

TE Connectivity Ltd.
Form PRE 14A
December 14, 2018

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

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

TE CONNECTIVITY LTD.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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- (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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January •, 2019

Dear Shareholder,

You are invited to attend the 2019 Annual General Meeting of Shareholders of TE Connectivity Ltd., to be held on Wednesday, March 13, 2019 at 2:00 p.m., Central European Time (9:00 a.m., Eastern Daylight Time), at the Park Hyatt Zürich, Beethoven-Strasse 21, 8002 Zürich, Switzerland. Details of the business to be presented at the meeting can be found in the accompanying Invitation to the Annual General Meeting of Shareholders and Proxy Statement.

If you cannot attend, you can ensure that your shares are represented at the meeting by casting your vote either electronically at your earliest convenience or by promptly completing, signing, dating and returning your proxy card.

We look forward to seeing you at the meeting.

Sincerely,

Thomas J. Lynch
Chairman of the Board

TE Connectivity Ltd.
Rheinstrasse 20
CH-8200 Schaffhausen, Switzerland

Tel: +41 (0)52 633 66 61
Fax: +41 (0)52 633 66 99

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TE CONNECTIVITY LTD.

Rheinstrasse 20

CH-8200 Schaffhausen, Switzerland

Invitation to the Annual General Meeting of Shareholders

Time and Date:	2:00 p.m., Central European Time (9:00 a.m., Eastern Daylight Time), on March 13, 2019
Place:	The Park Hyatt Zürich, Beethoven-Strasse 21, 8002 Zürich, Switzerland
Agenda Items:	<ol style="list-style-type: none">1. Election of twelve (12) director nominees proposed by the Board of Directors;2. Election of the Chairman of the Board of Directors;3. Election of the members of the Management Development and Compensation Committee;4. Election of the Independent Proxy;5. Approval of (i) the 2018 Annual Report of TE Connectivity Ltd. (excluding the statutory financial statements for the fiscal year ended September 28, 2018, the consolidated financial statements for the fiscal year ended September 28, 2018 and the Swiss Compensation Report for the fiscal year ended September 28, 2018), (ii) the statutory financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018, and (iii) the consolidated financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018;6. Release of the members of the Board of Directors and executive officers of TE Connectivity for activities during the fiscal year ended September 28, 2018;7. Election of (i) Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2019, (ii) Deloitte AG, Zurich, Switzerland, as our Swiss registered auditor until our next annual general meeting, and (iii) PricewaterhouseCoopers AG, Zurich, Switzerland, as our special auditor until our next annual general meeting;8. Advisory Vote to Approve Named Executive Officer Compensation;9. Binding vote to approve fiscal year 2020 maximum aggregate compensation amount for executive management;10. Binding vote to approve fiscal year 2020 maximum aggregate compensation amount for the Board of Directors;11. Carryforward of unappropriated accumulated earnings;12. Declaration of dividend;13. Authorization relating to share repurchase program;14. Approval of share capital reduction for shares acquired under our share repurchase program;15. Approval of any adjournments or postponements of the meeting.

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Persons Who Will Receive
Proxy Materials:

Under rules of the Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, or the Notice, to our shareholders registered in our share register as of the close of business (Eastern Standard Time) on **January 9, 2019**. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. The Notice also instructs you on how you may submit your proxy over the Internet or via mail. You will not receive a printed copy of the proxy materials unless you request one in the manner set forth in the Notice or as otherwise described in the next paragraph. This permits us to conserve natural resources and reduce our printing costs, while giving shareholders a convenient and efficient way to access our proxy materials and vote their shares.

A copy of the proxy materials, including a proxy card, also will be sent to any additional shareholders who are registered in our share register as shareholders with voting rights, or who become beneficial owners through a nominee registered in our share register as a shareholder with voting rights, as of the close of business (Eastern Standard Time) on **February 21, 2019**.

Admission to Meeting and
Persons Eligible to Vote:

Shareholders who are registered with voting rights in our share register as of the close of business (Eastern Standard Time) on **February 21, 2019** have the right to attend the Annual General Meeting and vote their shares, or may grant a proxy to vote on each of the agenda items in this invitation and any other matter properly presented at the meeting for consideration.

Shareholders who hold their shares in the name of a bank, broker or other nominee ("Beneficial Owners") should follow the instructions provided by their bank, broker or nominee. Beneficial Owners who have not obtained a proxy from their bank, broker or nominee are not entitled to vote in person at the Annual General Meeting.

Granting of Proxy:

Shareholders of record with voting rights who do not wish to attend the Annual General Meeting have the right to appoint Dr. René Schwarzenbach, Proxy Voting Services GmbH, as independent proxy, pursuant to article 9 of the Swiss Ordinance Against Excessive Compensation at Listed Corporations (the "Swiss Ordinance"), with full rights of substitution, by appointing the independent proxy and voting electronically or submitting a proxy card with your votes. The Swiss Ordinance prohibits from acting as proxies company officers (*Organstimmrechtsvertretung*) and institutions subject to the Swiss Federal Law on Banks and Savings Banks as well as professional asset managers that hold proxies for holders of record concerning deposited shares (*Depotstimmrechtsvertretung*).

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The proxies granted to the independent proxy must be received no later than 5:00 p.m., Central European Time (12:00 p.m., Eastern Daylight Time) on March 12, 2019. A shareholder of record who gives a proxy may revoke it at any time before it is exercised by giving notice in person of the revocation and voting in person at the meeting, or, subject to timing limitations, by delivering a revocation letter and subsequent proxy card to the independent proxy.

