, reduce fixed costs, and eliminate excess capacity. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for future growth.

During fiscal 2017, we initiated a restructuring program associated with footprint consolidation related to recent acquisitions and structural improvements impacting all segments. During fiscal 2016, we initiated a restructuring program associated with headcount reductions impacting all segments and product line closures in the Communications Solutions segment.

In connection with these initiatives, during the first nine months of fiscal 2017, we incurred net restructuring charges of \$124 million. Annualized cost savings related to the fiscal 2017 actions are expected to be approximately \$145 million and are generally expected to be realized by the end of fiscal 2019. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses. During fiscal 2017, we expect to incur net restructuring charges of approximately \$150 million. We expect total spending, which will be funded with cash from operations, to be approximately \$90 million in fiscal 2017.

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During the first nine months of fiscal 2016, we recognized a pre-tax gain of \$143 million on the sale of our CPD business.

See Note 2 to the Condensed Consolidated Financial Statements for additional information regarding net restructuring and other charges (credits).

Operating Income

The following table presents operating income and operating margin information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|------------------|---------------------------|------------------|----------|------------------------------|------------------|------------------------|
| | June 30, 2017 | June 24, 2016 | Increase | June 30, 2017 | June 24, 2016 | Increase (Decrease) |
| | (\$ in millions) | | | | | |
| Operating income | \$ 536 | \$ 452 | \$ 84 | \$ 1,495 | \$ 1,385 | \$ 110 |
| Operating margin | 15.9% | 14.5% | 1.4% | 15.5% | 15.6% | (0.1)% |

Operating income included the following:

| | For the Quarters Ended | | For the Nine Months Ended | |
|--|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Acquisition related charges: | | | | |
| Acquisition and integration costs | \$ 1 | \$ 11 | \$ 5 | \$ 19 |
| Charges associated with the amortization of acquisition related fair value adjustments | 3 | 7 | 5 | 9 |
| | 4 | 18 | 10 | 28 |
| Restructuring and other charges (credits), net | 19 | 31 | 125 | (28) |
| Total | \$ 23 | \$ 49 | \$ 135 | \$ |

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

Non-Operating Items

The following table presents select non-operating information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|---|---------------------------|------------------|------------------------|------------------------------|------------------|------------------------|
| | June 30, 2017 | June 24, 2016 | Increase (Decrease) | June 30, 2017 | June 24, 2016 | Increase (Decrease) |
| | (\$ in millions) | | | | | |
| Interest expense | \$ 32 | \$ 31 | \$ 1 | \$ 95 | \$ 93 | \$ 2 |
| Other expense, net | \$ 4 | \$ 651 | \$ (647) | \$ 6 | \$ 631 | \$ (625) |
| Income tax expense (benefit) | \$ 71 | \$ (1,019) | \$ 1,090 | \$ 164 | \$ (831) | \$ 995 |
| Effective tax rate | 14.1% | 446.9% | (432.8)% | 11.6% | (123.5)% | 135.1% |
| Income from discontinued operations, net of income taxes | \$ 3 | \$ 48 | \$ (45) | \$ 5 | \$ 68 | \$ (63) |

Other Expense, Net. During the third quarters and first nine months of fiscal 2017 and 2016, we recorded net other expense primarily pursuant to the Tax Sharing Agreement with Tyco International plc ("Tyco International") and Covidien plc ("Covidien"). See Notes 9 and 13 to the Condensed Consolidated Financial Statements for further information.

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Income Taxes. See Note 12 to the Condensed Consolidated Financial Statements for information regarding items impacting income tax expense (benefit) for the third quarters and first nine months of fiscal 2017 and 2016.

Discontinued Operations. See Note 3 to the Condensed Consolidated Financial Statements for additional information regarding discontinued operations.

