
**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 December 29, 2023
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.)
Mühlenstrasse 26 , CH-8200 Schaffhausen , Switzerland (Address of principal executive offices)	+41 (0)52 633 66 61 (Registrant's telephone number)

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

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

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 every Interactive Data File required to be submitted 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 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 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.

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 January 19, 2024 was 308,798,987 .

**TE CONNECTIVITY LTD.
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****TE CONNECTIVITY LTD.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(UNAUDITED)

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
Net sales	\$ 3,831	\$ 3,841
Cost of sales	2,507	2,654
Gross margin	1,324	1,187
Selling, general, and administrative expenses	424	392
Research, development, and engineering expenses	173	173
Acquisition and integration costs	8	9
Restructuring and other charges, net	21	111
Operating income	698	502
Interest income	22	9
Interest expense	(18)	(21)
Other expense, net	(3)	(5)
Income from continuing operations before income taxes	699	485
Income tax (expense) benefit	1,105	(87)
Income from continuing operations	1,804	398
Loss from discontinued operations, net of income taxes	(1)	(1)
Net income	<u>\$ 1,803</u>	<u>\$ 397</u>
Basic earnings per share:		
Income from continuing operations	\$ 5.80	\$ 1.26
Loss from discontinued operations	—	—
Net income	5.80	1.25
Diluted earnings per share:		
Income from continuing operations	\$ 5.76	\$ 1.25
Loss from discontinued operations	—	—
Net income	5.76	1.24
Weighted-average number of shares outstanding:		
Basic	311	317
Diluted	313	319

See Notes to Condensed Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	(in millions)
Net income	\$ 1,803	\$ 397
Other comprehensive income:		
Currency translation	163	305
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	(18)	2
Gains on cash flow hedges, net of income taxes	28	69
Other comprehensive income	173	376
Comprehensive income	1,976	773
Less: comprehensive income attributable to noncontrolling interests	(4)	(9)
Comprehensive income attributable to TE Connectivity Ltd.	\$ 1,972	\$ 764

See Notes to Condensed Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 29, 2023	September 29, 2023
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,170	\$ 1,661
Accounts receivable, net of allowance for doubtful accounts of \$ 37 and \$ 30 , respectively	2,828	2,967
Inventories	2,783	2,552
Prepaid expenses and other current assets	660	712
Total current assets	7,441	7,892
Property, plant, and equipment, net	3,854	3,754
Goodwill	5,836	5,463
Intangible assets, net	1,278	1,175
Deferred income taxes	3,852	2,600
Other assets	810	828
Total assets	\$ 23,071	\$ 21,712
Liabilities, redeemable noncontrolling interests, and equity		
Current liabilities:		
Short-term debt	\$ 613	\$ 682
Accounts payable	1,690	1,563
Accrued and other current liabilities	1,708	2,218
Total current liabilities	4,011	4,463
Long-term debt	3,585	3,529
Long-term pension and postretirement liabilities	744	728
Deferred income taxes	188	185
Income taxes	380	365
Other liabilities	914	787
Total liabilities	9,822	10,057
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests	108	104
Equity:		
TE Connectivity Ltd. shareholders' equity:		
Common shares, CHF 0.57 par value, 322,470,281 shares authorized and issued	142	142
Accumulated earnings	14,678	12,947
Treasury shares, at cost, 13,050,787 and 10,487,742 shares, respectively	(1,695)	(1,380)
Accumulated other comprehensive income (loss)	11	(158)
Total TE Connectivity Ltd. shareholders' equity	13,136	11,551
Noncontrolling interests	5	—
Total equity	13,141	11,551
Total liabilities, redeemable noncontrolling interests, and equity	\$ 23,071	\$ 21,712

See Notes to Condensed Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	For the Quarter Ended December 29, 2023									
	Common Shares	Shares	Treasury Shares	Shares	Contributed Surplus	Accumulated Earnings (in millions)	Accumulated Other Comprehensive Income (Loss)	TE Connectivity Ltd. Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at September 29, 2023	322	\$ 142	(10)	\$(1,380)	\$ —	\$ 12,947	\$ (158)	\$ 11,551	\$ —	\$ 11,551
Acquisition	—	—	—	—	—	—	—	—	5	5
Net income	—	—	—	—	—	1,803	—	1,803	—	1,803
Other comprehensive income	—	—	—	—	—	—	169	169	—	169
Share-based compensation expense	—	—	—	—	34	—	—	34	—	34
Exercise of share options	—	—	—	11	—	—	—	11	—	11
Restricted share award vestings and other activity	—	—	—	94	(34)	(72)	—	(12)	—	(12)
Repurchase of common shares	—	—	(3)	(420)	—	—	—	(420)	—	(420)
Balance at December 29, 2023	322	\$ 142	(13)	\$(1,695)	\$ —	\$ 14,678	\$ 11	\$ 13,136	\$ 5	\$ 13,141

	For the Quarter Ended December 30, 2022									
	Common Shares	Shares	Treasury Shares	Shares	Contributed Surplus	Accumulated Earnings (in millions)	Accumulated Other Comprehensive Loss	TE Connectivity Ltd. Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at September 30, 2022	331	\$ 146	(13)	\$(1,681)	\$ —	\$ 12,832	\$ (495)	\$ 10,802	\$ —	\$ 10,802
Net income	—	—	—	—	—	397	—	397	—	397
Other comprehensive income	—	—	—	—	—	—	367	367	—	367
Share-based compensation expense	—	—	—	—	32	—	—	32	—	32
Exercise of share options	—	—	—	11	—	—	—	11	—	11
Restricted share award vestings and other activity	—	—	1	49	(32)	(29)	—	(12)	—	(12)
Repurchase of common shares	—	—	(2)	(233)	—	—	—	(233)	—	(233)
Balance at December 30, 2022	331	\$ 146	(14)	\$(1,854)	\$ —	\$ 13,200	\$ (128)	\$ 11,364	\$ —	\$ 11,364

See Notes to Condensed Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Cash flows from operating activities:		
Net income	\$ 1,803	\$ 397
Loss from discontinued operations, net of income taxes	1	1
Income from continuing operations	1,804	398
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	194	187
Deferred income taxes	(1,217)	(35)
Non-cash lease cost	34	34
Provision for losses on accounts receivable and inventories	42	51
Share-based compensation expense	34	32
Other	40	49
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable, net	127	(54)
Inventories	(282)	(324)
Prepaid expenses and other current assets	(48)	(86)
Accounts payable	128	149
Accrued and other current liabilities	(239)	(39)
Income taxes	12	25
Other	90	194
Net cash provided by operating activities	<u>719</u>	<u>581</u>
Cash flows from investing activities:		
Capital expenditures	(151)	(183)
Proceeds from sale of property, plant, and equipment	2	1
Acquisition of businesses, net of cash acquired	(349)	(109)
Proceeds from divestiture of business, net of cash retained by business sold	38	—
Other	(8)	26
Net cash used in investing activities	<u>(468)</u>	<u>(265)</u>
Cash flows from financing activities:		
Net decrease in commercial paper	(69)	(139)
Repayment of debt	(1)	(4)
Proceeds from exercise of share options	11	11
Repurchase of common shares	(476)	(287)
Payment of common share dividends to shareholders	(183)	(178)
Other	(27)	(24)
Net cash used in financing activities	<u>(745)</u>	<u>(621)</u>
Effect of currency translation on cash	3	10
Net decrease in cash, cash equivalents, and restricted cash	(491)	(295)
Cash, cash equivalents, and restricted cash at beginning of period	1,661	1,088
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,170</u>	<u>\$ 793</u>

See Notes to Condensed Consolidated Financial Statements.

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

1. Basis of Presentation and Accounting Policies

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. 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 29, 2023.

Unless otherwise indicated, references in the Condensed Consolidated Financial Statements to fiscal 2024 and fiscal 2023 are to our fiscal years ending September 27, 2024 and ended September 29, 2023, respectively.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures*, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for our fiscal 2025 Annual Report and subsequent interim periods; however, early adoption is permitted. The amendments should be applied retrospectively to all periods presented in the financial statements. We are currently assessing the impact that adoption will have on our Condensed Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740)—Improvement to Income Tax Disclosures*, to enhance the transparency and decision usefulness of income tax disclosures through improvements to disclosures related primarily to the rate reconciliation and income taxes paid information. The amendments are effective for us in fiscal 2026; however, early adoption is permitted. We are currently assessing the impact that adoption will have on our Condensed Consolidated Financial Statements.

Recently Adopted Accounting Pronouncement

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50)—Disclosure of Supplier Finance Program Obligations*, to enhance transparency and introduce new disclosures related to an entity's use of supplier finance programs in connection with the purchase of goods and services. The ASU requires us, as a buyer in a supplier finance program, to disclose the key terms of the program, the amount of obligations outstanding, the balance sheet presentation of such amounts, and a rollforward of the obligation activity during the annual period. We adopted this update in the first quarter of fiscal 2024. Adoption did not have a material impact on our Condensed Consolidated Financial Statements. See Note 9 for additional information regarding our supply chain finance program.

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

2. Restructuring and Other Charges, Net

Net restructuring and other charges consisted of the following:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Restructuring charges, net	\$ 9	\$ 104
Loss on divestiture and impairment of held for sale business	11	6
Other charges, net	1	1
Restructuring and other charges, net	<u><u>\$ 21</u></u>	<u><u>\$ 111</u></u>

Restructuring Charges, Net

Net restructuring and charges by segment were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Transportation Solutions	\$ 2	\$ 74
Industrial Solutions	6	6
Communications Solutions	1	24
Restructuring charges, net	<u><u>\$ 9</u></u>	<u><u>\$ 104</u></u>

Activity in our restructuring reserves was as follows:

	Balance at September 29, 2023	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation	Balance at December 29, 2023
	(in millions)						
Fiscal 2024 Actions:							
Employee severance	\$ —	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ 5
Fiscal 2023 Actions:							
Employee severance	187	—	(8)	(20)	—	8	167
Facility and other exit costs	2	1	—	(3)	—	—	—
Property, plant, and equipment	—	4	—	—	(4)	—	—
Total	<u><u>189</u></u>	<u><u>5</u></u>	<u><u>(8)</u></u>	<u><u>(23)</u></u>	<u><u>(4)</u></u>	<u><u>8</u></u>	<u><u>167</u></u>
Pre-Fiscal 2023 Actions:							
Employee severance	127	—	5	(23)	—	4	113
Facility and other exit costs	4	2	—	(2)	—	—	4
Total	<u><u>131</u></u>	<u><u>2</u></u>	<u><u>5</u></u>	<u><u>(25)</u></u>	<u><u>(4)</u></u>	<u><u>4</u></u>	<u><u>117</u></u>
Total Activity	<u><u>\$ 320</u></u>	<u><u>\$ 12</u></u>	<u><u>\$ (3)</u></u>	<u><u>\$ (48)</u></u>	<u><u>\$ (4)</u></u>	<u><u>\$ 12</u></u>	<u><u>\$ 289</u></u>

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

Fiscal 2024 Actions

During fiscal 2024, we initiated a restructuring program to optimize our manufacturing footprint and improve the cost structure of the organization, primarily in the Industrial Solutions and Transportation Solutions segments. During the quarter ended December 29, 2023, we recorded restructuring charges of \$ 5 million in connection with this program. We expect to complete all restructuring actions commenced during the quarter ended December 29, 2023 by the end of fiscal 2025, and we expect additional charges related to actions commenced during the quarter ended December 29, 2023 will be insignificant.

Fiscal 2023 Actions

During fiscal 2023, we initiated a restructuring program associated with cost structure improvements across all segments. In connection with this program, during the quarters ended December 29, 2023 and December 30, 2022, we recorded net restructuring credits of \$ 3 million and charges of \$ 105 million, respectively. We expect to complete all restructuring actions commenced during fiscal 2023 by the end of fiscal 2025, and to incur additional charges of approximately \$ 24 million related primarily to employee severance and facility exit costs.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2023 program by segment as of December 29, 2023:

	Total Expected Charges	Cumulative Charges Incurred (in millions)	Remaining Expected Charges
Transportation Solutions	\$ 153	\$ 138	\$ 15
Industrial Solutions	80	73	7
Communications Solutions	35	33	2
Total	\$ 268	\$ 244	\$ 24

Pre-Fiscal 2023 Actions

During the quarters ended December 29, 2023 and December 30, 2022, we recorded net restructuring charges of \$ 7 million and credits of \$ 1 million, respectively, related to pre-fiscal 2023 actions. We expect that any additional charges related to restructuring actions commenced prior to fiscal 2023 will be insignificant.

Total Restructuring Reserves

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

	December 29, 2023		September 29, 2023	
	(in millions)			
Accrued and other current liabilities	\$ 204		\$ 240	
Other liabilities	85		80	
Restructuring reserves	\$ 289		\$ 320	

Divestiture

During the quarter ended December 29, 2023, we sold one business for net cash proceeds of \$ 38 million. In connection with the divestiture, we recorded a pre-tax loss on sale of \$ 11 million. The business sold was reported in our Transportation Solutions segment.

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

3. Acquisitions

During the quarter ended December 29, 2023, we acquired approximately 98.7 % of the outstanding shares of Schaffner Holding AG ("Schaffner"), a leader in electromagnetic solutions based in Switzerland, for CHF 505.00 per share in cash for a purchase price of CHF 302 million (equivalent to \$ 349 million), net of cash acquired. As a result of the transaction, we recognized a noncontrolling interest with a fair value of \$ 5 million as of the acquisition date. Due to the timing of the transaction, which was reported as part of our Industrial Solutions segment, we preliminarily allocated the purchase price to goodwill and identifiable intangible assets. Our valuation of identifiable intangible assets, assets acquired, and liabilities assumed is currently in process; therefore, the current allocation is subject to adjustment upon finalization of the valuations. The amount of these potential adjustments could be significant. We intend to initiate a squeeze-out procedure and delist the remaining Schaffner shares from SIX Swiss Exchange during fiscal 2024.

We acquired one business for a cash purchase price of \$ 109 million, net of cash acquired, during the quarter ended December 30, 2022. The acquisition was reported as part of our Industrial Solutions segment from the date of acquisition.

4. Inventories

Inventories consisted of the following:

	December 29, 2023	September 29, 2023
	(in millions)	
Raw materials	\$ 394	\$ 367
Work in progress	1,284	1,185
Finished goods	1,105	1,000
Inventories	<u>\$ 2,783</u>	<u>\$ 2,552</u>

5. Goodwill

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

	Transportation Solutions	Industrial Solutions	Communications Solutions	Total
	(in millions)			
September 29, 2023 ⁽¹⁾	\$ 1,478	\$ 3,263	\$ 722	\$ 5,463
Acquisition	—	257	—	257
Currency translation and other	29	71	16	116
December 29, 2023 ⁽¹⁾	<u>\$ 1,507</u>	<u>\$ 3,591</u>	<u>\$ 738</u>	<u>\$ 5,836</u>

(1) At December 29, 2023 and September 29, 2023, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$ 3,091 million, \$ 669 million, and \$ 489 million, respectively.