With regard to the items listed on the agenda, or if new agenda items (other than those on the agenda) or new proposals or motions regarding agenda items set out in this Invitation to the Annual General Meeting are being put forth at the meeting, the independent proxy will vote in accordance with the specific instructions of the shareholder, or if selected by the shareholder in granting the proxy as a general instruction, in accordance with the recommendation of the company's Board of Directors at the meeting, or abstain from voting if the shareholder did not provide instructions.

Date of Availability:

Our proxy materials are being made available on or about January 18, 2019 to each shareholder of record of TE Connectivity registered shares at the close of business (Eastern Standard Time) on January 9, 2019.

By order of the Board of Directors,

Harold G. Barksdale
Corporate Secretary

January •, 2019

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**PROXY STATEMENT
FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF**

**TE CONNECTIVITY LTD.
TO BE HELD ON WEDNESDAY, MARCH 13, 2019**

QUESTIONS AND ANSWERS ABOUT THIS PROXY STATEMENT AND VOTING

Why am I receiving these materials?

TE Connectivity's Board of Directors is soliciting your proxy to vote at the Annual General Meeting to be held at 2:00 p.m., Central European Time (9:00 a.m., Eastern Daylight Time), on March 13, 2019, at The Park Hyatt Zürich, Beethoven-Strasse 21, 8002 Zürich, Switzerland. The information provided in this proxy statement is for your use in determining how you will vote on the agenda items described within.

We have made available our proxy materials to each person who is registered as a holder of our shares in the register of shareholders (such owners are often referred to as "holders of record" or "record holders") as of the close of business (Eastern Standard Time) on January 9, 2019. We also will send a copy of the proxy materials, including the proxy card, to any holder of record who requests them in the manner set forth in the Notice and to any additional shareholders who become registered in our share register after the close of business (Eastern Standard Time) on January 9, 2019 and continue to be registered in our share register at the close of business (Eastern Standard Time) on February 21, 2019. Distribution to shareholders of the Notice of Internet Availability of Proxy Materials (the "Notice"), is scheduled to begin on or about January 18, 2019.

We have requested that banks, brokerage firms and other nominees who hold TE Connectivity shares on behalf of the owners of the shares (such owners are often referred to, and we refer to them below, as "beneficial owners," "beneficial shareholders" or "street name holders") as of the close of business (Eastern Standard Time) on January 9, 2019 forward the Notice to those beneficial shareholders and forward the proxy materials, along with a voting instruction card, for any additional beneficial owners who acquire their shares after January 9, 2019 and continue to hold them at the close of business (Eastern Standard Time) on February 21, 2019. We have agreed to pay the reasonable expenses of the banks, brokerage firms and other nominees for forwarding these materials. We also have provided for the proxy materials to be sent to persons who have interests in our shares through participation in our employee share purchase plans. These individuals are not eligible to vote directly at the Annual General Meeting, but they may instruct the trustees of these plans how to vote the shares represented by their interests. The proxy card also will serve as voting instructions for the trustees of the plans.

Are proxy materials available on the Internet?

Yes.

Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting to be Held on March 13, 2019.

Our proxy statement for the Annual General Meeting to be held on March 13, 2019, other proxy material and our annual report to shareholders for fiscal year 2018 is available at <http://www.te.com/TEAnnualMeeting>.

Under SEC rules, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials to our shareholders registered in our share register as of the close of business (Eastern Standard Time) on January 9, 2019.

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All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. The Notice also instructs you on how you may submit your proxy over the Internet or via mail. You will not receive a printed copy of the proxy materials unless you request one in the manner set forth in the Notice or you acquire your shares after January 9, 2019 and continue to be registered in our share register at the close of business (Eastern Standard Time) on February 21, 2019, in which case we will send you the proxy materials. This permits us to conserve natural resources and reduce our printing costs, while giving shareholders a convenient and efficient way to access our proxy materials and vote their shares. Our proxy materials are being made available on or about January 18, 2019.

What agenda items are scheduled to be voted on at the meeting?

The fifteen (15) agenda items scheduled for a vote are:

Agenda Item No. 1: To elect twelve (12) nominees proposed by the Board of Directors as directors to hold office until the next annual general meeting of shareholders;

Agenda Item No. 2: To elect the Chairman of the Board of Directors;

Agenda Item No. 3: To elect the members of the Management Development and Compensation Committee;

Agenda Item No. 4: To elect the independent proxy for the 2020 annual general meeting of shareholders;

Agenda Item No. 5: To approve (i) the 2018 Annual Report of TE Connectivity Ltd. (excluding the statutory financial statements for the fiscal year ended September 28, 2018, the consolidated financial statements for the fiscal year ended September 28, 2018 and the Swiss Compensation Report for the fiscal year ended September 28, 2018), (ii) the statutory financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018, and (iii) the consolidated financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018;

Agenda Item No. 6: To release the members of the Board of Directors and executive officers of TE Connectivity for activities during the fiscal year ended September 28, 2018;

Agenda Item No. 7: To elect (i) Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2019, (ii) Deloitte AG, Zurich, Switzerland, as our Swiss registered auditor until our next annual general meeting, and (iii) PricewaterhouseCoopers AG, Zurich, Switzerland, as our special auditor until our next annual general meeting;

Agenda Item No. 8: To cast an advisory vote to approve named executive officer compensation;

Agenda Item No. 9: To cast a binding vote to approve fiscal year 2020 maximum aggregate compensation amount for executive management;