Segment Results

Transportation Solutions

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

| | For the Quarters Ended | | | | For the Nine Months Ended | | | |
|---------------------------|---------------------------|------|------------------|------|------------------------------|------|------------------|------|
| | June 30, 2017 | | June 24, 2016 | | June 30, 2017 | | June 24, 2016 | |
| | (\$ in millions) | | | | | | | |
| Automotive | \$ 1,294 | 73% | \$ 1,245 | 75% | \$ 3,878 | 75% | \$ 3,601 | 75% |
| Commercial transportation | 262 | 15 | 217 | 13 | 723 | 14 | 610 | 13 |
| Sensors | 209 | 12 | 190 | 12 | 594 | 11 | 556 | 12 |
| Total | \$ 1,765 | 100% | \$ 1,652 | 100% | \$ 5,195 | 100% | \$ 4,767 | 100% |

(1)

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

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

| | Change in Net Sales for the Quarter Ended June 30, 2017 versus Net Sales for the Quarter Ended June 24, 2016 | | | | | Change in Net Sales for the Nine Months Ended June 30, 2017 versus Net Sales for the Nine Months Ended June 24, 2016 | | | | |
|---------------------------|---|------|--------------------------------|------|----------------------------|---|------|--------------------------------|------|----------------------------|
| | Net Sales Growth | | Organic Net Sales Growth | | Translation Acquisition | Net Sales Growth | | Organic Net Sales Growth | | Translation Acquisition |
| | (\$ in millions) | | | | | | | | | |
| Automotive | \$ 49 | 3.9% | \$ 70 | 5.6% | \$ (21) | \$ 277 | 7.7% | \$ 326 | 9.1% | \$ (49) |
| Commercial transportation | 45 | 20.7 | 50 | 23.1 | (5) | 113 | 18.5 | 123 | 20.1 | (10) |
| Sensors | 19 | 10.0 | 14 | 7.2 | (4) | 9 | 38 | 6.8 | 18 | 3.2 |
| Total | \$ 113 | 6.8% | \$ 134 | 8.1% | \$ (30) | \$ 428 | 9.0% | \$ 467 | 9.8% | \$ (69) |

Net sales in the Transportation Solutions segment increased \$113 million, or 6.8%, in the third quarter of fiscal 2017 from the same period of fiscal 2016 due primarily to organic net sales growth of 8.1%, partially offset by the negative impact of foreign currency translation of 1.8%. Our organic net sales by primary industry end market were as follows:

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Automotive Our organic net sales increased 5.6% in the third quarter of fiscal 2017 with growth of 6.1% in the Americas region, 5.7% in the Asia Pacific region, and 5.3% in the EMEA region. Our growth in the Americas region was a result of content growth and increased sales in North America and continued market recovery in South America. Our growth in the Asia Pacific region was a result of market growth and share gains, and increased electronification. In the EMEA region, our organic net sales growth was driven by electronification and new model launches.

Commercial transportation Our organic net sales increased 23.1% in the third quarter of fiscal 2017 due primarily to growth in the heavy truck market in all regions and content gains in China.

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Sensors Our organic net sales increased 7.2% in the third quarter of fiscal 2017 primarily as a result of growth in the industrial equipment and commercial transportation markets.

In the first nine months of fiscal 2017, net sales in the Transportation Solutions segment increased \$428 million, or 9.0%, as compared to the first nine months of fiscal 2016 primarily as a result of organic net sales growth of 9.8%, partially offset by the negative impact of foreign currency translation of 1.4%. Our organic net sales by primary industry end market were as follows:

Automotive Our organic net sales increased 9.1% in the first nine months of fiscal 2017. The increase resulted from growth of 15.2% in the Asia Pacific region, 5.8% in the EMEA region, and 2.5% in the Americas region. Our growth in the Asia Pacific region was driven by increased demand in China resulting from a tax incentive program, market share gains, and increased electrification. In the EMEA region, our organic net sales growth was driven by market growth, electrification, and new model launches. Our growth in the Americas region resulted from content growth and increased sales in North America and continued market recovery in South America.

Commercial transportation Our organic net sales increased 20.1% in the first nine months of fiscal 2017 due primarily to growth in the heavy truck market in all regions and content gains in China.

Sensors Our organic net sales increased 3.2% in the first nine months of fiscal 2017 primarily as a result of growth in the industrial equipment, commercial transportation, and automotive markets, partially offset by declines in the data and devices market.