During the quarter ended December 29, 2023, we recognized goodwill in the Industrial Solutions segment in connection with an acquisition. See Note 3 for additional information regarding acquisitions.

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

6. Intangible Assets, Net

Intangible assets consisted of the following:

	December 29, 2023			September 29, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Customer relationships	\$ 1,876	\$ (856)	\$ 1,020	\$ 1,720	\$ (806)	\$ 914
Intellectual property	1,129	(884)	245	1,186	(938)	248
Other	19	(6)	13	19	(6)	13
Total	\$ 3,024	\$ (1,746)	\$ 1,278	\$ 2,925	\$ (1,750)	\$ 1,175

Intangible asset amortization expense was \$ 42 million and \$ 46 million for the quarters ended December 29, 2023 and December 30, 2022, respectively.

At December 29, 2023, the aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Remainder of fiscal 2024	\$ 128
Fiscal 2025	161
Fiscal 2026	154
Fiscal 2027	135
Fiscal 2028	102
Fiscal 2029	95
Thereafter	503
Total	\$ 1,278

7. Debt

As of December 29, 2023, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, had \$ 261 million of commercial paper outstanding at a weighted-average interest rate of 5.50 %. TEGSA had \$ 330 million of commercial paper outstanding at a weighted-average interest rate of 5.50 % at September 29, 2023.

The fair value of our debt, based on indicative valuations, was approximately \$ 4,103 million and \$ 3,974 million at December 29, 2023 and September 29, 2023, respectively.

8. Leases

The components of lease cost were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Operating lease cost	\$ 34	\$ 34
Variable lease cost	12	12
Total lease cost	\$ 46	\$ 46

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

Cash flow information, including significant non-cash transactions, related to leases was as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Payments for operating leases ⁽¹⁾	\$ 34	\$ 32
Right-of-use assets, including modifications of existing leases, obtained in exchange for operating lease liabilities	70	35

(1) These payments are included in cash flows from operating activities, primarily in changes in accrued and other current liabilities.

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.

Trade Compliance Matters

We have been investigating our past compliance with relevant U.S. trade controls and have made voluntary disclosures of apparent trade controls violations to the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and the U.S. State Department's Directorate of Defense Trade Controls ("DDTC"). We are cooperating with the BIS and DDTC on these matters, and the resulting investigations are ongoing. We have also been contacted by the U.S. Department of Justice concerning aspects of these matters. We are unable to predict the timing and final outcome of the agencies' investigations. An unfavorable outcome may include fines or penalties imposed in response to our disclosures, but we are not yet able to reasonably estimate the extent of any such fines or penalties. Although we have reserved for potential fines and penalties relating to these matters based on our current understanding of the facts, the investigations into these matters have yet to be completed and the final outcome of such investigations and related fines and penalties may differ from amounts currently reserved.

Environmental Matters

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of December 29, 2023, we concluded that we would incur investigation and remediation costs at these sites in the reasonably possible range of \$ 17 million to \$ 44 million, and we accrued \$ 20 million as the probable loss, which was the best estimate within this range. 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.

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

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 December 29, 2023, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$ 196 million, including letters of credit of \$ 22 million associated with our divestiture of the Subsea Communications business. In addition, as of December 29, 2023, we had \$ 26 million of performance guarantees associated with the divestiture. We contractually agreed to continue to honor letters of credit and performance guarantees related to the business' projects that existed as of the date of sale; however, based on historical experience, we do not anticipate having to perform on these guarantees.

Supply Chain Finance Program

We have an agreement with a financial institution that allows participating suppliers the ability to finance payment obligations. The financial institution has separate arrangements with the suppliers and provides them with the option to request early payment for invoices. We do not determine the terms or conditions of the arrangement between the financial institution and suppliers. Our obligation to suppliers, including amounts due and scheduled payment dates, are not impacted by the suppliers' decisions to finance amounts under the arrangement and we are not required to post collateral with the financial institution. The outstanding payment obligations under our supply chain finance program, which are included in accounts payable on our Condensed Consolidated Balance Sheets, were \$ 122 million and \$ 109 million at December 29, 2023 and September 29, 2023, respectively.

10. Financial Instruments

Foreign Currency Exchange Rate Risk

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

Hedge of Net Investment

We hedge our net investment in certain foreign operations using intercompany loans and external borrowings denominated in the same currencies. The aggregate notional value of these hedges was \$ 2,792 million and \$ 1,709 million at December 29, 2023 and September 29, 2023, respectively.

We also use a cross-currency swap program to hedge our net investment in certain foreign operations. The aggregate notional value of the contracts under this program was \$ 3,599 million and \$ 3,806 million at December 29, 2023 and September 29, 2023, respectively. Under the terms of these contracts, we receive interest in U.S. dollars at a weighted-average rate of 1.6 % per annum and pay no interest. Upon the maturity of these contracts at various dates through fiscal 2028, we will pay the notional value of the contracts in the designated foreign currency and receive U.S. dollars from our counterparties. We are not required to provide collateral for these contracts.

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

These cross-currency swap contracts were recorded on the Condensed Consolidated Balance Sheets as follows:

	December 29, 2023	September 29, 2023
	(in millions)	
Prepaid expenses and other current assets	\$ 60	\$ 109
Other assets	35	79
Accrued and other current liabilities	9	4
Other liabilities	59	10

The impacts of our hedge of net investment programs were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Foreign currency exchange losses on intercompany loans and external borrowings ⁽¹⁾	\$ (107)	\$ (165)
Losses on cross-currency swap contracts designated as hedges of net investment ⁽¹⁾	(125)	(137)

(1) Recorded as currency translation, a component of accumulated other comprehensive income (loss), and offset by changes attributable to the translation of the net investment.

Commodity Hedges

As part of managing the exposure to certain commodity price fluctuations, we utilize commodity swap contracts. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in prices of commodities used in production. These contracts had an aggregate notional value of \$ 431 million and \$ 459 million at December 29, 2023 and September 29, 2023, respectively, and were designated as cash flow hedges. These commodity swap contracts were recorded on the Condensed Consolidated Balance Sheets as follows:

	December 29, 2023	September 29, 2023
	(in millions)	
Prepaid expenses and other current assets	\$ 11	\$ 3
Accrued and other current liabilities	6	21
Other liabilities	1	5

The impacts of our commodity swap contracts were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Gains recorded in other comprehensive income (loss)	\$ 26	\$ 47
Losses reclassified from accumulated other comprehensive income (loss) into cost of sales	(4)	(29)

We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with commodity hedges will be reclassified into the Condensed Consolidated Statement of Operations within the next twelve months.

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

11. Retirement Plans

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

	Non-U.S. Plans		U.S. Plans	
	For the Quarters Ended		For the Quarters Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
(in millions)				
Operating expense:				
Service cost	\$ 7	\$ 7	\$ 2	\$ 2
Other (income) expense:				
Interest cost	15	14	10	9
Expected returns on plan assets	(12)	(11)	(10)	(9)
Amortization of net actuarial loss	1	1	1	1
Amortization of prior service credit	(1)	(1)	—	—
Net periodic pension benefit cost	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 3</u>

During the quarter ended December 29, 2023, we contributed \$ 12 million to our non-U.S. pension plans.

12. Income Taxes

We recorded an income tax benefit of \$ 1,105 million and expense of \$ 87 million for the quarters ended December 29, 2023 and December 30, 2022, respectively. The income tax benefit for the quarter ended December 29, 2023 included an \$ 874 million net income tax benefit associated with a ten-year tax credit obtained by a Swiss subsidiary and a \$ 262 million income tax benefit related to the revaluation of deferred tax assets as a result of a corporate tax rate increase in Switzerland. In addition, the income tax benefit for the quarter ended December 29, 2023 included a \$ 118 million income tax benefit associated with the tax impacts of a legal entity restructuring with related costs of \$ 4 million recorded in selling, general, and administrative expenses for other non-income taxes.

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that, as of December 29, 2023, approximately \$ 30 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 December 29, 2023.

13. 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	
	December 29, 2023	December 30, 2022
	(in millions)	
Basic		
Dilutive impact of share-based compensation arrangements	311	317
Diluted	<u>313</u>	<u>319</u>

TE CONNECTIVITY LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(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	
	December 29, 2023	December 30, 2022
	(in millions)	
Antidilutive share options	2	2

14. Equity

Dividends

We paid cash dividends to shareholders as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Dividends paid per common share	\$ 0.59	\$ 0.56

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to equity. At December 29, 2023 and September 29, 2023, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled \$ 183 million and \$ 368 million, respectively.

Share Repurchase Program

During the quarter ended December 29, 2023, our board of directors authorized an increase of \$ 1.5 billion in our share repurchase program. Common shares repurchased under the share repurchase program were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Number of common shares repurchased	3	2
Repurchase value	\$ 420	\$ 233

At December 29, 2023, we had \$ 1.8 billion of availability remaining under our share repurchase authorization.

15. 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	
	December 29, 2023	December 30, 2022
	(in millions)	
Share-based compensation expense	\$ 34	\$ 32

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

As of December 29, 2023, there was \$ 211 million of unrecognized compensation expense related to share-based awards, which is expected to be recognized over a weighted-average period of 1.9 years.

During the quarter ended December 29, 2023, we granted the following share-based awards as part of our annual incentive plan grant:

	Shares (in millions)	Grant-Date Fair Value
Share options	0.9	\$ 39.77
Restricted share awards	0.4	131.77
Performance share awards	0.2	131.77

As of December 29, 2023, we had six million shares available for issuance under the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of December 12, 2023.

Share-Based Compensation Assumptions

The 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	31 %
Risk-free interest rate	4.6 %
Expected annual dividend per share	\$ 2.36
Expected life of options (in years)	5.3

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

16. Segment and Geographic Data

Net sales by segment⁽¹⁾ and industry end market⁽²⁾ were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Transportation Solutions:		
Automotive	\$ 1,776	\$ 1,649
Commercial transportation	356	348
Sensors	241	262
Total Transportation Solutions	<u>2,373</u>	<u>2,259</u>
Industrial Solutions:		
Industrial equipment	330	434
Aerospace, defense, and marine	290	264
Energy	205	189
Medical	200	173
Total Industrial Solutions	<u>1,025</u>	<u>1,060</u>
Communications Solutions:		
Data and devices	279	329
Appliances	154	193
Total Communications Solutions	<u>433</u>	<u>522</u>
Total	<u><u>\$ 3,831</u></u>	<u><u>\$ 3,841</u></u>

(1) Intersegment sales were not material.

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

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

Net sales by geographic region⁽¹⁾ and segment were as follows:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Europe/Middle East/Africa ("EMEA"):		
Transportation Solutions	\$ 867	\$ 812
Industrial Solutions	477	444
Communications Solutions	67	70
Total EMEA	<u>1,411</u>	<u>1,326</u>
Asia-Pacific:		
Transportation Solutions	1,012	924
Industrial Solutions	147	189
Communications Solutions	220	294
Total Asia-Pacific	<u>1,379</u>	<u>1,407</u>
Americas:		
Transportation Solutions	494	523
Industrial Solutions	401	427
Communications Solutions	146	158
Total Americas	<u>1,041</u>	<u>1,108</u>
Total	<u><u>\$ 3,831</u></u>	<u><u>\$ 3,841</u></u>

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

Operating income by segment was as follows:

	December 29, 2023 December 30, 2022	
	(in millions)	(in millions)
	2023	2022
Transportation Solutions	\$ 478	\$ 282
Industrial Solutions	141	156
Communications Solutions	79	64
Total	<u>\$ 698</u>	<u>\$ 502</u>

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 (decline) 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 industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions enable the distribution of power, signal, and data to advance next-generation transportation, renewable energy, automated factories, data centers, medical technology, and more.

Summary of Performance

- Our net sales were essentially flat in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023 with declines in the Communications Solutions and Industrial Solutions segments offset by sales growth in the Transportation Solutions segment. On an organic basis, our net sales decreased 0.7% during the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023.
- Our net sales by segment were as follows:
 - *Transportation Solutions*—Our net sales increased 5.0% in the first quarter of fiscal 2024 due primarily to sales increases in the automotive end market.
 - *Industrial Solutions*—Our net sales decreased 3.3% in the first quarter of fiscal 2024 as a result of sales declines in the industrial equipment end market, partially offset by sales increases in the medical; the aerospace, defense, and marine; and the energy end markets.
 - *Communications Solutions*—Our net sales decreased 17.0% in the first quarter of fiscal 2024 due to sales declines in both the data and devices and the appliances end markets.
- Net cash provided by operating activities was \$719 million in the first quarter of fiscal 2024.

Economic Conditions

Our business and operating results have been and will continue to be affected by worldwide economic conditions. The global economy has been impacted in recent years by supply chain disruptions and inflationary cost pressures as well as military conflict in certain parts of the world and the COVID-19 pandemic. We are monitoring the current environment and its potential effects on our customers and the end markets we serve.

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In recent years, we have experienced inflationary cost pressures including increased costs for transportation, energy, and raw materials. However, we have been able to mitigate increased costs and supply chain disruptions through productivity or price increases which were initiated in prior years. Also, we have taken and continue to focus on actions to manage costs, including restructuring and other cost reduction initiatives such as reducing discretionary spending and travel. Additionally, we are managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund our future capital needs. See further discussion in "Liquidity and Capital Resources."

We continue to monitor military conflict in certain parts of the world as well as escalating tensions in surrounding countries and associated sanctions. These did not have a significant impact on our business, financial condition, or results of operations during fiscal 2023 or the first quarter of fiscal 2024.

The COVID-19 pandemic had a global impact and resulted in business slowdowns or shutdowns, including systemic disruptions of global supply chains. The pandemic impacted certain aspects of our business, including certain of our operations in China in early fiscal 2023; however, we do not expect the pandemic to have a significant impact on our businesses globally in fiscal 2024.

Outlook

In the second quarter of fiscal 2024, we expect our net sales to be approximately \$3.95 billion as compared to \$4.16 billion in the second quarter of fiscal 2023, with sales declines in all segments. As compared to the first quarter of fiscal 2024, we expect net sales in the second quarter of fiscal 2024 to increase with sales growth in the Industrial Solutions segment partially offset by a slight decline in the Transportation Solutions segment. We expect diluted earnings per share from continuing operations to be approximately \$1.75 per share in the second quarter of fiscal 2024. This outlook reflects the negative impact of foreign currency exchange rates on net sales and earnings per share of approximately \$13 million and \$0.05 per share, respectively, in the second quarter of fiscal 2024 as compared to the same period of fiscal 2023. Also, this outlook is based on foreign currency exchange rates and commodity prices that are consistent with current levels.