Agenda Item No. 10: To cast a binding vote to approve fiscal year 2020 maximum aggregate compensation amount for the Board of Directors;

Agenda Item No. 11: To approve the carryforward of unappropriated accumulated earnings;

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Agenda Item No. 12: To approve a dividend payment to shareholders equal to \$1.84 per issued share to be paid in four equal quarterly installments of \$0.46 starting with the third

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fiscal quarter of 2019 and ending in the second fiscal quarter of 2020 pursuant to the terms of the dividend resolution;

Agenda Item No. 13: To approve an authorization relating to our share repurchase program;

Agenda Item No. 14: To approve a share capital reduction for shares acquired under our share repurchase program and related amendments to our articles of association; and

Agenda Item No. 15: To approve any adjournments or postponements of the meeting.

What is the recommendation of the Board of Directors on each of the agenda items scheduled to be voted on at the meeting? How do the Board of Directors and executive officers intend to vote with respect to the agenda items?

TE Connectivity's Board of Directors recommends that you vote **FOR** each of the agenda items listed above as recommended by our Board of Directors. Our directors and executive officers have indicated that they intend to vote their shares in favor of each of the agenda items, except for Agenda Item No. 6 (Release of the Members of the Board of Directors and Executive Officers of TE Connectivity for Activities during the Fiscal Year ended September 28, 2018), where they are by law precluded from voting their shares. On January 1, 2019, our directors and executive officers and their affiliates beneficially owned approximately 1.1% of the outstanding shares.

What is the difference between being a shareholder of record and a beneficial owner?

If your shares are registered directly in your name in our share register operated by our stock transfer agent, you are considered the "shareholder of record" of those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee on your behalf and the broker, bank or nominee is registered in our share register as a shareholder with voting rights, your broker, bank or other nominee is considered the shareholder of record and you are considered the "beneficial owner" or "street name holder" of those shares. In this case, the shareholder of record that is registered as a shareholder with voting rights has forwarded either the Notice or the proxy materials, as applicable, and separate voting instructions, to you. As the beneficial owner, you have the right to direct the shareholder of record how to vote your shares by following the voting instructions they have provided to you. Because you are not the shareholder of record, you may not vote your shares in person at the meeting unless you receive a valid proxy from your broker, bank or other nominee that holds your shares giving you the right to vote the shares in person at the meeting.

Who is entitled to vote?

Shareholders of record

All shareholders registered in our share register at the close of business (Eastern Standard Time) on **February 21, 2019** are entitled to vote on the matters set forth in this proxy statement and any other matter properly presented at the meeting for consideration, provided such shareholders become registered as shareholders with voting rights by that time. See "I am a shareholder of record. How do I become registered as a shareholder with voting rights?"

Beneficial owners

Beneficial owners whose banks, brokers or nominees are shareholders registered in our share register with respect to the beneficial owners' shares at the close of business (Eastern Standard Time) on **February 21, 2019** are entitled to vote on the matters set forth in this proxy statement and any other matter properly presented at the meeting for consideration, provided such banks, brokers or nominees

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become registered as shareholders with voting rights. See " I am a shareholder of record. How do I become registered as a shareholder with voting rights?"

What if I am the record holder or beneficial owner of shares at the close of business (Eastern Standard Time) on January 9, 2019, but sell or otherwise transfer those shares before the close of business (Eastern Standard Time) on February 21, 2019?

Holders of record and beneficial owners will not be entitled to vote their shares or provide instructions to vote with respect to their shares if they hold shares at the close of business (Eastern Standard Time) on January 9, 2019 but sell or otherwise transfer those shares before the close of business (Eastern Standard Time) on February 21, 2019.

I am a shareholder of record. How do I become registered as a shareholder with voting rights?

If you are a shareholder of record, you have been registered as a shareholder with voting rights in our share register, unless in certain circumstances (such as failure to comply with particular disclosure requirements set forth in our articles of association) we have specifically advised you that you are registered as a shareholder without voting rights.

How do I attend the Annual General Meeting?

For admission to the meeting, shareholders and their authorized representatives must bring a valid government-issued photo identification, such as a driver's license or a passport. Shareholders of record with voting rights should bring the Notice or Admission Ticket they have received to the check-in area, where their ownership will be verified. Those who have beneficial ownership of registered shares held by a bank, brokerage firm or other nominee which has voting rights must bring to the check-in area a valid proxy from their banks, brokers or nominees showing that they own TE Connectivity registered shares as of the close of business (Eastern Standard Time) on February 21, 2019.

Registration at the meeting will begin at 1:00 p.m., Central European Time (8:00 a.m., Eastern Daylight Time) and close at 1:45 p.m., Central European Time (8:45 a.m., Eastern Daylight Time), and the meeting will begin at 2:00 p.m., Central European Time (9:00 a.m., Eastern Daylight Time). See " How do I vote if I am a shareholder of record?" and " How do I vote if I am a beneficial shareholder?" for a discussion of who is eligible and how to vote in person at the Annual General Meeting.

Security measures will be in place at the meeting to help ensure the safety of attendees. Cameras, sound recording devices, signs, photographs and visual displays are not permitted in the meeting without the prior permission of TE Connectivity. We reserve the right to inspect bags, backpacks, briefcases or other packages brought to the meeting. Cell phones and other sound transmitting devices must be turned off during the meeting.

How do I vote if I am a shareholder of record?