Operating Income. The following table presents the Transportation Solutions segment's operating income and operating margin information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|------------------|---------------------------|------------------|----------|------------------------------|------------------|----------|
| | June 30, 2017 | June 24, 2016 | Increase | June 30, 2017 | June 24, 2016 | Increase |
| | (\$ in millions) | | | | | |
| Operating income | \$ 328 | \$ 297 | \$ 31 | \$ 971 | \$ 847 | \$ 124 |
| Operating margin | 18.6% | 18.0% | 0.6% | 18.7% | 17.8% | 0.9% |

Operating income in the Transportation Solutions segment increased \$31 million and \$124 million in the third quarter and first nine months of fiscal 2017, respectively, from the same periods of fiscal 2016. The Transportation Solutions segment's operating income included the following:

| | For the Quarters Ended | | | For the Nine Months Ended | |
|--------------------------------------|---------------------------|------------------|----|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | | |
| Acquisition and integration costs | \$ 1 | \$ 2 | \$ | 2 | \$ 6 |
| Restructuring and other charges, net | 3 | 21 | | 60 | 52 |
| Total | \$ 4 | \$ 23 | \$ | 62 | \$ 58 |

Excluding these items, operating income increased in the third quarter and first nine months of fiscal 2017. The increase in the third quarter of fiscal 2017 was due primarily to higher volume, partially offset by the negative impact of price erosion. The increase in the first nine months of fiscal 2017 was primarily a result of higher volume and lower material costs, partially offset by the negative impact of price erosion.

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Industrial Solutions

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

| | For the Quarters Ended | | | | For the Nine Months Ended | | | |
|----------------------------------|------------------------|------|---------------|------|---------------------------|------|---------------|------|
| | June 30, 2017 | | June 24, 2016 | | June 30, 2017 | | June 24, 2016 | |
| | (\$ in millions) | | | | | | | |
| Industrial equipment | \$ 456 | 50% | \$ 395 | 47% | \$ 1,257 | 49% | \$ 992 | 43% |
| Aerospace, defense, oil, and gas | 271 | 30 | 276 | 32 | 791 | 31 | 801 | 35 |
| Energy | 178 | 20 | 178 | 21 | 505 | 20 | 503 | 22 |
| Total | \$ 905 | 100% | \$ 849 | 100% | \$ 2,553 | 100% | \$ 2,296 | 100% |

(1)

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

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

| | Change in Net Sales for the Quarter Ended June 30, 2017 versus Net Sales for the Quarter Ended June 24, 2016 | | | | | Change in Net Sales for the Nine Months Ended June 30, 2017 versus Net Sales for the Nine Months Ended June 24, 2016 | | | | | |
|----------------------------------|---|------------------|--------------|--------------|--------|---|------------------|--------------|--------------|---------|--------|
| | Organic | | Acquisitions | | | Organic | | Acquisitions | | | |
| | Net Sales Growth | Net Sales Growth | Translation | Acquisitions | | Net Sales Growth | Net Sales Growth | Translation | Acquisitions | | |
| | (\$ in millions) | | | | | | | | | | |
| Industrial equipment | \$ 61 | 15.4% | \$ 40 | 10.2% | \$ (7) | \$ 28 | 26.7% | \$ 56 | 5.7% | \$ (17) | \$ 226 |
| Aerospace, defense, oil, and gas | (5) | (1.8) | (2) | (0.6) | (3) | (10) | (1.2) | (1) | (0.1) | (10) | 1 |
| Energy | | | 4 | 1.7 | (4) | 2 | 0.4 | 9 | 1.8 | (7) | |
| Total | \$ 56 | 6.6% | \$ 42 | 4.9% | (14) | \$ 28 | 11.2% | \$ 64 | 2.8% | (34) | \$ 227 |

Net sales in the Industrial Solutions segment increased \$56 million, or 6.6%, in the third quarter of fiscal 2017 from the same period of fiscal 2016 primarily as a result of organic net sales growth of 4.9% and sales contributions from acquisitions of 3.3%. Our organic net sales by primary industry end market were as follows:

Industrial equipment Our organic net sales increased 10.2% in the third quarter of fiscal 2017 due primarily to growth in the factory automation and controls and the medical markets.

Aerospace, defense, oil, and gas Our organic net sales decreased 0.6% in the third quarter of fiscal 2017 due to declines in our sales into the commercial aerospace market and continued weakness in the oil and gas market, partially offset by growth in the defense market.