Acquisition

During the first quarter of fiscal 2024, we acquired approximately 98.7% of the outstanding shares of Schaffner Holding AG ("Schaffner"), a leader in electromagnetic solutions based in Switzerland, for CHF 505.00 per share in cash for a purchase price of CHF 302 million (equivalent to \$349 million), net of cash acquired. The Schaffner business has been reported as part of our Industrial Solutions segment from the date of acquisition. See Note 3 to the Condensed Consolidated Financial Statements for additional information regarding acquisitions.

Divestiture

During the first quarter of fiscal 2024, we sold one business for net cash proceeds of \$38 million. In connection with the divestiture, we recorded a pre-tax loss on sale of \$11 million. The business sold was reported in our Transportation Solutions segment. See Note 2 to the Condensed Consolidated Financial Statements for additional information regarding divestitures.

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			
	December 29, 2023		December 30, 2022	
	(\$ in millions)			
Transportation Solutions	\$ 2,373	62 %	\$ 2,259	58 %
Industrial Solutions	1,025	27	1,060	28
Communications Solutions	433	11	522	14
Total	<u>\$ 3,831</u>	<u>100 %</u>	<u>\$ 3,841</u>	<u>100 %</u>

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

	Change in Net Sales for the Quarter Ended December 29, 2023 versus Net Sales for the Quarter Ended December 30, 2022							
	Net Sales Growth (Decline)		Organic Net Sales Growth (Decline)		Translation		Acquisition (Divestitures)	
			(\$ in millions)					
Transportation Solutions	\$ 114	5.0 %	\$ 113	5.0 %	\$ 26	\$ (25)		
Industrial Solutions	(35)	(3.3)	(52)	(4.9)	18	\$ (1)		
Communications Solutions	(89)	(17.0)	(89)	(17.0)	—	—		
Total	<u>\$ (10)</u>	<u>(0.3)%</u>	<u>\$ (28)</u>	<u>(0.7)%</u>	<u>\$ 44</u>	<u>\$ (26)</u>		

Net sales slightly decreased by \$10 million, or 0.3%, in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023. The decrease in net sales resulted from organic net sales declines of 0.7% and the net negative impact of 0.7% from an acquisition and divestitures, largely offset by the positive impact of foreign currency translation of 1.1% due to the strengthening of certain foreign currencies. Pricing actions initiated during fiscal 2023 positively affected organic net sales by \$68 million in the first quarter of fiscal 2024.

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

Net Sales by Geographic Region. Our business operates in three geographic regions—Europe/Middle East/Africa ("EMEA"), Asia-Pacific, and the Americas—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 60% of our net sales were invoiced in currencies other than the U.S. dollar in the first quarter of fiscal 2024.

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

	For the Quarters Ended			
	December 29, 2023		December 30, 2022	
	(\$ in millions)			
EMEA	\$ 1,411	37 %	\$ 1,326	34 %
Asia-Pacific	1,379	36	1,407	37
Americas	1,041	27	1,108	29
Total	<u>\$ 3,831</u>	<u>100 %</u>	<u>\$ 3,841</u>	<u>100 %</u>

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

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

Change in Net Sales for the Quarter Ended December 29, 2023 versus Net Sales for the Quarter Ended December 30, 2022								
	Net Sales Growth (Decline)	Organic Net Sales Growth (Decline) (\$ in millions)	Translation	Acquisition (Divestitures)				
EMEA	\$ 85	6.4 %	\$ 33	2.5 %	\$ 60	\$ (8)		
Asia-Pacific	(28)	(2.0)	(6)	(0.4)	(18)	(4)		
Americas	(67)	(6.0)	(55)	(5.0)	2	(14)		
Total	<u>\$ (10)</u>	(0.3)%	<u>\$ (28)</u>	(0.7)%	<u>\$ 44</u>	<u>\$ (26)</u>		

Cost of Sales and Gross Margin

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

	For the Quarters Ended			Change
	December 29, 2023		December 30, 2022	
	(\$ in millions)			
Cost of sales	\$ 2,507	\$ 2,654	\$ (147)	
As a percentage of net sales	65.4 %	69.1 %		
Gross margin	\$ 1,324	\$ 1,187	\$ 137	
As a percentage of net sales	34.6 %	30.9 %		

Gross margin increased \$137 million in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023 primarily as a result of improved manufacturing productivity and the positive impact of prior year pricing actions, partially offset by lower volume.

We use a wide variety of raw materials in the manufacture of our products, and cost of sales and gross margin are subject to variability in raw material prices. In recent years, raw material prices and availability have been affected by worldwide economic conditions, including supply chain disruptions and inflationary cost pressures. The following table presents the average prices incurred related to copper, gold, silver, and palladium:

	Measure	For the Quarters Ended		Change
		December 29, 2023	December 30, 2022	
		Lb.	\$	
Copper		3.87	4.18	
Gold	Troy oz.	1,943	1,821	
Silver	Troy oz.	23.15	24.26	
Palladium	Troy oz.	1,500	2,083	

We expect to purchase approximately 185 million pounds of copper, 110,000 troy ounces of gold, 2.0 million troy ounces of silver, and 10,000 troy ounces of palladium in fiscal 2024.

Operating Expenses

The following table presents operating expense information:

	For the Quarters Ended			Change	
			(\$ in millions)		
	December 29, 2023	December 30, 2022			
Selling, general, and administrative expenses	\$ 424	\$ 392	\$ 32		
As a percentage of net sales	11.1 %	10.2 %			
Restructuring and other charges, net	\$ 21	\$ 111	\$ (90)		

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased \$32 million in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023 due primarily to the impact of inflation, partially offset by savings attributable to prior restructuring actions.

Restructuring and Other Charges, Net. We are committed to continuous productivity improvements, and we 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 2024, we initiated a restructuring program to optimize our manufacturing footprint and improve the cost structure of the organization, primarily in the Industrial Solutions and Transportation Solutions segments. We incurred net restructuring charges of \$9 million during the first quarter of fiscal 2024. Annualized cost savings related to the fiscal 2024 actions commenced during the first quarter of fiscal 2024 are expected to be approximately \$3 million and are expected to be fully realized by the end of fiscal 2025. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses. For fiscal 2024, we expect total restructuring charges to be approximately \$100 million and total spending, which will be funded with cash from operations, to be approximately \$175 million.

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

Operating Income

The following table presents operating income and operating margin information:

	For the Quarters Ended			Change	
			(\$ in millions)		
	December 29, 2023	December 30, 2022			
Operating income	\$ 698	\$ 502	\$ 196		
Operating margin	18.2 %	13.1 %			

Operating income included the following:

	For the Quarters Ended	
	December 29, 2023	December 30, 2022
	(in millions)	
Acquisition and integration costs	\$ 8	\$ 9
Restructuring and other charges, net	21	111
Taxes (non-income tax) recorded in selling, general, and administrative expenses	4	—
Total	\$ 33	\$ 120

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

Non-Operating Items

The following table presents select non-operating information:

	For the Quarters Ended		
	December 29, 2023	December 30, 2022	Change
	(\$ in millions)		
Income tax expense (benefit)	\$ (1,105)	\$ 87	\$ (1,192)
Effective tax rate	(158.1)%	17.9 %	

Income Taxes. See Note 12 to the Condensed Consolidated Financial Statements for discussion of income taxes.

The Organisation for Economic Co-operation and Development ("OECD") and participating countries continue to work toward the enactment of a 15% global minimum corporate tax. Member states have begun to enact the rules, with some countries accelerating the impact of these rules by proposing immediate statutory rate increases. In 2023, Swiss Parliament approved a constitutional amendment to implement the rules and the Swiss Federal Council acted in December to implement elements of the OECD's global minimum tax rules, effective as of January 1, 2024. The global minimum tax is a significant structural change to the international taxation framework, which is expected to affect us beginning in fiscal 2025. Although global enactment has begun, the OECD and participating countries continue to work on defining the underlying rules and administrative procedures. We are currently monitoring these developments and evaluating the impact, which could be material to our results of operations, cash taxes, and worldwide corporate effective tax rate.

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 industry end market⁽¹⁾:

	For the Quarters Ended			
	December 29, 2023	December 30, 2022		
	(\$ in millions)			
Automotive	\$ 1,776	75 %	\$ 1,649	73 %
Commercial transportation	356	15	348	15
Sensors	241	10	262	12
Total	\$ 2,373	100 %	\$ 2,259	100 %

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

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

Change in Net Sales for the Quarter Ended December 29, 2023 versus Net Sales for the Quarter Ended December 30, 2022							
	Net Sales Growth (Decline)	Organic Net Sales Growth (Decline)	Translation	Divestiture			
	(\$ in millions)						
Automotive	\$ 127	7.7 %	\$ 135	8.1 %	\$ 17	\$ (25)	
Commercial transportation	8	2.3	2	0.7	6	—	
Sensors	(21)	(8.0)	(24)	(9.2)	3	—	
Total	<u>\$ 114</u>	5.0 %	<u>\$ 113</u>	5.0 %	<u>\$ 26</u>	<u>\$ (25)</u>	

Net sales in the Transportation Solutions segment increased \$114 million, or 5.0%, in the first quarter of fiscal 2024 from the first quarter of fiscal 2023 due primarily to organic net sales growth of 5.0%. Our organic net sales by industry end market were as follows:

- *Automotive*—Our organic net sales increased 8.1% in the first quarter of fiscal 2024 with growth of 13.4% in the Asia-Pacific region and 7.4% in the EMEA region, partially offset by declines of 4.0% in the Americas region. Our organic net sales growth in the Asia-Pacific and EMEA regions was attributable primarily to vehicle production growth as well as increased content per vehicle. In the Americas region, our organic net sales declined primarily as a result of declines in vehicle production. For full year fiscal 2024, we expect slight growth in global vehicle production from fiscal 2023 levels.
- *Commercial transportation*—Our organic net sales increased 0.7% in the first quarter of fiscal 2024 due to growth in the Asia-Pacific region, partially offset by declines in the Americas region.
- *Sensors*—Our organic net sales decreased 9.2% in the first quarter of fiscal 2024 as a result of market weakness in both industrial and transportation applications and the strategic exit of certain lower margin and lower growth product lines.

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

	For the Quarters Ended		
	December 29, 2023	December 30, 2022	Change
	(\$ in millions)		
Operating income	\$ 478	\$ 282	\$ 196
Operating margin	20.1 %	12.5 %	

Operating income in the Transportation Solutions segment increased \$196 million in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023. Excluding the items below, operating income increased in the first quarter of fiscal 2024 primarily as a result of improved manufacturing productivity and the positive impact of prior year pricing actions.

	For the Quarters Ended		
	December 29, 2023	December 30, 2022	(in millions)
	(\$ in millions)		
Acquisition and integration costs	\$ —	\$ 2	
Restructuring and other charges, net	14	74	
Taxes (non-income tax) recorded in selling, general, and administrative expenses	3	—	
Total	<u>\$ 17</u>	<u>\$ 76</u>	

Industrial Solutions

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

	For the Quarters Ended			
	December 29, 2023		December 30, 2022	
	(\$ in millions)			
Industrial equipment	\$ 330	32 %	\$ 434	41 %
Aerospace, defense, and marine	290	28	264	25
Energy	205	20	189	18
Medical	200	20	173	16
Total	\$ 1,025	100 %	\$ 1,060	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 industry end market:

	Change in Net Sales for the Quarter Ended December 29, 2023 versus Net Sales for the Quarter Ended December 30, 2022				
	Net Sales Growth (Decline)	Organic Net Sales Growth (Decline)		Acquisition Translation (Divestiture)	
		(\$ in millions)			
Industrial equipment	\$ (104)	(24.0)%	\$ (115)	(26.3)%	\$ 11
Aerospace, defense, and marine	26	9.8	33	12.5	4
Energy	16	8.5	3	1.4	3
Medical	27	15.6	27	15.6	—
Total	\$ (35)	(3.3)%	\$ (52)	(4.9)%	\$ 18

In the Industrial Solutions segment, net sales decreased \$35 million, or 3.3%, in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023 due primarily to organic net sales declines of 4.9%. Pricing actions initiated in fiscal 2023 positively affected organic net sales by \$50 million in the first quarter of fiscal 2024. Our organic net sales by industry end market were as follows:

- *Industrial equipment*—Our organic net sales decreased 26.3% in the first quarter of fiscal 2024 with declines across all regions and reduced demand resulting from inventory corrections in the supply chain.
- *Aerospace, defense, and marine*—Our organic net sales increased 12.5% in the first quarter of fiscal 2024 as a result of growth in all markets.
- *Energy*—Our organic net sales increased 1.4% in the first quarter of fiscal 2024 primarily as a result of growth in the Americas region and strength in renewable energy applications, partially offset by declines in the EMEA region.
- *Medical*—Our organic net sales increased 15.6% in the first quarter of fiscal 2024 due primarily to growth in interventional medical applications.

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

	For the Quarters Ended			Change (\$ in millions)
	December 29, 2023	December 30, 2022		
Operating income	\$ 141	\$ 156	\$ (15)	
Operating margin	13.8 %	14.7 %		

Operating income in the Industrial Solutions segment decreased \$15 million in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023. Excluding the items below, operating income decreased during the first quarter of fiscal 2024 primarily as a result of lower volume, partially offset by the positive impact of prior year pricing actions.

	For the Quarters Ended			(\$ in millions)
	December 29, 2023	December 30, 2022		
Acquisition and integration costs	\$ 7	\$ 6		
Restructuring and other charges, net	6	13		
Taxes (non-income tax) recorded in selling, general, and administrative expenses	1	—		
Total	<u>\$ 14</u>	<u>\$ 19</u>		

Communications Solutions

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

	For the Quarters Ended			(\$ in millions)
	December 29, 2023	December 30, 2022		
Data and devices	\$ 279	64 %	\$ 329	63 %
Appliances	154	36	193	37
Total	<u>\$ 433</u>	<u>100 %</u>	<u>\$ 522</u>	<u>100 %</u>

(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 industry end market:

	Change in Net Sales for the Quarter Ended December 29, 2023 versus Net Sales for the Quarter Ended December 30, 2022			
	Net Sales Decline		Organic Net Sales Decline	
		(\$ in millions)		
Data and devices	\$ (50)	(15.2)%	\$ (50)	(15.2)%
Appliances	(39)	(20.2)	(39)	(20.2)
Total	<u>\$ (89)</u>	<u>(17.0)%</u>	<u>\$ (89)</u>	<u>(17.0)%</u>

Net sales in the Communications Solutions segment decreased \$89 million, or 17.0%, in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023 due to organic net sales declines of 17.0%. Our organic net sales by industry end market were as follows:

- *Data and devices*—Our organic net sales decreased 15.2% in the first quarter of fiscal 2024 as a result of market declines in the Asia-Pacific region and reduced demand resulting from inventory corrections in the supply chain.
- *Appliances*—Our organic net sales decreased 20.2% in the first quarter of fiscal 2024 due to market declines across all regions and reduced demand resulting from inventory corrections in the supply chain.