If you are a registered shareholder, you can vote in the following ways:

At the Annual General Meeting: If you are a shareholder of record with voting rights of TE Connectivity registered shares who plans to attend the Annual General Meeting and wishes to vote your shares in person, we will give you a ballot at the meeting.

Even if you plan to be present at the Annual General Meeting, we encourage you to vote by the Internet or complete and mail the proxy card to vote your shares by proxy. If you are a holder of record, you may still attend the Annual General Meeting and vote in person.

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By Internet: You can vote over the Internet at www.proxyvote.com by following the instructions in the Notice of Internet Availability of Proxy Materials previously sent to you or on the proxy card. By casting votes electronically, you will authorize the independent proxy, Dr. René Schwarzenbach, with full rights of substitution, to vote your shares on your behalf.

By Mail: You can vote by marking, dating and signing the proxy card (which will be sent to you at your request in accordance with instructions provided in the Notice) and returning it by mail for receipt by no later than indicated below. By marking, dating, signing and mailing the proxy card as instructed, you authorize the independent proxy, Dr. René Schwarzenbach, with full rights of substitution, to vote your shares on your behalf. If you vote by proxy card/mail, you will need to return via mail your completed proxy card to the independent proxy, Dr. René Schwarzenbach, Proxy Voting Services GmbH, in the postage pre-paid return envelope provided with the proxy card.

In order to assure that your votes are tabulated in time to be voted at the Annual General Meeting, you must vote electronically by 5:00 p.m., Central European Time (12:00 p.m., Eastern Daylight Time) on March 12, 2019, or submit your proxy card by mail so that it is received by 5:00 p.m., Central European Time (12:00 p.m., Eastern Daylight Time) on March 12, 2019.

If you have voted electronically or timely submitted a properly executed proxy card, your shares will be voted by the independent proxy as you have instructed. If any other matters are properly presented at the meeting, the independent proxy will either (i) vote the shares represented by your completed proxy in accordance with the specific instructions given by you, (ii) if selected by you in granting your proxy (as a general instruction), in accordance with the recommendation of the company's Board of Directors at the meeting, or (iii) if no instructions are given, abstain from voting your shares.

How do I vote if I am a beneficial shareholder?

General: If you hold your shares in street name, you should provide instructions to your bank or broker on how you wish your vote to be recorded by following the instructions on your voting instruction form supplied by your bank or broker with these proxy materials.

At the Annual General Meeting: If you are a shareholder who owns shares in street name, you are not entitled to vote in person at the Annual General Meeting unless you have a valid proxy, executed in your favor, from the bank, broker or nominee holder of record of your shares. We will then give you a ballot at the meeting.

Can I vote by Internet?

Yes. If you are a shareholder of record, see the Internet voting instructions provided on the Notice or proxy card. If you are a beneficial owner, see the voting instruction card provided by your bank, broker or other nominee.

Can I vote by telephone?

If you are a shareholder of record, you cannot vote by telephone. If you are a beneficial owner, see the voting instruction card provided by your broker, bank or other nominee for telephone voting instructions.

Can I appoint TE Connectivity officers as my proxy?

In accordance with Swiss regulations, shareholders may not appoint company officers as proxies.

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If my shares are held in "street name" by my broker, will my broker vote my shares for me?

We recommend that you contact your broker. Your broker can give you directions on how to instruct the broker to vote your shares. If you have not provided instructions to the broker, your broker will be able to vote your shares with respect to "routine" matters but not "non-routine" matters pursuant to New York Stock Exchange ("NYSE") rules. We believe the following agenda items will be considered non-routine under NYSE rules and therefore your broker will not be able to vote your shares with respect to these agenda items unless the broker receives appropriate instructions from you: Agenda Item No. 1 (Election of Directors), Agenda Item No. 2 (Election of Chairman of the Board), Agenda Item No. 3 (Election of Members of Management Development and Compensation Committee), Agenda Item No. 6 (Release of the Members of the Board of Directors and Executive Officers of TE Connectivity for Activities During the Fiscal Year Ended September 28, 2018), Agenda Item No. 8 (Advisory Vote to Approve Named Executive Officer Compensation), Agenda Item No. 9 (Binding Vote to Approve Fiscal Year 2020 Maximum Aggregate Compensation Amount for Executive Management), Agenda Item No. 10 (Binding Vote to Approve Fiscal Year 2020 Maximum Aggregate Compensation Amount for the Board of Directors).

What will happen if I don't vote my shares?

If you are a shareholder of record and you do not vote electronically or sign and return a proxy card with votes indicated, no votes will be cast on your behalf on any of the items of business at the meeting. If you are a shareholder of record and you return a signed proxy card but make no specific direction as to how your shares are to be voted, the independent proxy will vote your shares in accordance with the general instruction "FOR" each of the director nominees and "FOR" each of the other agenda items (including each subpart thereof) and in accordance with the recommendation of the Board of Directors.

If you are a beneficial shareholder and you do not provide voting instructions to your bank or broker, subject to any contractual arrangements, your bank or broker may vote your shares in its discretion on all agenda items except Agenda Item No. 1 (Election of Directors), Agenda Item No. 2 (Election of Chairman of the Board), Agenda Item No. 3 (Election of Members of Management Development and Compensation Committee), Agenda Item No. 6 (Release of the Members of the Board of Directors and Executive Officers of TE Connectivity for Activities During the Fiscal Year Ended September 28, 2018), Agenda Item No. 8 (Advisory Vote to Approve Named Executive Officer Compensation), Agenda Item No. 9 (Binding Vote to Approve Fiscal Year 2020 Maximum Aggregate Compensation Amount for Executive Management), Agenda Item No. 10 (Binding Vote to Approve Fiscal Year 2020 Maximum Aggregate Compensation Amount for the Board of Directors), and no votes will be cast on your behalf on Agenda Items No. 1, No. 2, No. 3, No. 6, No. 8, No. 9 and No. 10.