Energy Our organic net sales increased 1.7% in the third quarter of fiscal 2017 as a result of growth in the Asia Pacific and EMEA regions, partially offset by weakness in the Americas region.

In the first nine months of fiscal 2017, net sales in the Industrial Solutions segment increased \$257 million, or 11.2%, from the first nine months of fiscal 2016 due to sales contributions from acquisitions of 9.9% and organic net sales growth of 2.8%, partially offset by the negative impact of foreign currency translation of 1.5%. Our organic net sales by primary industry end market were as follows:

Industrial equipment Our organic net sales increased 5.7% in the first nine months of fiscal 2017 due primarily to growth in the factory automation and controls and the medical markets.

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Aerospace, defense, oil, and gas Our organic net sales were flat in the first nine months of fiscal 2017 due to continued weakness in the oil and gas market and declines in our sales into the commercial aerospace market, offset by growth in the defense market.

Energy Our organic net sales increased 1.8% in the first nine months of fiscal 2017 due primarily to growth in the Asia Pacific region.

Operating Income. The following table presents the Industrial Solutions segment's operating income and operating margin information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|------------------|---------------------------|------------------|------------------------|------------------------------|------------------|----------|
| | June 30, 2017 | June 24, 2016 | Increase (Decrease) | June 30, 2017 | June 24, 2016 | Increase |
| | (\$ in millions) | | | | | |
| Operating income | \$ 98 | \$ 95 | \$ 3 | \$ 251 | \$ 224 | \$ 27 |
| Operating margin | 10.8% | 11.2% | (0.4)% | 9.8% | 9.8% | % |

Operating income in the Industrial Solutions segment increased \$3 million and \$27 million in the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016. The Industrial Solutions segment's operating income included the following:

| | For the Quarters Ended | | For the Nine Months Ended | |
|--|---------------------------|------------------|------------------------------|------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Acquisition related charges: | | | | |
| Acquisition and integration costs | \$ | \$ 9 | \$ 3 | \$ 13 |
| Charges associated with the amortization of acquisition related fair value adjustments | 3 | 7 | 5 | 9 |
| | 3 | 16 | 8 | 22 |
| Restructuring and other charges, net | 14 | 1 | 54 | 28 |
| Total | \$ 17 | \$ 17 | \$ 62 | \$ 50 |

Excluding these items, operating income increased in the third quarter and first nine months of fiscal 2017 due primarily to higher volume, partially offset by the negative impact of price erosion.

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Communications Solutions

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

| | For the Quarters Ended | | | | For the Nine Months Ended | | | |
|-----------------------|------------------------|------|---------------|------|---------------------------|------|---------------|------|
| | June 30, 2017 | | June 24, 2016 | | June 30, 2017 | | June 24, 2016 | |
| | (\$ in millions) | | | | | | | |
| Data and devices | \$ 245 | 35% | \$ 235 | 38% | \$ 709 | 37% | \$ 758 | 41% |
| Subsea communications | 271 | 39 | 223 | 36 | 706 | 37 | 646 | 35 |
| Appliances | 181 | 26 | 162 | 26 | 494 | 26 | 439 | 24 |
| Total | \$ 697 | 100% | \$ 620 | 100% | \$ 1,909 | 100% | \$ 1,843 | 100% |

(1)

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

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

| | Change in Net Sales for the Nine Months Ended | | | | | | | | | | | |
|-----------------------|---|-------|--------------------------|-------|-------------|------------------|---|--------------------------|------|-------------|-------------|--|
| | Change in Net Sales for the Quarter Ended June 30, 2017 | | | | | | Change in Net Sales for the Nine Months Ended June 30, 2017 | | | | | |
| | versus Net Sales for the Quarter Ended June 24, 2016 | | | | | | versus Net Sales for the Nine Months Ended June 24, 2016 | | | | | |
| | Net Sales Growth | | Organic Net Sales Growth | | Translation | Net Sales Growth | | Organic Net Sales Growth | | Translation | Divestiture | |
| | (\$ in millions) | | | | | | | | | | | |
| Data and devices | \$ 10 | 4.3% | \$ 14 | 5.8% | \$(4) | \$(49) | (6.5)% | \$ 34 | 4.1% | \$(13) | \$(70) | |
| Subsea communications | 48 | 21.5 | 48 | 21.5 | | 60 | 9.3 | 60 | 9.3 | | | |
| Appliances | 19 | 11.7 | 22 | 13.6 | (3) | 55 | 12.5 | 63 | 14.0 | (8) | | |
| Total | \$ 77 | 12.4% | \$ 84 | 13.5% | \$(7) | \$ 66 | 3.6% | \$ 157 | 8.5% | \$(21) | \$(70) | |