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

	For the Quarters Ended		
	December 29, 2023		December 30, 2022
	(\$ in millions)	Change	
Operating income	\$ 79	\$ 64	\$ 15
Operating margin	18.2 %	12.3 %	

Operating income in the Communications Solutions segment increased \$15 million in the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023. Excluding the items below, operating income decreased slightly due primarily to lower volume, largely offset by improved manufacturing productivity.

	For the Quarters Ended		
	December 29, 2023		December 30, 2022
	(\$ in millions)	Change	
Acquisition and integration costs	\$ 1	\$ 1	
Restructuring and other charges, net	1	24	
Total	\$ 2	\$ 25	

Liquidity and Capital Resources

Our ability to fund our future capital needs will be affected by our ongoing ability to generate cash from operations and may be affected by our access to 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 \$350 million of 3.45% senior notes due in August 2024. 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. 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. We believe that we have sufficient financial resources and liquidity which will enable us to meet our ongoing working capital and other cash flow needs.

Cash Flows from Operating Activities

In the first quarter of fiscal 2024, net cash provided by operating activities increased \$138 million to \$719 million from \$581 million in the first quarter of fiscal 2023. The increase resulted primarily from higher pre-tax income, partially offset by the impact of changes in working capital levels. The amount of income taxes paid, net of refunds, during the first quarters of fiscal 2024 and 2023 was \$100 million and \$98 million, respectively.

Cash Flows from Investing Activities

Capital expenditures were \$151 million and \$183 million in the first quarters of fiscal 2024 and 2023, respectively. We expect fiscal 2024 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 first quarter of fiscal 2024, we received net cash proceeds of \$38 million related to the sale of one business. See Note 2 to the Condensed Consolidated Financial Statements for additional information.

During the first quarter of fiscal 2024, we acquired one business for a cash purchase price of \$349 million, net of cash acquired. We acquired one business for a cash purchase price of \$109 million, net of cash acquired, during the first quarter of fiscal 2023. See Note 3 to the Condensed Consolidated Financial Statements for additional information regarding acquisitions.

Cash Flows from Financing Activities and Capitalization

Total debt at December 29, 2023 and September 29, 2023 was \$4,198 million and \$4,211 million, respectively. See Note 7 to the Condensed Consolidated Financial Statements for additional information regarding debt.

As of December 29, 2023, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, had \$261 million of commercial paper outstanding at a weighted-average interest rate of 5.50%. TEGSA had \$330 million of commercial paper outstanding at a weighted-average interest rate of 5.50% at September 29, 2023.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with a maturity date of June 2026 and total commitments of \$1.5 billion. TEGSA had no borrowings under the Credit Facility at December 29, 2023 or September 29, 2023.

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 December 29, 2023, 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.

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 on an unsecured basis by its parent, TE Connectivity Ltd.

Payments of common share dividends to shareholders were \$183 million and \$178 million in the first quarters of fiscal 2024 and 2023, respectively.

During the first quarter of fiscal 2024, our board of directors authorized an increase of \$1.5 billion in our share repurchase program. We repurchased approximately three million of our common shares for \$420 million and approximately two million of our common shares for \$233 million under the share repurchase program during the first quarters of fiscal 2024 and 2023, respectively. At December 29, 2023, we had \$1.8 billion of availability remaining under our share repurchase authorization.

Summarized Guarantor Financial Information

As discussed above, our senior notes, commercial paper, and Credit Facility are issued by TEGSA and are fully and unconditionally guaranteed on an unsecured basis by TEGSA's parent, TE Connectivity Ltd. In addition to being the issuer of our debt securities, TEGSA owns, directly or indirectly, all of our operating subsidiaries. The following tables present

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summarized financial information, excluding investments in and equity in earnings of our non-guarantor subsidiaries, for TE Connectivity Ltd. and TEGSA on a combined basis.

	December 29, 2023	September 29, 2023
	(in millions)	
Balance Sheet Data:		
Total current assets	\$ 1,117	\$ 1,632
Total noncurrent assets ⁽¹⁾	3,485	2,857
 Total current liabilities	940	1,303
Total noncurrent liabilities ⁽²⁾	8,710	7,592
 (1) Includes \$3,454 million and \$2,783 million as of December 29, 2023 and September 29, 2023, respectively, of intercompany loans receivable from non-guarantor subsidiaries.		
(2) Includes \$5,070 million and \$4,056 million as of December 29, 2023 and September 29, 2023, respectively, of intercompany loans payable to non-guarantor subsidiaries.		
 Statement of Operations Data:		
Loss from continuing operations	\$ (153)	\$ (606)
Net loss	(153)	(606)

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 2024 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 December 29, 2023, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$196 million, including letters of credit of \$22 million associated with our divestiture of the Subsea Communications business. In addition, as of December 29, 2023, we had \$26 million of performance guarantees associated with the divestiture. We contractually agreed to continue to honor letters of credit and performance guarantees related to the business' projects that existed as of the date of sale; however, based on historical experience, we do not anticipate having to perform on these guarantees.

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.

Trade Compliance Matters

We have been investigating our past compliance with relevant U.S. trade controls and have made voluntary disclosures of apparent trade controls violations to the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and the U.S. State Department's Directorate of Defense Trade Controls ("DDTC"). We are cooperating with the BIS and DDTC on these matters, and the resulting investigations are ongoing. We have also been contacted by the U.S. Department of Justice concerning aspects of these matters. We are unable to predict the timing and final outcome of the agencies' investigations. An unfavorable outcome may include fines or penalties imposed in response to our disclosures, but we are not yet able to reasonably estimate the extent of any such fines or penalties. Although we have reserved for potential fines and penalties relating to these matters based on our current understanding of the facts, the investigations into these matters have yet to be completed and the final outcome of such investigations and related fines and penalties may differ from amounts currently reserved.

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 plans 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 "Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" and the Consolidated Financial Statements and accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 29, 2023. There were no significant changes to this information during the first quarter of fiscal 2024.

Accounting Pronouncements

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

Non-GAAP Financial Measure

Organic Net Sales Growth (Decline)

We present organic net sales growth (decline) 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 (decline) represents net sales growth (decline) (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 (decline) 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 (decline) provides useful information about our results and the trends of our business. Management uses this measure to monitor and evaluate performance. Also, management uses this measure 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 (decline) to net sales growth (decline) calculated in accordance with GAAP.

Organic net sales growth (decline) 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 (decline) in combination with net sales growth (decline) 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, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. 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," and "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 29, 2023, and in this report, could cause our results to differ materially from those expressed in forward-looking statements:

- conditions in the global or regional economies and global capital markets, and cyclical industry conditions, including recession, inflation, and higher interest rates;
- conditions affecting demand for products in the industries we serve, particularly the automotive industry;
- risk of future goodwill impairment;
- pricing pressure and competition, including competitive risks associated with the pace of technological change;
- market acceptance of our new product introductions and product innovations and product life cycles;
- raw material availability, quality, and cost;
- product liability, warranty, and product recall claims and our ability to defend such claims;
- fluctuations in foreign currency exchange rates and impacts of offsetting hedges;
- 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 due to natural disasters or other disasters which have impacted and could continue to negatively impact our results of operations as well as customer behaviors, business, and

manufacturing operations as well as our facilities and the facilities of our suppliers, and other aspects of our business;

- global risks of political, economic, and military instability, including the continuing military conflict in certain parts of the world, and volatile and uncertain economic conditions and the evolving regulatory system in China;
- risks associated with cybersecurity incidents and other disruptions to our information technology infrastructure;
- risks related to compliance with current and future environmental and other laws and regulations, including those related to climate change;
- risks related to the increasing scrutiny and expectations regarding environmental, social, and governance matters;
- risks associated with compliance with applicable antitrust or competition laws or applicable trade regulations;
- our ability to protect our intellectual property rights;
- risks of litigation, regulatory actions, and compliance issues;
- our ability to operate within the limitations imposed by our debt instruments;
- the possible effects on us of various non-U.S. and U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate, increase global cash taxes, and negatively impact our U.S. government contracts business;
- requirements related to chemical usage, hazardous material content, recycling, and other circular economy initiatives;
- 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 quarter of fiscal 2024. 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 29, 2023.

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 of December 29, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 29, 2023.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 29, 2023, 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.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

There have been no material developments in our legal proceedings since we filed our Annual Report on Form 10-K for the fiscal year ended September 29, 2023. Refer to "Part I. Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended September 29, 2023 for additional information regarding legal proceedings.

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 29, 2023. 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**Issuer Purchases of Equity Securities**

The following table presents information about our purchases of our common shares during the quarter ended December 29, 2023:

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⁾
September 30–October 27, 2023	813,638	\$ 121.46	813,400	\$ 636,647,983
October 28–December 1, 2023	1,490,417	128.43	1,374,573	460,520,746
December 2–December 29, 2023	1,135,361	137.42	1,051,968	1,815,756,314
Total	<u>3,439,416</u>	<u>129.75</u>	<u>3,239,941</u>	

(1) These columns include the following transactions which occurred during the quarter ended December 29, 2023:

- (i) the acquisition of 199,475 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 3,239,941 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007.

(2) During the quarter ended December 29, 2023, our board of directors authorized an increase of \$1.5 billion in our share repurchase program. Our share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

In the quarter ended December 29, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a plan for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement for the purchase or sale of our securities, within the meaning of Item 408 of Regulation S-K, except the following:

- In the quarter ended December 29, 2023, Shad Kroeger, President, Industrial Solutions, adopted a plan for the sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). Mr. Kroeger's plan was adopted November 17, 2023 and expires October 31, 2024, and provides for the potential exercise and related sale of (i) stock options representing up to 5,000 common shares, with such sale to occur no earlier than March 1, 2024, (ii) stock options representing up to 5,000 common shares, with such sale to occur no earlier than June 3, 2024, and (iii) stock options representing up to 8,750 common shares, with such sale to occur no earlier than September 3, 2024.

The trading plan described above was entered into during an open insider trading window and was in compliance with our insider trading policies and procedures. Actual sale transactions will be disclosed publicly in filings with the SEC in accordance with applicable securities laws, rules, and regulations.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
10.1	*‡ TE Connectivity Ltd. 2007 Stock and Incentive Plan (amended and restated as of December 12, 2023)
22.1	* Guaranteed Securities
31.1	* Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	* Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	** Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document ⁽¹⁾
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File ⁽²⁾

‡ Management contract or compensatory plan or arrangement

* Filed herewith

** Furnished herewith

(1) The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

(2) Formatted in Inline XBRL and contained in exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TE CONNECTIVITY LTD.

By: /s/ Heath A. Mitts
Heath A. Mitts
*Executive Vice President and Chief Financial
Officer (Principal Financial Officer)*

Date: January 26, 2024

GUARANTEED SECURITIES

Pursuant to Item 601(b)(22) of Regulation S-K, set forth below are registered securities issued by Tyco Electronics Group S.A. ("TEGSA") (Issuer) and guaranteed by TEGSA's parent, TE Connectivity Ltd. (Guarantor), as of December 29, 2023.

Description of securities

3.45% senior notes due 2024
0.00% euro-denominated senior notes due 2025
4.50% senior notes due 2026
3.70% senior notes due 2026
3.125% senior notes due 2027
0.00% euro-denominated senior notes due 2029
2.50% senior notes due 2032
7.125% senior notes due 2037

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Terrence R. Curtin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TE Connectivity Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 26, 2024

/s/ Terrence R. Curtin
Terrence R. Curtin
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Heath A. Mitts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TE Connectivity Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 26, 2024

/s/ Heath A. Mitts

Heath A. Mitts

Executive Vice President and Chief Financial Officer

TE CONNECTIVITY LTD.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officers of TE Connectivity Ltd. (the "Company") hereby certify to their knowledge that the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2023 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terrence R. Curtin

Terrence R. Curtin

Chief Executive Officer

January 26, 2024

/s/ Heath A. Mitts

Heath A. Mitts

Executive Vice President and Chief Financial Officer

January 26, 2024

TE CONNECTIVITY LTD.
2007 STOCK AND INCENTIVE PLAN
(AMENDED AND RESTATED AS OF DECEMBER 12, 2023)

ARTICLE I
PURPOSE

1.1 Purpose. The purposes of this TE Connectivity Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of September 17, 2020) (the "Plan") are to promote the interests of TE Connectivity Ltd. (and any successor thereto) by (i) aiding in the recruitment and retention of Directors and Employees, (ii) providing incentives to such Directors and Employees by means of performance-related Awards to achieve short-term and long-term performance goals, (iii) providing Directors and Employees an opportunity to participate in the growth and financial success of the Company, and (iv) promoting the growth and success of the Company's business by aligning the financial interests of Directors and Employees with that of the other stockholders of the Company. Toward these objectives, the Plan provides for the grant of Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long Term Performance Awards and other Stock-Based Awards.

1.2 Effective Dates; Shareholder Approval. The Plan was originally effective June 29, 2007. The Plan has been amended and restated from time to time since its original effective date. The Plan was most recently approved by shareholders on March 8, 2017 to provide for the issuance of additional shares under the Plan, and to make certain technical revisions and improvements. This amended and restated Plan was adopted by the Board of Directors of the Company on September 17, 2020 for the purpose of adding certain administrative amendments relating to the vesting and/or forfeiture of Awards. The Plan was also approved by shareholders on March 10, 2021 for purposes of Section 162(m) of the Internal Revenue Code. The Plan was last updated by the Board on December 12, 2023 to permit fractional share issuance.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms have the following meanings, unless another definition is clearly indicated by particular usage and context, and except as otherwise provided in an Award Certificate:

"Acquired Company" means any business, corporation or other entity acquired by the Company or any Subsidiary.

"Acquired Grantee" means the grantee of a stock-based award of an Acquired Company and may include a current or former Director of an Acquired Company.

"Annual Performance Bonus" means an Award of cash or Shares granted under Section 4.4 that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures.

"Award" means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to any terms and conditions that the Committee may establish and set forth in the applicable Award Certificate. Awards granted under the Plan may consist of:

- (a) **"Stock Options"** awarded pursuant to Section 4.3;
- (b) **"Stock Appreciation Rights"** awarded pursuant to Section 4.3;
- (c) **"Annual Performance Bonuses"** awarded pursuant to Section 4.4;
- (d) **"Long Term Performance Awards"** awarded pursuant to Section 4.5;
- (e) **"Other Stock-Based Awards"** awarded pursuant to Section 4.6;
- (f) **"Director Awards"** awarded pursuant to Section 4.7; and

(g) "Substitute Awards" awarded pursuant to Section 4.8.