How many shares can vote at the Annual General Meeting?

Our registered shares are our only class of voting stock. As of January 9, 2019, there were • registered shares issued and outstanding and entitled to vote; however, shareholders who are not registered in our share register as shareholders or do not become registered as shareholders with voting rights as of the close of business (Eastern Standard Time) on February 21, 2019 will not be entitled to attend, vote at or grant proxies to vote at, the Annual General Meeting. See " I am a shareholder of record. How do I become registered as a shareholder with voting rights?" Shares duly represented at the Annual General Meeting will be entitled to one vote per share for each matter presented at the Annual General Meeting. Shareholders who are registered in our share register as of the close of business (Eastern Standard Time) on February 21, 2019 and who are registered with voting rights may vote in person at the Annual General Meeting as discussed under " How do I vote if I am a shareholder of record? At the Annual General Meeting."

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What quorum is required for the Annual General Meeting?

The presence, in person or by proxy, of at least the majority of the registered shares entitled to vote constitutes a quorum for the conduct of business at the Annual General Meeting.

What vote is required for approval of each agenda item and what is the effect of broker non-votes and abstentions?

The following agenda items require the affirmative vote of a majority of the votes cast at the Annual General Meeting, whether in person or by proxy. A majority means at least half plus one additional vote of the votes which are cast at a general meeting of shareholders.

Agenda Item No. 1: Election of twelve (12) director nominees proposed by the Board of Directors;

Agenda Item No. 2: Election of the Chairman of the Board of Directors;

Agenda Item No. 3: Election of the members of the Management Development and Compensation Committee;

Agenda Item No. 4: Election of the Independent Proxy;

Agenda Item Nos. 5.1, 5.2 and 5.3: Approval of (i) the 2018 Annual Report of TE Connectivity Ltd. (excluding the statutory financial statements for the fiscal year ended September 28, 2018, the consolidated financial statements for the fiscal year ended September 28, 2018 and the Swiss Compensation Report for the fiscal year ended September 28, 2018), (ii) the statutory financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018, and (iii) the consolidated financial statements of TE Connectivity Ltd. for the fiscal year ended September 28, 2018;

Agenda Item Nos. 7.1, 7.2 and 7.3: Election of (i) Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2019, (ii) Deloitte AG, Zurich, Switzerland, as our Swiss registered auditor until our next annual general meeting, and (iii) PricewaterhouseCoopers AG, Zurich, Switzerland, as our special auditor until our next annual general meeting;

Agenda Item No. 8: Advisory Vote to Approve Named Executive Officer Compensation;

Agenda Item No. 9: Binding vote to approve fiscal year 2020 maximum aggregate compensation amount for executive management;

Agenda Item No. 10: Binding vote to approve fiscal year 2020 maximum aggregate compensation amount for the Board of Directors;

Agenda Item No. 11: Carryforward of unappropriated accumulated earnings;

Agenda Item No. 12: Declaration of dividend;

Agenda Item No. 13: Authorization relating to share repurchase program;

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Agenda Item No. 14: Share capital reduction for shares acquired under our share repurchase program; and

Agenda Item No. 15: Approval of any adjournments or postponements of the meeting.

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The following agenda item requires the affirmative vote of a majority of the votes cast at the Annual General Meeting, whether in person or by proxy, not counting the votes of any member of the Board of Directors or any executive officer of TE Connectivity.

Agenda Item No. 6: The release of the members of the Board of Directors and executive officers for activities during the fiscal year ended September 28, 2018.

Registered shares which are represented by broker non-votes (which occur when a broker holding shares for a beneficial owner does not vote on a particular agenda item because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner) and registered shares which are cast as abstentions on any matter, are counted towards the determination of a quorum but will not be counted as a vote cast and will be disregarded and have no effect on the proposal.

Who will count the votes and certify the results?

An independent vote tabulator will count the votes. Broadridge Financial Solutions has been appointed by the Board of Directors as the independent inspector of election and will determine the existence of a quorum, validity of proxies and ballots, and certify the results of the voting.

If I vote and then want to change or revoke my vote, may I?

If you are a shareholder of record and have (i) voted via the Internet, you may change your vote and revoke your proxy by submitting subsequent voting instructions via the Internet by the deadline for Internet voting; (ii) submitted a proxy card to the independent proxy, you may change or revoke your vote by submitting a revocation letter and new proxy card directly to the independent proxy so that it is received by no later than 5:00 p.m., Central European Time (12:00 p.m., Eastern Daylight Time) on March 12, 2019; or (iii) either voted via the Internet or submitted a proxy card to the independent proxy, you may appear in person at the meeting and give notice in person of the revocation of your prior vote by the applicable method and vote in person by ballot.

Written revocations to the independent proxy should be directed to the following address: Dr. René Schwarzenbach, Proxy Voting Services GmbH, Grossmunsterplatz 1, Postfach 173, CH-8024 Zurich, Switzerland.

Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken at the meeting.

If your shares are held in a stock brokerage account or by a bank or other nominee on your behalf, follow the voting instructions provided to you with these materials to determine how you may change your vote.