In the third quarter of fiscal 2017, net sales in the Communications Solutions segment increased \$77 million, or 12.4%, from the third quarter of fiscal 2016 due primarily to organic net sales growth of 13.5%. Our organic net sales by primary industry end market were as follows:

Data and devices Our organic net sales increased 5.8% in the third quarter of fiscal 2017 due primarily to increased sales to cloud infrastructure customers, partially offset by sales declines resulting from weakness in the wireless market.

Subsea communications Our organic net sales increased 21.5% in the third quarter of fiscal 2017 resulting from increased project activity.

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Appliances Our organic net sales increased 13.6% in the third quarter of fiscal 2017 due to growth in all regions, particularly in the Asia Pacific region as result of increased market demand and share gains.

Net sales in the Communications Solutions segment increased \$66 million, or 3.6%, in the first nine months of fiscal 2017 as compared to the same period of fiscal 2016 due to organic net sales growth of 8.5%, partially offset by sales declines resulting from a divestiture of 3.8% and the negative impact of foreign currency translation of 1.1%. Our organic net sales by primary industry end market were as follows:

Data and devices Our organic net sales increased 4.1% in the first nine months of fiscal 2017 primarily as a result of increased sales to cloud infrastructure customers, partially offset by sales declines resulting from weakness in the wireless market.

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Subsea communications Our organic net sales increased 9.3% in the first nine months of fiscal 2017 due to increased project activity.

Appliances Our organic net sales increased 14.0% in the first nine months of fiscal 2017 due to growth in all regions, particularly in the Asia Pacific region as a result of increased market demand and share gains.

Operating Income. The following table presents the Communications Solutions segment's operating income and operating margin information:

| | For the Quarters Ended | | | For the Nine Months Ended | | |
|------------------|---------------------------|------------------|----------|------------------------------|------------------|------------|
| | June 30, 2017 | June 24, 2016 | Increase | June 30, 2017 | June 24, 2016 | (Decrease) |
| | (\$ in millions) | | | | | |
| Operating income | \$ 110 | \$ 60 | \$ 50 | \$ 273 | \$ 314 | \$ (41) |
| Operating margin | 15.8% | 9.7% | 6.1% | 14.3% | 17.0% | (2.7)% |

Operating income in the Communications Solutions segment increased \$50 million and decreased \$41 million in the third quarter and first nine months of fiscal 2017, respectively, as compared to the same periods of fiscal 2016. The Communications Solutions segment's operating income included the following:

| | For the Quarters Ended | | For the Nine Months Ended | |
|--|---------------------------|------------------|------------------------------|-------------------------|
| | June 30, 2017 | June 24, 2016 | June 30, 2017 | June 24, 2016 |
| | (in millions) | | | |
| Restructuring and other charges (credits), net | \$ 2 | \$ 9 | \$ 11 | \$ (108) ⁽¹⁾ |

(1) Includes pre-tax gain of \$143 million on the sale of our CPD business during the first nine months of fiscal 2016.

Excluding these items, operating income increased in the third quarter and first nine months of fiscal 2017 due primarily to higher volume and improved manufacturing productivity, partially offset by the negative impact of price erosion.

Liquidity and Capital Resources

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of \$708 million of 6.55% senior notes due in October 2017. We may use excess cash to purchase a portion of our common shares pursuant to our authorized share repurchase program; to acquire strategic businesses or product lines; to pay dividends on our common shares; or to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets and respond as necessary to changing conditions.