"Award Certificate" means the document issued, either in writing or through an electronic medium, by the Committee or its designee to a Participant evidencing the grant of an Award.

"Board" means the Board of Directors of the Company.

"Cause" means misconduct that is willfully or wantonly harmful to the Company or any of its Subsidiaries, monetarily or otherwise, including, without limitation, conduct that violates the Company's Code of Ethical Conduct.

"Change in Control" means the first to occur of any of the following events:

(a) any "person" (as defined in Section 13(d) and 14(d) of the Exchange Act, excluding for this purpose, (i) the Company or any Subsidiary or (ii) any employee benefit plan of the Company or any Subsidiary (or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan that acquires beneficial ownership of voting securities of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing more than 30 percent of the combined voting power of the Company's then outstanding securities; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; or

(b) persons who, as of the Effective Date constitute the Board (the "Incumbent Directors") cease for any reason (including without limitation, as a result of a tender offer, proxy contest, merger or similar transaction) to constitute at least a majority thereof, provided that any person becoming a Director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person's election or nomination for election was approved by a vote of at least 50 percent of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened proxy contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents (including through the use of any proxy access procedures that are included in the Company's organizational documents) by or on behalf of a "person" (as defined in Section 13(d) and 14(d) of the Exchange Act) other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of at least 80 percent of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own directly or indirectly more than 50 percent of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the company resulting from such Business Combination (including, without limitation, a company which, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company; or

(d) consummation of a complete liquidation or dissolution of the Company;

provided, however, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a "Change in Control," or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a specified date or event occurring after a "Change in Control" or upon a "Change in Control Termination," then such payment shall not be made, or such change in timing or form of payment shall not occur, unless such "Change in Control" is also a "change in ownership or effective control" of the Company within the meaning of Code Section 409A(a)(2)(A)(v) and applicable regulations and rulings thereunder.

"Change in Control Termination" means a Participant's involuntary termination of employment following a Change in Control under one of the following circumstances:

- (a) termination of the Participant's employment by the Company for any reason other than for Cause, Disability or death during the twelve (12) month period immediately following the Change in Control;
- (b) termination of the Participant's employment by the Participant after one of the following events that occurs during the twelve (12) month period immediately following the Change in Control:
 - i. the Company (1) assigns or causes to be assigned to the Participant duties inconsistent in any material respect with his or her position as in effect immediately prior to the Change in Control; (2) makes or causes to be made any material adverse change in the Participant's position, authority, duties or responsibilities; or (3) takes or causes to be taken any other action which, in the reasonable judgment of the Participant, would cause him or her to violate his or her ethical or professional obligations (after written notice of such judgment has been provided by the Participant to the Company and the Company has been given a 15-day period within which to cure such action), or which results in a significant diminution in such position, authority, duties or responsibilities; or
 - ii. the Company, without the Participant's consent, (1) requires the Participant to relocate to a principal place of employment more than fifty (50) miles from his or her existing place of employment; or (2) reduces the Participant's base salary, annual bonus, or retirement, welfare, stock incentive, perquisite (if any) and other benefits taken as a whole.

provided, however, that none of the events described in this sentence shall constitute a Change in Control Termination unless and until (w) the Participant first notifies the Company in writing describing in reasonable detail the condition which constitutes an event described in this clause (b) within ninety (90) days of its occurrence, (x) the Company fails to cure such condition within thirty (30) days after the Company's receipt of such written notice, (y) notwithstanding such efforts, the condition continues to exist, and (z) the Participant terminates employment within sixty (60) days after the end of such thirty (30)-day cure period.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Committee" means the Management Development and Compensation Committee of the Board or any successor committee or subcommittee of the Board, which committee is comprised solely of two or more persons who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable regulations and nonemployee directors within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

"Common Stock" means the common stock of the Company, \$.57 (CHF) par value, and such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 5.3.

"Company" means TE Connectivity Ltd., a Swiss company, or any successor thereto.

"Deferred Stock Unit" means a Unit granted under Section 4.6 to acquire Shares upon Termination of Directorship or Termination of Employment, subject to any restrictions that the Committee, in its discretion, may determine.

"Director" means a member of the Board who is a "non-employee director" within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

"Director Shares" means the award of fully-vested Shares to a Director under Section 4.6 as part of the Director's annual compensation, or under such circumstances as are deemed appropriate by the Board.

"Disabled" or *"Disability"* means the inability of the Director or Employee to perform the material duties pertaining to such Director's directorship or such Employee's employment due to a physical or mental injury, infirmity or incapacity for 180 days (including weekends and holidays) in any 365-day period. The existence or nonexistence of a Disability shall be determined by an independent physician selected by the Company and reasonably acceptable to the Director or Employee. Notwithstanding the above, if and to the extent that any

provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a "Disability" or upon a person becoming "Disabled," or would cause a change in the timing or form of payment of such deferred compensation upon the occurrence of a "Disability" or upon a person becoming "Disabled," then such payment shall not be made, or such change in timing or form of payment shall not occur, unless such "Disability" or condition of being "Disabled" satisfies the requirements of Code Section 409A(a)(2)(C) and applicable regulations and rulings thereunder.

"Dividend Equivalent" means an amount equal to the cash dividend or the Fair Market Value of the stock dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the date on which the dividend is payable. Dividend Equivalents will not be awarded in connection with stock option or Stock Appreciation Rights Awards.

"Effective Date" means September 17, 2020.

"Employee" means any individual who performs services as an officer or employee of the Company or a Subsidiary.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Exercise Price" means the price of a Share, as fixed by the Committee, which may be purchased under a Stock Option or with respect to which the amount of any payment pursuant to a Stock Appreciation Right is determined.

"Fair Market Value" of a Share means the closing sales price on the New York Stock Exchange (or, if not listed on such exchange, on any other principal securities exchange on which the Common Stock is listed) on the date as of which the determination of Fair Market Value is being made or, if no sale is reported for such day, on the next preceding day on which a sale of Shares was reported. Notwithstanding anything to the contrary herein, the Fair Market Value of a Share will in no event be determined to be less than par value.

"Fair Market Value Stock Option" means a Stock Option the Exercise Price of which is fixed by the Committee at a price equal to the Fair Market Value of a Share on the date of grant.

"GAAP" means United States generally accepted accounting principles.

"Incentive Stock Option" means a Stock Option granted under Section 4.3 that is intended to meet the requirements of Section 422 of the Code and any related regulations and is designated in the Award Certificate to be an Incentive Stock Option.

"Key Employee" means an Employee who is a "covered employee" within the meaning of Section 162(m)(3) of the Code.

"Key Performance Indicator" means a Performance Measure identified at the business unit level (or other business level) to reflect growth, productivity or quality, as appropriate, for the business' key initiatives for the Performance Cycle.

"Long Term Performance Award" means an Award granted under Section 4.5 that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures or other performance criteria as selected in the discretion of the Committee.

"Non-Employee Director" means any member of the Board, elected or appointed, who is not otherwise an Employee of the Company or a Subsidiary. An individual who is elected to the Board at an annual meeting of the stockholders of the Company will be deemed to be a member of the Board as of the date of the meeting.

"Nonqualified Stock Option" means any Stock Option granted under Section 4.3 of the Plan that is not an Incentive Stock Option.

"Other Stock-Based Awards" means Awards which consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares and are issued under Section 4.6.

"Participant" means a Director, Employee or Acquired Grantee who has been granted an Award under the Plan.

"Performance Cycle" means, with respect to any Award that vests based on Performance Measures, the period of 12 months or longer over which the level of performance will be assessed.

"Performance Measure" means, with respect to any Annual Performance Bonus or Long Term Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during the Performance Cycle. The Committee may select as the Performance Measure for a Performance Cycle for an Award made to a Key Employee that is intended to be a Qualified Performance-Based Award any one or combination of the following Company measures, as interpreted by the Committee, which measures (to the extent applicable) will be determined in accordance with GAAP and which measures may be defined on an absolute, relative, growth or other appropriate basis as is determined by the Committee and also may be determined at the corporate or business unit/segment level as deemed appropriate by the Committee:

- (a) Net operating profit after taxes;
- (b) Net operating profit after taxes, per Share;
- (c) Return on equity or invested capital;
- (d) Return on assets (including, without limitation, designated assets, net assets employed or net assets);
- (e) Total shareholder return;
- (f) Earnings (including, without limitation, pre-tax earnings, retained earnings, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization);
- (g) Earnings per Share or book value per share;
- (h) Net income or operating income;
- (i) Cash flow (including without limitation, operating cash flow and free cash flow);
- (j) Free cash flow per Share or cash flow return on investment;
- (k) Revenue (or any component thereof);
- (l) Key Performance Indicator
- (m) Return on sales, sales, sales per dollar of assets, sales per employee;
- (n) Economic value added;
- (o) Expenses or reductions in costs or debt; or
- (p) Achievements relating to asset management, environmental health and/or safety goals, regulatory achievements, recruiting or maintaining key personnel, customer growth, research and development activities, strategic sustainability metrics, mergers, acquisitions, dispositions or similar business transactions, business or operating goals such as market share, business development and/or customer objectives.

The Committee may specify that Performance Measures may include adjustments to include or exclude the effects of certain events, including any of the following events: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains or losses on the sale of assets; severance, contract termination and other costs relating to certain business activities; gains or losses from the disposition of businesses or assets or from the early extinguishment of debt; foreign exchange gains and/or losses; changes in tax law, accounting principles,

accounting estimates or other such laws or provisions affecting reported results; the effect of any statements issued by the Financial Accounting Standards Board or its committees; business combinations, reorganizations and/or restructuring programs, including, but not limited to reductions in force and early retirement incentives; currency fluctuations; any unusual, infrequent or non-recurring items, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company's annual report for the applicable period; and expenses related to goodwill and other intangible assets, stock offerings, stock repurchases and loan loss provisions. In addition, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Measures unsuitable, the Committee may in its discretion modify such Performance Measures or the related level or levels of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

"Performance Unit" means a Long Term Performance Award denominated in dollar Units.

"Plan" means the TE Connectivity Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of September 17, 2020), as it may be amended from time to time.

"Premium-Priced Stock Option" means a Stock Option the Exercise Price of which is fixed by the Committee at a price that exceeds the Fair Market Value of a Share on the date of grant.

"Qualified Performance-Based Compensation" means any Annual Performance Bonus, Long Term Performance Award or Performance Units to a Key Employee that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code.

"Reporting Person" means a Director or an Employee who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"Restricted Stock" means Shares issued pursuant to Section 4.6 that are subject to any restrictions that the Committee, in its discretion, may impose.

"Restricted Unit" means a Unit granted under Section 4.6 to acquire Shares or an equivalent amount in cash, which Unit is subject to any restrictions that the Committee, in its discretion, may impose.

"Retirement" or *"Retired"* means (i) with respect to an Award issued prior to the Effective Date, Termination of Employment on or after a Participant has attained age fifty-five (55) and has completed at least five years of service with the Company and its Subsidiaries; and (ii) with respect to an Award issued on or after the Effective Date, Termination of Employment on or after a Participant has attained age 55 and has completed at least five years of service, provided that the sum of the Participant's age and years of service with the Company is 65 or higher.

"Retirement Notice" means a written notice provided by a Participant to the Company of the Participant's Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to the Participant's Termination of Employment as a result of Retirement.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Share" means a share of Common Stock.

"Stock Appreciation Right" means a right granted under Section 4.3 to an amount in cash or Shares equal to any difference between the Fair Market Value of the Shares as of the date on which the right is exercised and the Exercise Price, where the amount of Shares attributable to each Stock Appreciation Right is set forth on or before the grant date.

"Stock-Based Award" means an Award granted under Section 4.6 and denominated in Shares.

"Stock Option" means a right granted under Section 4.3 to purchase from the Company a stated number of Shares at a specified price. Stock Options awarded under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options.

"Subsidiary" means a subsidiary company (wherever incorporated) of the Company; provided, that in the case of any Award that provides deferred compensation subject to Code Section 409A, *"Subsidiary"* shall not include any subsidiary company as defined above unless such company is within a controlled group of corporations with the Company as defined in Code Sections 1563(a)(1), (2) and (3) where the phrase "at least 50%" is substituted in each place "at least 80%" appears or is with the Company part of a group of trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. § 1.414(c)-2 where the phrase "at least 50%" is substituted in each place "at least 80%" appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. § 1.409A-1(b)(5)(iii)(E) and § 1.409A-1(h)(3)), the phrase "at least 20%" shall be substituted in each place "at least 50%" appears as described above with respect to both a controlled group of corporations and trades or business under common control.

"Target Amount" means the amount of Performance Units that will be paid if the Performance Measure is fully (100%) attained, as determined by the Committee.

"Target Vesting Percentage" means the percentage of performance- based Restricted Units or Shares of Restricted Stock that will vest if the Performance Measure is fully (100%) attained, as determined by the Committee.

"Termination of Directorship" means the date of cessation of a Director's membership on the Board for any reason, with or without Cause, as determined by the Company; provided, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a Termination of Directorship or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a person's Termination of Directorship, then such payment shall not be made, or such change in timing and/or form of payment shall not occur, unless such Termination of Directorship would be deemed a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and applicable regulations and rulings thereunder, and shall not include any services provided in the capacity of an employee or otherwise.

"Termination of Employment" means the date of cessation of an Employee's employment relationship with the Company or a Subsidiary for any reason, with or without Cause, as determined by the Company; provided, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a Termination of Employment or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a person's Termination of Employment, then such payment shall not be made or such change in timing and/or form of payment shall not occur, unless such Termination of Employment would be deemed a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and applicable regulations and rulings thereunder. Effective December 2, 2015, for purposes of the Plan, a Termination of Employment will not be deemed to have occurred in the case of an Employee who has terminated the employment relationship with the Company but continues to provide services to the Company as a member of the Board in a non-executive board position. In such case, the Employee's termination date for purposes of the vesting, exercise and other applicable provisions of the Plan shall mean the Termination of Directorship.

"Unit" means, for purposes of Performance Units, the potential right to an Award equal to a specified amount denominated in such form as is deemed appropriate in the discretion of the Committee and, for purposes of Restricted Units or Deferred Stock Units, the potential right to acquire one Share.