Can I sell my shares before the meeting if I have voted?

Yes. TE Connectivity does not block the transfer of shares before the meeting. However, unless you are a shareholder of record with voting rights at the close of business (Eastern Standard Time) on February 21, 2019, your vote will not be counted.

Are shareholders permitted to ask questions at the meeting?

During the Annual General Meeting, shareholders may ask questions or make comments relating to agenda items when permitted by the moderator.

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Whom may I contact for assistance?

You should contact D. F. King & Co., Inc., whom we have engaged as a proxy solicitor for the Annual General Meeting. The contact information for D. F. King is below:

D. F. King & Co., Inc.
(800) 848-3402 (US callers only)
+1 (212) 269-5550
Email: TEL@dfking.com (reference TE Connectivity in the subject line)

12 2019 Annual General Meeting Proxy Statement

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The following table sets forth the number of outstanding shares of TE Connectivity beneficially owned as of December 11, 2018 by each current director and nominee, each executive officer named in the Summary Compensation table and all of our executive officers, directors and nominees as a group. The address of our executive officers, directors and nominees is c/o TE Connectivity, 1050 Westlakes Drive, Berwyn, Pennsylvania 19312.

Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾		
Directors, Nominees and Executive Officers:			
Terrence R. Curtin ⁽²⁾⁽³⁾⁽⁴⁾	610,284		
John S. Jenkins, Jr. ⁽²⁾⁽⁴⁾	133,264		
Steven T. Merkt ⁽²⁾⁽⁴⁾	179,207		
Heath A. Mitts ⁽²⁾⁽⁴⁾	67,383		
Kevin N. Rock ⁽²⁾⁽⁴⁾⁽⁵⁾	219,649		
Pierre R. Brondeau ⁽³⁾	35,203		
Carol A. ("John") Davidson ⁽³⁾	10,373		
William A. Jeffrey ⁽³⁾	16,502		
David M. Kerko ⁽⁶⁾			
Thomas J. Lynch ⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	695,214		
Yong Nam ⁽³⁾	16,278		
Daniel J. Phelan ⁽³⁾	33,356		
Paula A. Sneed ⁽³⁾	36,333		
Abhijit Y. Talwalkar ⁽³⁾	21,683	21,679	
Buildings	111,351	111,044	108,376
Machinery & equipment	340,381	340,405	328,520
Construction in progress	10,750	3,403	12,878
	484,935	476,535	471,453
Less-accumulated depreciation	293,642	279,619	274,448
Net property, plant and equipment	191,293	196,916	197,005
OTHER ASSETS:			
Goodwill	73,237	73,237	73,237
Trademarks	175,024	175,024	175,024
Investments	160,175	148,532	162,371
Split dollar officer life insurance	40,296	40,296	41,394
Prepaid expenses	7,201	10,260	—
Restricted cash	1,664	—	—
Deferred income taxes	3,858	4,033	6,026
Total other assets	461,455	451,382	458,052
Total assets	\$ 926,518	\$ 888,409	\$ 901,508

(The accompanying notes are an integral part of these statements.)

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(in thousands except per share data) (UNAUDITED)

	September 27, 2014	December 31, 2013	September 28, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 15,572	\$ 9,153	\$ 14,801
Bank loans	285	—	—
Dividends payable	4,835	4,742	4,770
Accrued liabilities	52,590	45,580	49,539
Postretirement health care and life insurance benefits	111	319	555
Income taxes payable	5,090	327	11,113
Total current liabilities	78,483	60,121	80,778
NONCURRENT LIABILITIES:			
Deferred income taxes	53,569	54,939	43,423
Bank loans	796	—	—
Postretirement health care and life insurance benefits	9,519	8,857	29,401
Industrial development bonds	7,500	7,500	7,500
Liability for uncertain tax positions	9,474	7,167	7,794
Deferred compensation and other liabilities	75,751	69,520	64,988
Total noncurrent liabilities	156,609	147,983	153,106
TOOTSIE ROLL INDUSTRIES, INC. SHAREHOLDERS' EQUITY:			
Common stock, \$.69-4/9 par value- 120,000 shares authorized; 37,561, 37,011 & 37,376, respectively, issued	26,084	25,702	25,955
Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 22,897, 22,256 & 22,259, respectively, issued	15,901	15,455	15,458
Capital in excess of par value	607,216	572,669	584,128
Retained earnings	51,709	73,109	60,478
Accumulated other comprehensive loss	(7,905)	(4,638)	(16,403)
Treasury stock (at cost)- 78, 76 & 76 shares, respectively	(1,992)	(1,992)	(1,992)
Total Tootsie Roll Industries, Inc. shareholders' equity	691,013	680,305	667,624
Noncontrolling interests	413	—	—
Total equity	691,426	680,305	667,624
Total liabilities and shareholders' equity	\$ 926,518	\$ 888,409	\$ 901,508

(The accompanying notes are an integral part of these statements.)