Cash Flows from Operating Activities

In the first nine months of fiscal 2017, net cash provided by continuing operating activities increased \$187 million to \$1,449 million from \$1,262 million in the first nine months of fiscal 2016. The

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increase resulted primarily from higher income levels, excluding the net benefits associated with the effective settlement of pre-separation tax matters, and a decrease in tax payments, partially offset by the impact of increased sales on accounts receivable levels.

The amount of income taxes paid, net of refunds, during the first nine months of fiscal 2017 and 2016 was \$256 million and \$742 million, respectively. Payments made in the first nine months of fiscal 2016 included \$448 million for tax deficiencies related to pre-separation U.S. tax matters. Also, during the first nine months of fiscal 2016, we received net reimbursements of \$303 million from Tyco International and Covidien pursuant to indemnifications for pre-separation U.S. tax matters.

See Note 9 to the Condensed Consolidated Financial Statements for information regarding the Tax Sharing Agreement associated with pre-separation tax matters and Notes 12 and 13 to the Condensed Consolidated Financial Statements for information regarding the effective settlement of tax matters for the years 1997 through 2000.

Cash Flows from Investing Activities

Capital spending was \$452 million and \$420 million in the first nine months of fiscal 2017 and 2016, respectively. We expect fiscal 2017 capital spending levels to be approximately 5% of net sales. We believe our capital funding levels are adequate to support new programs, and we continue to invest in our manufacturing infrastructure to further enhance productivity and manufacturing capabilities.

During the third quarter of fiscal 2017, we acquired MicroGroup, a manufacturer of specialized metal tubing for medical devices, for a cash purchase price of \$77 million, net of cash acquired. This business will be reported as part of our Industrial Solutions segment.

During the first nine months of fiscal 2016, we acquired three businesses, including the Creganna Medical group, for a combined cash purchase price of \$994 million, net of cash acquired. See additional information in Note 4 to the Condensed Consolidated Financial Statements.

During the first nine months of fiscal 2016, we received net cash proceeds of \$326 million related to the sale of our CPD business. See additional information in Note 2 to the Condensed Consolidated Financial Statements.

Cash Flows from Financing Activities and Capitalization

Total debt at June 30, 2017 and September 30, 2016 was \$3,991 million and \$4,070 million, respectively. See Note 8 to the Condensed Consolidated Financial Statements for additional information regarding debt.

Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, has a five-year unsecured senior revolving credit facility ("Credit Facility") with total commitments of \$1,500 million. The Credit Facility expires in December 2020. TEGSA had no borrowings under the Credit Facility at June 30, 2017 and September 30, 2016.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of June 30, 2017, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

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In addition to the Credit Facility, TEGSA is the borrower under our senior notes and commercial paper. TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd.

Payments of common share dividends to shareholders were \$405 million and \$377 million in the first nine months of fiscal 2017 and 2016, respectively.

In March 2017, our shareholders approved a dividend payment to shareholders of \$1.60 (equivalent to CHF 1.62) per share, payable in four equal quarterly installments beginning in the third quarter of fiscal 2017 through the second quarter of fiscal 2018. We paid the first installment of the dividend at a rate of \$0.40 per share in the third quarter of fiscal 2017.

We repurchased approximately 5 million of our common shares for \$386 million and approximately 41 million of our common shares for \$2,514 million under our share repurchase authorization during the first nine months of fiscal 2017 and 2016, respectively. At June 30, 2017, we had \$716 million of availability remaining under our share repurchase authorization.

Commitments and Contingencies

Legal Proceedings

In the normal 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.

Guarantees

In certain instances, we have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2017 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance, and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

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

At June 30, 2017, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$285 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 materially affect our results of operations, financial position, or cash flows.

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Tax Sharing Agreement

As previously reported, we are a party to a Tax Sharing Agreement that generally governs our, Tyco International's, and Covidien's respective rights, responsibilities, and obligations with respect to taxes for periods prior to and including June 29, 2007. See Note 9 to the Condensed Consolidated Financial Statements for additional information regarding the Tax Sharing Agreement.

Critical Accounting Policies and Estimates

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

Our accounting policies for revenue recognition, goodwill and other intangible assets, income taxes, and pension benefits are based on, among other things, judgments and assumptions made by management. For additional information regarding these policies and the underlying accounting assumptions and estimates used in these policies, refer to the Consolidated Financial Statements and accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. There were no significant changes to this information during the first nine months of fiscal 2017.

Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements for information regarding recently issued and adopted accounting pronouncements.

Non-GAAP Financial Measure

Organic Net Sales Growth

We present organic net sales growth as we believe it is appropriate for investors to consider this adjusted financial measure in addition to results in accordance with GAAP. Organic net sales growth represents net sales growth (the most comparable GAAP financial measure) excluding the impact of foreign currency exchange rates, and acquisitions and divestitures that occurred in the preceding twelve months, if any. Organic net sales growth is a useful measure of our performance because it excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity.

Organic net sales growth provides useful information about our results and the trends of our business. Management uses organic net sales growth to monitor and evaluate performance. Also, management uses organic net sales growth together with GAAP financial measures in its decision making processes related to the operations of our reportable segments and our overall company. It is also a significant component in our incentive compensation plans. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The tables presented in "Results of Operations" and "Segment Results" provide reconciliations of organic net sales growth to net sales growth calculated in accordance with GAAP.

Organic net sales growth is a non-GAAP financial measure and should not be considered a replacement for results in accordance with GAAP. This non-GAAP financial measure may not be comparable to similarly-titled measures reported by other companies. The primary limitation of this measure is that it excludes the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using organic net sales growth in

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combination with net sales growth in order to better understand the amounts, character, and impact of any increase or decrease in reported amounts.

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, divestitures, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "should," or the negative of these terms or similar expressions.

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

The following and other risks, which are described in greater detail in "Part I. Item 1A. Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, could cause our results to differ materially from those expressed in forward-looking statements:

conditions in the global or regional economies and global capital markets, and cyclical industry conditions (including as a result of the impact of the expected exit of the United Kingdom from the European Union);

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

competition and pricing pressure;

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

raw material availability, quality, and cost;

fluctuations in foreign currency exchange rates;

financial condition and consolidation of customers and vendors;

reliance on third-party suppliers;

risks associated with current and future acquisitions and divestitures;

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

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

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

our ability to protect our intellectual property rights;

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risks of litigation;

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

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

various risks associated with being a Swiss corporation;

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our exposures to market risk during the first nine months of fiscal 2017. For further discussion of our exposures to market risk, refer to "Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), as of June 30, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2017, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

There have been no material developments in our legal proceedings since we filed our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017. For additional information regarding legal proceedings, refer to "Part I. Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 and "Part II. Item 1. Legal Proceedings" in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. The risk factors described in our Annual Report on Form 10-K, in addition to other information in this report, could materially affect our business operations, financial condition, or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also impair our business operations, financial condition, and liquidity.

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

None.

Issuer Purchases of Equity Securities

The following table presents information about our purchases of our common shares during the quarter ended June 30, 2017:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid Per Share ⁽¹⁾ | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾ | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾ |
|--------------------------|---|---|---|---|
| April 1 - April 28, 2017 | 537,400 | \$ 73.71 | 534,600 | \$ 857,734,332 |
| April 29 - June 2, 2017 | 889,974 | 76.15 | 885,802 | 790,279,378 |
| June 3 - June 30, 2017 | 946,058 | 79.02 | 945,500 | 715,568,219 |
| Total | 2,373,432 | \$ 76.74 | 2,365,902 | |

(1) These columns include the following transactions which occurred during the quarter ended June 30, 2017:

- (i) the acquisition of 7,530 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans; and
- (ii) open market purchases totaling 2,365,902 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007.

(2)

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

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ITEM 6. EXHIBITS

| Exhibit Number | Exhibit |
|---------------------------|---|
| 3.1 | <u>Articles of Association of TE Connectivity Ltd., as amended and restated (incorporated by reference to Exhibit 3.1 to TE Connectivity's Current Report on Form 8-K, filed May 16, 2017)</u> |
| 31.1 | * <u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 31.2 | * <u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32.1 | ** <u>Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 101 | * Financial statements from the Quarterly Report on Form 10-Q of TE Connectivity Ltd. for the quarterly period ended June 30, 2017, filed on July 26, 2017, formatted in XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements |

*
Filed herewith

**
Furnished herewith