ARTICLE III ADMINISTRATION

3.1 Committee. The Plan will be administered by the Committee.

3.2 Authority of the Committee. The Committee or, to the extent required by applicable law, the Board will have the authority, in its sole and absolute discretion and subject to the terms of the Plan, to:

- (a) Interpret and administer the Plan and any instrument or agreement relating to the Plan;
- (b) Prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating to the Plan;
- (c) Select Employees to receive Awards under the Plan;
- (d) Determine the form of an Award, the number of Shares subject to each Award, all the terms and conditions of an Award, including, without limitation, the conditions on exercise or vesting, the designation of Stock Options as Incentive Stock Options or Nonqualified Stock Options, and the circumstances in which an Award may be settled in cash or Shares or may be cancelled, forfeited or suspended, and the terms of the Award Certificate;
- (e) Determine whether Awards will be granted singly, in combination or in tandem;
- (f) Establish and interpret Performance Measures (or, as applicable, other performance criteria) in connection with Annual Performance Bonuses and Long Term Performance Awards, evaluate the level of performance over a Performance Cycle and certify the level of performance attained with respect to Performance Measures (or other performance criteria, as applicable);
- (g) Except as provided in Section 6.1, waive or amend any terms, conditions, restrictions or limitations on an Award, except that the prohibition on the repricing of Stock Options and Stock Appreciation Rights, as described in Section 4.3(g), may not be waived and further provided that any such waiver or amendment shall either comply with the requirements of Section 409A or preserve any exemption from the application of Code Section 409A;
- (h) Make any adjustments to the Plan (including but not limited to adjustment of the number of Shares available under the Plan or any Award) and any Award granted under the Plan as may be appropriate pursuant to Section 5.3;
- (i) Determine and set forth in the applicable Award Certificate the circumstances under which Awards may be deferred and the extent to which a deferral will be credited with Dividend Equivalents and interest thereon;
- (j) Establish any subplans and make any modifications to the Plan or to Awards made hereunder (including the establishment of terms and conditions not otherwise inconsistent with the terms of the Plan) that the Committee may determine to be necessary or advisable for grants made in countries outside the United States to comply with, or to achieve favorable tax treatment under, applicable foreign laws or regulations;
- (k) Appoint such agents as it shall deem appropriate for proper administration of the Plan; and
- (l) Take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

3.3 Effect of Determinations. All determinations of the Committee (or any applicable delegates) will be final, binding and conclusive on all persons having an interest in the Plan.

3.4 Delegation of Authority. The Board or, if permitted under applicable corporate law, the Committee, in its discretion and consistent with applicable law and regulations, may delegate to the Chief Executive Officer of the Company or any other officer or group of officers as it deems to be advisable, the authority to select Employees to receive an Award and to determine the number of Shares under any such Award, subject to any terms and conditions that the Board or the Committee, as appropriate, may establish. When the Board or the Committee delegates authority pursuant to the foregoing sentence, it will limit, in its discretion, the number of Shares or aggregate value that may be subject to Awards that the delegate may grant. Only the Committee will have authority to grant and administer Awards to Directors, Key Employees and other Reporting Persons or to delegates of the Committee, and to establish and certify Performance Measures.

3.5 Retention of Advisors. The Committee may retain attorneys, consultants, accountants and other advisors, and the Committee, the Company and the officers and directors of the Company may rely upon the advice, opinions or valuations of the advisors retained.

3.6 No Liability. No member of the Committee or any person acting as a delegate of the Committee with respect to the Plan will be liable for any losses resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Award granted under the Plan.

ARTICLE IV **AWARDS**

4.1 Eligibility. All Employees and Directors are eligible to be designated to receive Awards granted under the Plan, except as otherwise provided in this Article IV.

4.2 Form of Awards. Awards will be in the form determined by the Committee, in its discretion, and will be evidenced by an Award Certificate. Awards may be granted singly or in combination or in tandem with other Awards.

4.3 Stock Options and Stock Appreciation Rights. The Committee may grant Stock Options and Stock Appreciation Rights under the Plan to those Employees whom the Committee may from time to time select, in the amounts and pursuant to the other terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the provisions below:

(a) Form. Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Certificate, be in the form of Incentive Stock Options, Nonqualified Stock Options or a combination of the two. If an Incentive Stock Option and a Nonqualified Stock Option are granted to the same Participant under the Plan at the same time, the form of each will be clearly identified, and they will be deemed to have been granted in separate grants. In no event will the exercise of one Award affect the right to exercise the other Award. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously granted Nonqualified Stock Options.

(b) Exercise Price. The Committee will set the Exercise Price of Fair Market Value Stock Options or Stock Appreciation Rights granted under the Plan at a price that is not less than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 5.3. The Committee will set the Exercise Price of Premium-Priced Stock Options at a price that is higher than the Fair Market Value of a Share as of the date of grant, provided that such price is no higher than 150 percent of such Fair Market Value. The Exercise Price of Incentive Stock Options will be equal to or greater than 110 percent of the Fair Market Value of a Share as of the date of grant if the Participant receiving the Stock Options owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will equal the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Certificate. Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Certificate, be Fair Market Value Stock Options, Premium-Priced Stock Options or a combination of Fair Market Value Stock Options and Premium- Priced Stock Options.

(c) Term and Timing of Exercise. Each Stock Option or Stock Appreciation Right granted under the Plan will be exercisable in whole or in part, subject to the following conditions, unless determined otherwise by the Committee:

(i) The Committee will determine and set forth in the Award Certificate the date on which any Award of Stock Options or Stock Appreciation Rights to a Participant may first be exercised. Unless the applicable Award Certificate provides otherwise, a Stock Option or Stock Appreciation Right will become vested and exercisable in equal annual installments over a period of four years beginning immediately after the date on which the Stock Option or Stock Appreciation Right was granted. The right to exercise a Stock Option or Stock Appreciation Right will lapse no later than 10 years after the date of grant (or five years in the case of an Incentive Stock Option granted to an Employee who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code), except to the extent necessary to comply with applicable laws outside of the United States or to preserve the tax advantages of the Award outside the United States.

(ii) Unless the applicable Award Certificate provides otherwise, upon the death or Disability of a Participant who has outstanding Stock Options or Stock Appreciation Rights, the unvested Stock Options or Stock Appreciation Rights will become fully vested and will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three years after the date on which the Participant dies or incurs a Disability.

(iii) With respect to Awards granted prior to the Effective Date, unless the applicable Award Certificate provides otherwise, upon the Retirement of a Participant, a pro rata portion of the Participant's Stock Options and Stock Appreciation Rights will vest so that the total number of vested Stock Options or Stock Appreciation Rights held by the Participant at Termination of Employment (including those that have already vested as of such date) will be equal to (A) the total number of Stock Options or Stock Appreciation Rights originally granted to the Participant under each Award multiplied by (ii) a fraction, the numerator of which is the period of time (in whole months) that have elapsed since the date of grant, and the denominator of which is four years (or such other applicable vesting term as is set forth in the Award Certificate). With respect to Awards granted on or after the Effective Date, unless the applicable Award Certificate provides otherwise, upon the Retirement of a Participant, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Participant's Stock Options and Stock Appreciation Rights will continue to vest under the terms and conditions of the Stock Option and Stock Appreciation Right following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of the Termination of Employment with respect to such continued vesting. Unless the Award Certificate provides otherwise, such Participant's Stock Options and Stock Appreciation Rights will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three years after the date of Termination of Employment (or, for Awards granted on or after the Effective Date in the case of Retirement, five years after Termination of Employment).

(iv) Upon the Termination of Employment of a Participant that does not meet the requirements of paragraphs (ii) or (iii) above, or as otherwise provided in Section 5.4 (Change in Control), any unvested Stock Options or Stock Appreciation Rights will be forfeited unless the Award Certificate provides otherwise. Any Stock Options or Stock Appreciation Rights that are vested as of such Termination of Employment will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is ninety (90) days after the date of such Termination of Employment unless the Award Certificate provides otherwise.

(v) Stock Options and Stock Appreciation Rights of a deceased Participant may be exercised only by the estate of the Participant or by the person given authority to exercise the Stock Options or Stock Appreciation Rights by the Participant's will or by operation of law. If a Stock Option or Stock Appreciation Right is exercised by the executor or administrator of a deceased Participant, or by the person or persons to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or the applicable laws of descent and distribution, the Company will be under no obligation to deliver Shares or cash until the Company is satisfied that the person exercising the Stock Option or Stock Appreciation Right is the duly appointed executor or administrator of the deceased Participant or the person to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or by applicable laws of descent and distribution.

(vi) A Stock Appreciation Right granted in tandem with a Stock Option is subject to the same terms and conditions as the related Stock Option and will be exercisable only to the extent that the related Stock Option is exercisable.

(d) *Payment of Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Stock certificates will be registered and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. The Committee, in its discretion may also allow payment to be made by any of the following methods, as set forth in the Award Certificate:

(i) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver to the Company, within the typical settlement cycle for the sale of equity securities on the relevant trading market (or otherwise in accordance with the provisions of Regulation T issued by the Federal Reserve Board), the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

(ii) Tendering (actually or by attestation) to the Company previously acquired, and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid, provided that the Board has specifically approved the repurchase of such Shares (unless such approval is not required by the terms of the bye-laws of the Company) and the Committee has determined that, as of the date of repurchase, the Company is, and after the repurchase will continue to be, able to pay its liabilities as they become due; or

(iii) Provided such payment method has been expressly authorized by the Board or the Committee in advance and subject to any requirements of applicable law and regulations, instructing the Company to reduce the number of Shares that would otherwise be issued by such number of Shares as have in the aggregate a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid.

(e) *Incentive Stock Options.* Incentive Stock Options granted under the Plan will be subject to the following additional conditions, limitations and restrictions:

(i) *Eligibility.* Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary that is a subsidiary or parent corporation of the Company, within the meaning of Section 424 of the Code.

(ii) *Timing of Grant.* No Incentive Stock Option will be granted under the Plan after March 7, 2027.

(iii) *Amount of Award.* Subject to Section 5.3, no more than 10 million Shares may be available for grant in the form of Incentive Stock Options. The aggregate Fair Market Value (as of the date of grant) of the Shares with respect to which the Incentive Stock Options awarded to any Employee first become exercisable during any calendar year may not exceed \$100,000 (U.S.). For purposes of this \$100,000 (U.S.) limit, the Employee's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Subsidiaries will be aggregated. To the extent any Incentive Stock Option would exceed the \$100,000 (U.S.) limit, the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes to the extent required by the Code and underlying regulations and rulings.

(iv) *Timing of Exercise.* If the Committee exercises its discretion in the Award Certificate to permit an Incentive Stock Option to be exercised by a Participant more than three months after the Participant has ceased being an Employee (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Section 22(e) of the Code), the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option to the extent required by the Code and underlying regulations and rulings. For purposes of this paragraph (iv), an Employee's employment relationship will be treated as continuing intact while the Employee is on military leave, sick leave or another approved leave of absence if the period of leave does not exceed 90 days, or a longer period to the extent that the Employee's right to reemployment with the Company or a Subsidiary is guaranteed by statute or by contract. If the period of leave exceeds 90 days and the Employee's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(v) *Transfer Restrictions.* In no event will the Committee permit an Incentive Stock Option to be transferred by an Employee other than by will or the laws of descent and distribution, and any Incentive Stock Option awarded under this Plan will be exercisable only by the Employee during the Employee's lifetime.

(f) *Exercise of Stock Appreciation Rights.* Upon exercise of a Participant's Stock Appreciation Rights, the Company will pay cash or Shares or a combination of cash and Shares, in the discretion of the Committee and as described in the Award Certificate. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Right was exercised. If Shares are paid for the Stock Appreciation Right, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(g) *No Repricing.* Except as otherwise provided in Section 5.3, in no event will the Committee (i) decrease the Exercise Price of a Stock Option or Stock Appreciation Right after the date of grant or (ii) cancel outstanding Stock Options or Stock Appreciation Rights in exchange for a cash payment or for a grant of replacement Stock Options or Stock Appreciation Rights with a lower Exercise Price than that of the replaced Stock Options or Stock Appreciation Rights or other Awards, without first obtaining the approval of the holders of a majority of the Shares who are present in person or by proxy at a meeting of the Company's stockholders and entitled to vote.

4.4 Annual Performance Bonuses. The Committee may grant Annual Performance Bonuses under the Plan in the form of cash or Shares to the Reporting Persons and Key Employees that the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Performance Cycles.* Annual Performance Bonuses will be awarded in connection with a 12-month (or longer) Performance Cycle, which will be the fiscal year of the Company.

(b) *Eligible Participants.* The Committee will determine the Reporting Persons and Key Employees who will be eligible to receive an Annual Performance Bonus that are Qualified Performance-Based Awards under the Plan within 90 days after the commencement of the relevant Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code).

(c) *Performance Measures; Targets; Award Criteria.*

(i) For Annual Performance Bonuses that are Qualified Performance-Based Awards, within 90 days after the commencement of a Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), and while the attainment of the Performance Measures remains substantially uncertain, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) the Target Amount payable to each Participant; and (C) subject to subsection (d) below, the criteria for computing the amount that will be paid with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors, that must be attained during the Performance Cycle before any Annual Performance Bonus will be paid and the percentage of the Target Amount that will become payable upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee may, in its discretion, select Performance Measures that measure the performance of the Company or one or more business units, divisions or Subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, modify the amount payable to any Reporting Person or Key Employee with respect to any given Performance Cycle, provided, however, that with respect to Qualified Performance-Based Awards, the amount payable under any such Award may not be increased and no reduction will result in an increase in the amount payable under any Annual Performance Bonus of another Key Employee.

(d) *Payment, Certification.* No Annual Performance Bonus pursuant to a Qualified Performance-Based Award will vest until the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures.

(e) *Form of Payment.* Annual Performance Bonuses will be paid in cash or Shares. All such Performance Bonuses shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Performance Bonuses are no longer subject to a substantial risk of forfeiture (as determined for purposes of Section 409A of the Code), except to the extent that a

Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement in which case the terms of such arrangement shall govern.

(f) *Section 162(m) of the Code.* It is the intent of the Company that Annual Performance Bonuses that are Qualified Performance-Based Awards satisfy the requirements for "performance-based compensation" for purposes of Section 162(m) of the Code, that this Section 4.4 be interpreted in a manner that permits such Awards to satisfy the applicable requirements of Section 162(m)(C) of the Code and related regulations, and that the Plan be operated so that the Company may take a full tax deduction for Annual Performance Bonuses that are Qualified Performance-Based Awards. If any provision of this Plan or any Annual Performance Bonus would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(g) *Retirement, Death, Disability and Other Events.* Unless otherwise determined by the Committee, if a Participant would be entitled to an Annual Performance Bonus but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement, death or Disability, or such other event as designated by the Committee, the Participant may, in the Committee's discretion, receive an Annual Performance Bonus Award, pro rated for the portion of the Performance Cycle that the Participant completed and which is payable at the same time after the end of the Performance Cycle that payments to other Annual Performance Bonus Award recipients are made.