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TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF

EARNINGS AND RETAINED EARNINGS

(in thousands except per share amounts) (UNAUDITED)

	Quarter Ended		Year to Date Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net product sales	\$ 191,093	\$ 191,807	\$ 401,966	\$ 404,074
Rental and royalty revenue	921	902	2,760	2,807
Total revenue	192,014	192,709	404,726	406,881
Product cost of goods sold	123,164	125,833	256,211	264,974
Rental and royalty cost	251	223	732	698
Total costs	123,415	126,056	256,943	265,672
Product gross margin	67,929	65,974	145,755	139,100
Rental and royalty gross margin	670	679	2,028	2,109
Total gross margin	68,599	66,653	147,783	141,209
Selling, marketing and administrative expenses	31,840	33,166	85,767	87,620
Earnings from operations	36,759	33,487	62,016	53,589
Other income, net	166	3,105	4,865	7,401
Earnings before income taxes	36,925	36,592	66,881	60,990
Provision for income taxes	10,316	10,549	21,958	17,509
Net earnings	26,609	26,043	44,923	43,481
Less: Net loss attributable to noncontrolling interests	59	-	352	-
Net earnings attributable to Tootsie Roll Industries, Inc.	26,668	26,043	45,275	43,481
Net earnings attributable to Tootsie Roll Industries, Inc. per share	\$ 0.44	\$ 0.42	\$ 0.75	\$ 0.71
Dividends per share *	\$ 0.08	\$ 0.08	\$ 0.24	\$ 0.24

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Average number of shares outstanding	60,525	61,343	60,668	61,487
Retained earnings at beginning of period	\$ 29,870	\$ 39,199	\$ 73,109	\$ 80,210
Net earnings attributable to Tootsie Roll Industries, Inc.	26,668	26,043	45,275	43,481
Cash dividends	(4,829)	(4,764)	(14,394)	(14,185)
Stock dividends	-	-	(52,281)	(49,028)
Retained earnings at end of period	\$ 51,709	\$ 60,478	\$ 51,709	\$ 60,478

*Does not include 3% stock dividend to shareholders of record on 4/4/14 and 4/5/13.

(The accompanying notes are an integral part of these statements.)

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TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

(in thousands except per share amounts) (UNAUDITED)

	Quarter Ended		Year to Date Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net earnings	\$ 26,609	\$ 26,043	\$ 44,923	\$ 43,481
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(1,004)	(144)	(2,184)	(245)
Pension and post-retirement reclassification adjustments:				
Unrealized gains (losses) for the period on postretirement and pension benefits	-	-	-	-
Less: reclassification adjustment for (gains) losses to net income	(451)	-	(1,353)	-
Unrealized gains (losses) on postretirement and pension benefits	(451)	-	(1,353)	-
Investments:				
Unrealized gains (losses) for the period on investments	(286)	400	(317)	219
Less: reclassification adjustment for (gains) losses to net income	-	-	-	-
Unrealized gains (losses) on investments	(286)	400	(317)	219
Derivatives:				
Unrealized gains (losses) for the period on derivatives	(2,254)	768	(1,699)	(964)
Less: reclassification adjustment for (gains) losses to net income	408	315	918	1,216
Unrealized gains (losses) on derivatives	(1,846)	1,083	(781)	252
Total other comprehensive income (loss), before tax	(3,587)	1,339	(4,635)	226
Income tax benefit (expense) related to items of other comprehensive income	934	(560)	1,368	(182)
Total comprehensive earnings	23,956	26,822	41,656	43,525
Comprehensive earnings attributable to noncontrolling interests	59	-	352	-
Total comprehensive earnings attributable to Tootsie Roll Industries, Inc.	\$ 24,015	\$ 26,822	\$ 42,008	\$ 43,525

(The accompanying notes are an integral part of these statements.)

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TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) (UNAUDITED)

	Year to Date Ended	
	September 27, 2014	September 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 44,923	\$ 43,481
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	15,568	14,863
Loss on step acquisition	529	-
Loss from equity method investment	-	733
Amortization of marketable security premiums	2,498	2,274
Changes in operating assets and liabilities:		
Accounts receivable	(60,434)	(60,765)
Other receivables	3,004	2,315
Inventories	(15,694)	(7,141)
Prepaid expenses and other assets	3,344	28,193
Accounts payable and accrued liabilities	9,153	10,301
Income taxes payable and deferred	4,982	5,124
Postretirement health care and life insurance benefits	(691)	2,575
Deferred compensation and other liabilities	2,609	2,801
Net cash from operating activities	9,791	44,754
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash acquired in step acquisition	161	-
Restricted cash	169	-
Capital expenditures	(7,315)	(10,593)
Net sales (purchases) of trading securities	(3,062)	(2,612)
Purchase of available for sale securities	(37,416)	(63,992)
Sale and maturity of available for sale securities	26,375	22,436
Net cash used in investing activities	(21,088)	(54,761)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shares purchased and retired	(16,792)	(11,429)

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Dividends paid in cash	(14,415)	(9,517)
Repayment of bank loans	(130)	-
Net cash used in financing activities	(31,337)	(20,946)
Effect of exchange rate changes on cash	(507)	(175)
Decrease in cash and cash equivalents	(43,141)	(31,128)
Cash and cash equivalents at beginning of year	88,283	63,862
Cash and cash equivalents at end of quarter	\$ 45,142	\$ 32,734
Supplemental cash flow information:		
Income taxes paid, net	\$ 14,835	\$ 13,173
Interest paid	\$ 33	\$ 19
Stock dividend issued	\$ 52,165	\$ 48,925

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(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 27, 2014

(in thousands except per share amounts) (UNAUDITED)

Note 1 — Significant Accounting Policies

General Information

Foregoing data has been prepared from the unaudited financial records of Tootsie Roll Industries, Inc. (the Company) and in the opinion of management all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the interim period have been reflected. Certain amounts previously reported have been reclassified to conform to the current year presentation. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's 2013 Annual Report on Form 10-K.