4.5 Long Term Performance Awards. The Committee may grant Long Term Performance Awards under the Plan in the form of Performance Units, Restricted Units or Restricted Stock to any Employee who the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Performance Cycles.* Long Term Performance Awards will be awarded in connection with a Performance Cycle, as determined by the Committee in its discretion, provided, however, that a Performance Cycle may be no shorter than 12 months and no longer than 5 years.

(b) *Eligible Participants.* The Committee will determine the Employees who will be eligible to receive a Long Term Performance Award for the Performance Cycle that are Qualified Performance-Based Awards within 90 days after the commencement of the relevant Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), provided that the Committee may determine the eligibility of a Participant who receives a Long Term Performance Award for the Performance Cycle that is not a Qualified Performance-Based Award after the expiration of the 90-day period.

(c) *Performance Measures; Targets; Award Criteria.*

(i) For Long Term Performance Awards that are Qualified Performance-Based Awards, within 90 days after the commencement of a Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), and while the attainment of the Performance Measures remains substantially uncertain, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) with respect to Performance Units, the Target Amount payable to each Participant; (C) with respect to Restricted Units and Restricted Stock, the Target Vesting Percentage for each Participant; and (D) subject to subsection (d) below, the criteria for computing the amount that will be paid or will vest with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors, that must be attained during the Performance Cycle before any Long Term Performance Award will be paid or vest, and the percentage of Performance Units that will become payable and the percentage of performance- based Restricted Units or Shares of Restricted Stock that will vest upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee may, in its discretion, select Performance Measures that measure the performance of the Company or one or more business units, divisions or Subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, modify the amount of Long Term Performance Awards payable to any Key Employee with respect to any given Performance

Cycle, provided, however, that with respect to Qualified Performance-Based Awards, the amount payable under any such Award may not be increased and no reduction will result in an increase in the dollar amount or number of Shares payable under any Long Term Performance Award of another Key Employee.

(iv) With respect to a Long Term Performance Award (or any portion thereof) that is not a Qualified Performance-Based Award, the Committee may establish, in its discretion, performance criteria other than the Performance Measures that will be applicable for the Performance Cycle.

(d) *Payment, Certification.* No Long Term Performance Award granted pursuant to a Qualified Performance-Based Award will vest with respect to any Employee until the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures. Long Term Performance Awards that are not Qualified Performance-Based will be based on the Performance Measures, or other applicable performance criteria, and payment formulas that the Committee, in its discretion, may establish for these purposes. These Performance Measures, or other performance criteria, and formulas may be the same as or different than the Performance Measures and formulas that apply to Qualified Performance-Based Awards.

(e) *Form of Payment.* Long Term Performance Awards in the form of Performance Units may be paid in cash or full Shares, in the discretion of the Committee, and as set forth in the Award Certificate. Performance-based Restricted Units and Restricted Stock will be paid in full Shares. Payment with respect to any fractional Share will be in cash in an amount based on the Fair Market Value of the Share as of the date the Performance Unit becomes payable. All such Long Term Performance Awards shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Long Term Performance Awards are no longer subject to a substantial risk of forfeiture (as determined for purposes of Code Section 409A), except to the extent that a Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement, in which case the terms of such arrangement shall govern.

(f) *Section 162(m) of the Code.* It is the intent of the Company that Long Term Performance Awards that are Qualified Performance-Based Awards satisfy the requirements for "performance-based compensation" for purposes of Section 162(m) of the Code, that this Section 4.5 be interpreted in a manner that permits such Awards to satisfy the applicable requirements of Section 162(m)(C) of the Code and related regulations with respect to Long Term Performance awards made to Key Employees, and that the Plan be operated so that the Company may take a full tax deduction for Long Term Performance Awards that are Qualified Performance-Based Awards. If any provision of this Plan or any Long Term Performance Award would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(g) *Retirement, Death, Disability and Other Events.* Unless the Award Certificate provides otherwise, if a Participant would be entitled to a Long Term Performance Award but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement (for any Award granted prior to the Effective Date), death or Disability, or such other event as designated by the Committee, the Participant may, in the Committee's discretion, receive a Long Term Performance Award, prorated for the portion of the Performance Cycle that the Participant completed and payable at the same time after the end of the Performance Cycle that payments to other Long Term Performance Award recipients are made. Unless the Award Certificate provides otherwise, for any Award granted on or after the Effective Date, if a Participant would be entitled to a Long Term Performance Award but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Long Term Performance Award will continue to vest under the terms and conditions of the Award Certificate following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, and such Long Term Performance Award will be payable at the same time after the end of the Performance Cycle that payments to other Long Term Performance Award recipients are made, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of the Retirement with respect to such continued vesting.

(h) *Dividends and Dividend Equivalents.* In the event of a payment of dividends on Common Stock, the Committee may credit Long Term Performance Awards made under this Section 4.5 with Dividend Equivalents in accordance with terms and conditions established in the discretion of the Committee. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be subject to the same vesting requirements as the underlying Long-Term Performance Award and will become payable or deliverable only to the extent that the underlying Long-Term Performance Award vests and becomes payable or deliverable. In no event will Dividend

Equivalents be payable or deliverable prior to the vesting date of the underlying Long-Term Performance Award. The number of any Dividend Equivalents credited to a Participant's Award upon the payment of a dividend on Common Shares will be equal to the quotient produced by dividing the cash value of the dividend by the Fair Market Value of one Share as of the date the dividend is paid.

4.6 Other Stock-Based Awards. The Committee may, from time to time, grant Awards (other than Stock Options, Stock Appreciation Rights, Annual Performance Bonuses or Long Term Performance Awards) to any Employee who the Committee may from time to time select, which Awards consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. These Awards may include, among other forms, Restricted Stock, Restricted Units, or Deferred Stock Units. The Committee will determine, in its discretion, the terms and conditions that will apply to Awards granted pursuant to this Section 4.6, which terms and conditions will be set forth in the applicable Award Certificate.

(a) *Vesting.* Unless the Award Certificate provides otherwise, restrictions on Stock-Based Awards granted under this Section 4.6 will lapse in equal annual installments over a period of four years beginning immediately after the date of grant. If the restrictions on Stock-Based Awards have not lapsed or been satisfied as of the Participant's Termination of Employment, the Shares will be forfeited by the Participant if the termination is for any reason other than the Retirement, death or Disability of the Participant or a Change in Control, unless as otherwise provided in the Award Certificate. Unless the Award Certificate provides otherwise, (i) all restrictions on Stock-Based Awards granted pursuant to this Section 4.6 will lapse upon the death or Disability of the Participant, (ii) in the event of Retirement for any Award granted prior to the Effective Date, the Award will vest pro rata with respect to the portion of the four-year vesting term (or such other vesting term as is set forth in the Award Certificate) that the Participant has completed as of the Participant's Termination of Employment and provided that the Participant has satisfied all other applicable conditions established by the Committee with respect to such pro rata vesting, (iii) in the event of Retirement for any Award granted on or after the Effective Date, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Award will continue to vest under the terms and conditions of the Award Certificate following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of Retirement with respect to such continued vesting, and (iv) in the event of a Change in Control, Stock-Based Awards will be treated in accordance with Section 5.4. In no event may the vesting period of a time-based full-value share award be less than three years (on either a cliff or graded vesting basis), except that the Committee may award up to 10 percent of the shares authorized for issuance under Section 5.1 with a vesting period of less than three years under such circumstances as it deems appropriate.

(b) *Grant of Restricted Stock.* The Committee may grant Restricted Stock to any Employee, which Shares will be registered in the name of the Participant and held for the Participant by the Company. The Participant will have all rights of a stockholder with respect to the Shares, including the right to vote and to receive dividends or other distributions, except that the Shares may be subject to a vesting schedule and will be forfeited if the Participant attempts to sell, transfer, assign, pledge or otherwise encumber or dispose of the Shares before the restrictions are satisfied or lapse.

(c) *Grant of Restricted Units.* The Committee may grant Restricted Units to any Employee, which Units will be paid in cash or whole Shares or a combination of cash and Shares, as determined in the discretion of the Committee. The Committee will determine the terms and conditions applicable to the grant of Restricted Units, which terms and conditions will be set forth in the Award Certificate. For each Restricted Unit that vests, one Share will be paid or an amount in cash equal to the Fair Market Value of a Share, as set forth in the Award Certificate, will be delivered to the Participant on the applicable delivery date.

(d) *Grant of Deferred Stock Units.* The Committee may grant Deferred Stock Units to any Employee, which Units will be paid in whole Shares upon the Employee's Termination of Employment if the restrictions on the Units have lapsed. One Share will be paid for each Deferred Stock Unit that becomes payable.

(e) *Dividends and Dividend Equivalents.* In the event of a payment of dividends on Common Stock, the Committee may credit Other Stock-Based Awards made under this Section 4.6 with Dividend Equivalents in accordance with terms and conditions established in the discretion of the Committee. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be subject to the same vesting requirements as the underlying Other Stock-Based Award and will become payable or deliverable only to the extent that the underlying Other Stock-Based Award vests and becomes payable or deliverable. In no event will Dividend Equivalents be payable or deliverable prior to the vesting date of the underlying Other Stock-Based Award. The number of any Dividend Equivalents credited to a Participant's Award upon the payment of a dividend on Common Shares will be equal to the quotient produced by dividing the cash value of the dividend by the Fair Market Value of one Share as of the date the dividend is paid.

4.7 Director Awards.

(a) The Committee may grant Deferred Stock Units to each Director in such an amount as the Board, in its discretion, may approve in advance. Each such Deferred Stock Unit will vest as determined by the Committee and set forth in the Award Certificate and will be paid in Shares within 30 days following the recipient's Termination of Directorship, subject to deferral under any applicable deferred compensation plan approved by the Committee, in which case the terms of such arrangement shall govern. Dividend Equivalents or additional Deferred Stock Units will be credited to each Director's account when dividends are paid on Common Stock to the shareholders, and will be paid to the Director at the same time that the Deferred Stock Units are paid to the Director.

(b) The Committee may grant Director Shares to each Director in such amounts as the Board, in its discretion, may approve in advance.

(c) The Committee may, in its discretion, grant Stock Options, Stock Appreciation Rights and other Stock-Based Awards to Directors.

4.8 Substitute Awards. The Committee may make Awards under the Plan to Acquired Grantees through the assumption of, or in substitution for, outstanding stock-based awards previously granted to such Acquired Grantees by the Acquired Company. Such assumed or substituted Awards will be subject to the terms and conditions of the original awards made by the Acquired Company, with such adjustments therein as the Committee considers appropriate to give effect to the relevant provisions of any agreement for the acquisition of the Acquired Company, provided that any such adjustment with respect to Nonqualified Stock Options and Stock Appreciation Rights shall satisfy the requirements of Treas. Reg. § 1.409A-1(b)(5)(v)(D) and otherwise ensure that such awards continue to be exempt from Code Section 409A and provided that any adjustment to Awards that are subject to Code Section 409A is in compliance with Code Section 409A and the regulations and rulings thereunder. Any grant of Incentive Stock Options pursuant to this Section 4.8 will be made in accordance with Section 424 of the Code and any final regulations published thereunder.

4.9 Limit on Individual Grants. Subject to Sections 5.1 and 5.3, no Employee may be granted more than 6 million Shares over any calendar year pursuant to Awards of Stock Options, Stock Appreciation Rights and performance-based Restricted Stock and performance-based Restricted Units, except that an incentive Award of no more than 10 million Shares may be made pursuant to Stock Options, Stock Appreciation Rights, performance-based Restricted Stock and performance-based Restricted Units (based upon the Award level as of the date of grant) to any person who has been hired within the calendar year as a Key Employee. The maximum amount that may be paid in cash or Shares pursuant to Annual Performance Bonuses or Long Term Performance Awards paid in Performance Units to any one Employee is \$10 million (U.S.) (based upon the Award level as of the date of grant) for any Performance Cycle of 12 months. For any longer Performance Cycle, this maximum will be adjusted proportionally.

4.10 Termination for Cause; Clawback. (a) Notwithstanding anything to the contrary herein, if a Participant incurs a Termination of Directorship or Termination of Employment for Cause, then all Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long Term Performance Awards, Restricted Units, Restricted Stock and other Stock-Based Awards are subject to immediate cancellation at the discretion of the Company. The exercise of any Stock Option or Stock Appreciation Right or the payment of any Award may be delayed, in the Company's discretion, in the event that a potential termination for Cause is pending, subject to ensuring an exemption from or compliance with Code Section 409A and the underlying regulations and rulings. If a Participant incurs a Termination of Employment for Cause, or the Company becomes aware (after the Participant's Termination of Employment) of conduct on the part of the Participant that would be grounds for a Termination of Employment for Cause, then, as determined in the discretion of the Company, the Participant will be required to deliver to the Company (i) Shares (or, in the discretion of the Committee, cash) in an amount that is equal in value to the amount of any profit the Participant realized upon the exercise of an Option during the period beginning six (6) months prior to the Participant's Termination of Employment and ending on the later of two (2) year anniversary of such Termination of Employment and the date you fully exercised any stock option granted hereunder; and (ii) the number of Shares (or, in the discretion of the Committee, the cash value of said shares) the Participant received for Restricted Shares, Restricted Units or other Stock-Based Awards that vested during the period described in (i) above.

(b) In addition, any Award Certificate (or any part thereof) may provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee in accordance with any Company claw-back or forfeiture policy, as may be amended from time to time, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the

Company with respect to awards and recovery of amounts relating thereto. By accepting Awards under the Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any award or amount paid under this Plan subject to claw-back pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any award or amounts paid under this Plan from a Participant's accounts, or pending or future compensation awards.

ARTICLE V SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

5.1 Shares Available. The Shares issuable under the Plan will be authorized but unissued Shares, and, to the extent permissible under applicable law, Shares acquired by the Company, any Subsidiary or any other person or entity designated by the Company. The shareholders of the Company have authorized for issuance the following number of Shares:

- (a) June 29, 2007: five percent (5%) of the Shares outstanding as of that date;
- (b) March 10, 2010: an additional fifteen million (15,000,000) Shares;
- (c) March 7, 2012: an additional twenty million (20,000,000) Shares; and
- (d) March 8, 2017: an additional ten million (10,000,000) Shares, subject to adjustment in accordance with Section 5.3.

No more than 10 million Shares of the total Shares issuable under the Plan may be available for grant in the form of Incentive Stock Options, subject to adjustment in accordance with Section 5.3. Notwithstanding anything to the contrary in this Section 5.1, (i) when Shares are issued pursuant to a grant of Stock Options or Stock Appreciation Rights, the total number of Shares remaining available for grant will be decreased by one per Share issued, and (ii) when Shares are issued pursuant to a grant of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or as payment of an Annual Performance Bonus or other Stock-Based Award, the total number of Shares remaining available for grant will be decreased by a margin of at least 1.8 per Share issued. In addition, in the case of the settlement of any stock-settled Stock Appreciation Right, the total number of Shares available for grant will be decreased by the total number of Shares underlying the Award, regardless of the number of Shares used to the Stock Appreciation Right on the day of settlement.

5.2 Counting Rules. The following Shares related to Awards under this Plan may again be available for issuance under the Plan, in addition to the Shares described in Section 5.1:

- (a) Shares related to Awards paid in cash;
- (b) Shares related to Awards that expire, are forfeited or cancelled or terminate for any other reason without issuance of Shares, and provided that each such forfeited, cancelled or terminated Share that was originally issued pursuant to a grant of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or as payment of an Annual Performance Bonus or other Stock- Based Award shall be counted as 1.8 Shares;
- (c) Any Shares issued in connection with Awards that are assumed, converted or substituted as a result of the acquisition of an Acquired Company by the Company or a combination of the Company with another company; and
- (d) Any Shares of Restricted Stock that are returned to the Company upon a Participant's Termination of Employment.

Shares that are (i) tendered by a Participant or withheld by the Company in payment of the exercise, base or purchase price relating to an Award, (ii) tendered by the Participant or withheld by the Company to satisfy any taxes or tax withholding obligations with respect to an Award, or (iii) not issued or delivered as a result of the net settlement of an outstanding Stock Option or Stock Appreciation Right under the Plan, as applicable, will not be available for future Awards under the Plan.

5.3 Adjustments. In the event of a change in the outstanding Shares by reason of a stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of

Shares or other securities or similar corporate transaction or event, the Committee shall make an appropriate adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such adjustment with respect to Nonqualified Stock Options and Stock Appreciation Rights shall satisfy the requirements of Treas. Reg. § 1.409A-1(b)(5)(v)(D) and otherwise ensure that such awards continue to be exempt from Code Section 409A, and any adjustment to Awards that are subject to Code Section 409A shall comply with Code Section 409A and the regulations and rulings thereunder. Any adjustment made by the Committee under this Section 5.3 will be conclusive and binding for all purposes under the Plan.

5.4 Change in Control.

(a) Unless otherwise provided under the terms of an applicable Award Certificate, (i) all outstanding Stock Options and Stock Appreciation Rights will become exercisable as of the effective date of a Participant's Change in Control Termination if the Awards are not otherwise vested, and all conditions will be waived with respect to outstanding Restricted Stock, Restricted Units and other Stock-Based Awards (other than Long Term Performance Awards) and Deferred Stock Units, and (ii) each Participant who has been granted an Annual Performance Bonus or Long Term Performance Award that is outstanding as of the date of such Participant's Change in Control Termination will be deemed to have achieved a level of performance, as of the Change in Control Termination, that would cause all (100%) of the Participant's Target Amounts to become payable, except with respect to portions of the Bonus or Award that have already been determined and certified by the Committee, in which case those portions of the Bonus or Award will become payable at the certified performance level. Unless the Committee determines otherwise in its discretion (either when the award is granted or any time thereafter), in the event that Awards outstanding as of the date of a Change in Control that are payable in shares of Company Common Stock will not be substituted with comparable awards payable or redeemable in shares of publicly-traded stock after the Change in Control, each such outstanding Award (i) will become fully vested (at target, where applicable) immediately prior to the Change in Control and (ii) each such Award that is a Stock Option will be settled in cash, without the Participant's consent, for an amount equal to the amount that could have been attained upon the exercise of such Award immediately prior to the Change in Control had such Award been exercisable or payable at such time.

(b) In addition to or in lieu of the other actions described in Section 5.4(a), the Committee has the authority in the event of a Change in Control to exercise its discretion in good faith to take such other actions with respect to outstanding Awards as are deemed reasonable and appropriate under the circumstances to assure that the value of such Awards and Participants' opportunities to recognize the value of such Awards are preserved. Such actions may be taken without the consent of the Participant and may include without limitation the following: (i) the Committee may determine that outstanding Stock Options and Stock Appreciation Rights shall be fully exercisable, and restrictions on Restricted Stock, Restricted Units, Deferred Stock Units and other Stock-Based Awards shall lapse, as of the date of the Change in Control or such other time (prior to a Participant's Change in Control Termination) as the Committee determines appropriate under the existing circumstances, (ii) the Committee may require that a Participant surrender outstanding Stock Options and Stock Appreciation Rights in exchange for one or more payments by the Company, in cash or Common Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Common Stock subject to the Participant's unexercised Stock Options and Stock Appreciation Rights exceeds the exercise price, if any, and on such terms as the Committee determines (it being understood that if the per share Fair Market Value is less than or equal to the per share exercise price, the Stock Option or Stock Appreciation Right, as applicable, shall be cancelled for no consideration), (iii) after giving Participants an opportunity to exercise their outstanding Stock Options and Stock Appreciation Rights, the Committee may terminate any or all unexercised Stock Options and Stock Appreciation Rights at such time as the Committee deems appropriate, (iv) the Committee may determine that Annual Performance Bonuses and/or Long Term Performance Awards will be paid out at their target level, in cash or Common Stock as determined by the Committee, or (v) the Committee may determine that Awards that remain outstanding after the Change in Control shall be converted to similar grants of, or assumed by, the surviving corporation (or a parent or subsidiary of the surviving corporation or successor). Such acceleration, surrender, termination, settlement or conversion shall take place as of the date of the Change in Control or such other date as the Committee may specify. The Committee may specify how an Award will be treated in the event of a Change in Control either when the Award is granted or at any time thereafter, including without limitation by approval of language included in an agreement entered into by the Company in connection with a Change in Control, except as otherwise provided herein.

5.5 Fractional Shares. In the discretion of the Committee, fractional Shares may be issued under the Plan. Except as otherwise provided in Section 4.5(e), if a Participant acquires the right to receive a fractional Share under the Plan, the Participant will receive, in lieu of the fractional Share, a full Share as of the date of settlement, unless otherwise provided by the Committee. Notwithstanding the forgoing, fractional shares may be issued to satisfy tax withholding.

ARTICLE VI AMENDMENT AND TERMINATION

6.1 Amendment. The Plan may be amended at any time and from time to time by the Board without the approval of stockholders of the Company, except that no material revision to the terms of the Plan will be effective until the amendment is approved by the stockholders of the Company. A revision is "material" for this purpose if, among other changes, it materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3), expands the types of Awards available under the Plan, materially expands the class of persons eligible to receive Awards under the Plan, materially extends the term of the Plan, materially decreases the Exercise Price at which Stock Options or Stock Appreciation Rights may be granted, reduces the Exercise Price of outstanding Stock Options or Stock Appreciation Rights, or results in the replacement of outstanding Stock Options and Stock Appreciation Rights with new Awards that have an Exercise Price that is lower than the Exercise Price of the replaced Stock Options and Stock Appreciation Rights, or if approval by stockholders of the Company is necessary to comply with any applicable law, tax or regulatory requirement, or listing requirement of the New York Stock Exchange or any other national exchange on which the Shares are listed, for which or with which the Board deems it necessary or desirable to qualify or comply. No amendment of the Plan or any outstanding Award made without the Participant's written consent may materially impact any right of a Participant with respect to an outstanding Award.

6.2 Termination. The Plan will terminate upon the earlier of the following dates or events to occur:

- (a) the adoption of a resolution of the Board terminating the Plan; or
- (b) June 27, 2027.

No Awards will be granted under this Plan after it has terminated. The termination of the Plan, however, will not alter or impair any of the rights or obligations of any person under any Award previously granted under the Plan without such person's consent. After the termination of the Plan, any previously granted Awards will remain in effect and will continue to be governed by the terms of the Plan and the applicable Award Certificate.

ARTICLE VII GENERAL PROVISIONS

7.1 Nontransferability of Awards. Effective March 8, 2017, no Award under the Plan (regardless of when granted) will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except by will or by the laws of descent or distribution. Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this subsection (d), "affiliate" will have the meaning assigned to that term under Rule 144.

7.2 Withholding of Taxes. The Committee, in its discretion, may satisfy a Participant's tax withholding obligations by any of the following methods or any method as it determines to be in accordance with the laws of the jurisdiction in which the Participant resides, has domicile or performs services.

(a) *Stock Options and Stock Appreciation Rights.* As a condition to the delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right, the Committee may require that the Participant, at the time of exercise, pay to the Company by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations. The Committee may also, in its discretion, accept payment of tax withholding obligations through any of the Exercise Price payment methods described in Section 4.3(d).

(b) *Other Awards Payable in Shares.* The Participant shall satisfy the Participant's tax withholding obligations arising in connection with the release of restrictions on Restricted Units, Restricted Stock and other Stock- Based Awards by payment to the Company in cash or by certified check, bank draft, wire transfer or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. However, subject to any requirements of applicable law, the Company may also satisfy the Participant's tax withholding obligations by other methods, including selling or withholding Shares that would otherwise be available for delivery, provided that the Board or the Committee has specifically approved such payment method in advance.

(c) *Cash Awards.* The Company may satisfy a Participant's tax withholding obligation arising in connection with the payment of any Award in cash by withholding cash from such payment.

7.3 *Special Forfeiture Provision.* The Committee may, in its discretion, provide in an Award Certificate that if the Participant engages in acts that are deemed to be detrimental to the best interests of the Company, including without limitation, (i) any breach of the Company's Guide to Ethical Conduct or engagement in any other act that could result in the Participant's Termination of Employment for Cause, or (ii) the Participant's engagement in activities that are deemed to be competitive or potentially competitive to the interests of the Company or any Subsidiary, including entering into any employment or consultation arrangement with any entity or person engaged in any business in which the Company or any Subsidiary is engaged without prior written approval of the Company if, in the sole judgment of the Company, the business is competitive with the Company or any Subsidiary or business unit or such employment or consultation arrangement would present a risk that the Participant would likely disclose Company proprietary information (as determined by the Company), then the Participant's outstanding Awards can be forfeited and any profits realized or Shares delivered as a result of the payment, vesting or exercise of Awards before or after the Participant's Termination of Employment will be subject to forfeiture and reimbursement to the Company under such terms and conditions as are deemed appropriate by the Committee.

7.4 *No Implied Rights.* The establishment and operation of the Plan, including the eligibility of a Participant to participate in the Plan, will not be construed as conferring any legal or other right upon any Director for any continuation of directorship or any Employee for the continuation of employment through the end of any Performance Cycle or other period. The Company expressly reserves the right, which may be exercised at any time and in the Company's sole discretion, to discharge any individual or treat him or her without regard to the effect such discharge might have upon him or her as a Participant in the Plan.

7.5 *No Obligation to Exercise Awards.* The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award.

7.6 *No Rights as Stockholders.* A Participant who is granted an Award under the Plan will have no rights as a stockholder of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and (other than in the case of Restricted Stock) delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

7.7 *Indemnification of Committee.* The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

7.8 *No Required Segregation of Assets.* Neither the Company nor any Subsidiary will be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

7.9 *Nature of Payments.* All Awards made pursuant to the Plan are in consideration of services for the Company or a Subsidiary. Any gain realized pursuant to Awards under the Plan constitutes a special incentive payment to the Participant and will not be taken into account as compensation for purposes of any other employee benefit plan of the Company or a Subsidiary, except as the Committee otherwise provides. The adoption of the Plan will have no effect on Awards made or to be made under any other benefit plan covering an employee of the Company or a Subsidiary or any predecessor or successor of the Company or a Subsidiary.

7.10 *Securities Law Compliance.* Awards under the Plan are intended to satisfy the requirements of Rule 16b-3 under the Exchange Act. If any provision of this Plan or any grant of an Award would otherwise frustrate or conflict with this intent, that provision will be interpreted and deemed amended so as to avoid conflict. No Participant will be entitled to a grant, exercise, transfer or payment of any Award if the grant, exercise, transfer or payment would violate the provisions of the Sarbanes-Oxley Act of 2002 or any other applicable law.

7.11 *Section 409A Compliance.* To the extent applicable, it is intended that the Plan and all Awards hereunder comply with, or be exempt from, the requirements of Section 409A of the Code and the Treasury Regulations and other guidance issued thereunder, and that the Plan and all Award Agreements shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A of the Code. To the extent any Award granted under the Plan either qualifies for an exemption from the requirements of Section 409A of the Code or is subject to Section 409A of the Code, the Plan and the Award Certificate will be interpreted such that the Award qualifies for an exemption or, if Section 409A of the Code is applicable, in accordance with Section 409A of the Code and

Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan, in the event that the Committee determines that any Award may be subject to Section 409A of the Code, the Committee may adopt such amendments to the Plan and/or the applicable Award Certificate or adopt policies and procedures or take any other action or actions, including an action or amendment with retroactive effect, that the Committee determines is necessary or appropriate to (i) exempt the Award from the application of Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code. Any Award that provides for a payment to any Participant who is a "specified employee" of deferred compensation that is subject to Code Section 409A(a)(2) and that becomes payable upon, or that is accelerated upon, such Participant's Termination of Employment, shall not be made on or before the date which is six months following such Participant's Termination of Employment (or, if earlier, such Participant's death). A specified employee for this purpose shall be determined by the Committee or its delegate in accordance with the provisions of Code Section 409A and the regulations and rulings thereunder. If a grant under the Plan is subject to Section 409A of the Code, then (i) distributions shall only be made in a manner and upon an event permitted under Section 409A of the Code, (ii) payments to be made upon termination of employment shall only be made upon a "separation from service" under Section 409A of the Code, (iii) unless the grant agreement specifies otherwise, each installment payment shall be treated as a separate payment for purposes of Section 409A of the Code, and (iv) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except as permitted in accordance with Section 409A of the Code. Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan and grants of deferred compensation hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under the Plan and grants of deferred compensation hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with the Plan and grants hereunder (including any taxes, interest and/or penalties under Section 409A of the Code), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes, interest and/or penalties.

7.12 Governing Law, Severability. The Plan and all determinations made and actions taken under the Plan will be governed by the law of Switzerland and construed accordingly. If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability will not affect any other parts of the Plan, which parts will remain in full force and effect.

7.13. Non U.S. Participants. In order to facilitate the making of any grant or combination of grants under the Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, to comply with applicable foreign laws or facilitate the offering and administration of the Plan in view of such foreign laws and to allow for tax-preferred treatment of Awards. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of the Plan (including, without limitation, sub-plans) and modify exercise procedures, and other terms and procedures, as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Plan. No such special terms, supplements, amendments, restatements, sub-plans or modifications, however, will include any provisions that are inconsistent with the terms of the Plan as then in effect unless the Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.