Results of operations for the period ended September 27, 2014 are not necessarily indicative of results to be expected for the year to end December 31, 2014 because of the seasonal nature of the Company's operations. Historically, the third quarter has been the Company's largest sales quarter due to Halloween sales.

The results of the Company's two less than wholly owned Spanish companies are consolidated and a noncontrolling interest has been recorded. (See Note 10.)

Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15 which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance will be effective for the annual period ending after December 15, 2016,

and for annual periods and interim periods thereafter. We do not expect the adoption of this guidance to have a significant impact on our condensed consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact it will have on the condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, which includes amendments that change the requirements for reporting discontinued operations. The new guidance requires that the disposal of a component of an entity be reported as discontinued operations only if the action represents a strategic shift that will have a major effect on an entity's operations and financial results, and would require expanded disclosures. This guidance will be effective beginning in the first quarter 2015. We do not expect the adoption of this guidance to have a significant impact on the condensed consolidated financial statements.

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Note 2 — Average Shares Outstanding

The average number of shares outstanding for year to date ended September 27, 2014 reflect stock purchases of 575 shares for \$16,792 and a 3% stock dividend distributed on April 4, 2014. The average number of shares outstanding for year to date ended September 28, 2013 reflect stock purchases of 384 shares for \$11,429 and a 3% stock dividend distributed on April 5, 2013.

Note 3 — Income Taxes

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company remains subject to examination by U.S. federal and state and foreign tax authorities for the years 2010 through 2013. With few exceptions, the Company is no longer subject to examination by tax authorities for the year 2009 and prior. The consolidated effective tax rates were 27.9% and 28.8% in third quarter 2014 and 2013, respectively, and 32.8% and 28.7% in nine months 2014 and 2013, respectively. The higher effective income tax rate in nine months 2014 reflects the reversal of deferred tax assets of \$2,350 in first quarter 2014 relating to the step acquisition of the Spanish companies as discussed in Note 10.

Note 4 — Fair Value Measurements

Current accounting guidance defines fair value as the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Guidance requires disclosure of the extent to which fair value is used to measure financial assets and liabilities, the inputs utilized in calculating valuation measurements, and the effect of the measurement of significant unobservable inputs on earnings, or changes in net assets, as of the measurement date. Guidance establishes a three-level valuation hierarchy based upon the transparency of inputs utilized in the measurement and valuation of financial assets or liabilities as of the measurement date. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the table below.

As of September 27, 2014, December 31, 2013 and September 28, 2013, the Company held certain financial assets that are required to be measured at fair value on a recurring basis. These included derivative hedging instruments related to the purchase of certain raw materials and foreign currencies, investments in trading securities and available for sale securities, including an auction rate security. The Company's available for sale and trading securities principally consist of municipal bonds and mutual funds that are publicly traded.

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The following table presents information about the Company's financial assets and liabilities measured at fair value as of September 27, 2014, December 31, 2013 and September 28, 2013, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Estimated Fair Value September 27, 2014			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 45,142	\$ 45,142	\$ -	\$ -
Available for sale securities	126,870	-	126,870	-
Foreign currency forward contracts	(1,238)	-	(1,238)	-
Commodity futures contracts	(377)	(377)	-	-
Trading securities	69,367	69,367	-	-
Total assets measured at fair value	\$ 239,764	\$ 114,132	\$ 125,632	\$ -
	Estimated Fair Value December 31, 2013			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 88,283	\$ 88,283	\$ -	\$ -
Available for sale securities	118,647	-	118,647	-
Foreign currency forward contracts	(684)	-	(684)	-
Commodity futures contracts, net	(130)	(130)	-	-
Trading securities	63,215	63,215	-	-
Total assets measured at fair value	\$ 269,331	\$ 151,368	\$ 117,963	\$ -
	Estimated Fair Value September 28, 2013			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 32,734	\$ 32,734	\$ —	\$ —
Auction rate security	10,162	—	—	10,162
Available for sale securities excluding the auction rate security	123,391	—	123,391	—
Foreign currency forward contracts	29	—	29	—
Commodity futures contracts	97	97	—	—
Trading securities	58,968	58,968	—	—
Total assets measured at fair value	\$ 225,381	\$ 91,799	\$ 123,420	\$ 10,162

During the fourth quarter 2013, the Company sold its investment in Jefferson County Alabama Sewer Revenue Refunding Warrants for \$10,840. This was an auction rate security (ARS) originally purchased for \$13,550 in 2008 with an insurance-backed AAA rating. The Company recorded an other-than-temporary pre-tax impairment of \$5,140 in 2008 on this ARS investment which resulted in a carrying value of \$8,410 at that time. Since recording the initial impairment in 2008, the Company carried this ARS investment at its estimated fair value utilizing a valuation model with Level 3 inputs, as defined by guidance, and resulting changes in the market value since the original impairment

charge in 2008 were recorded as changes to accumulated other comprehensive income (loss) each year. The fair value of this instrument at September 28, 2013 was \$10,162, with an unrealized loss in other comprehensive earnings of \$677 recorded during nine months 2013.

The fair value of the Company's industrial revenue development bonds at September 27, 2014, December 31, 2013 and September 28, 2013 were valued using Level 2 inputs which approximates the carrying value of \$7,500 for the respective periods. Interest rates on these bonds are reset weekly based on current market conditions.

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Note 5 — Derivative Instruments and Hedging Activities

From time to time, the Company uses derivative instruments, including foreign currency forward contracts, commodity futures contracts and commodity option contracts, to manage its exposures to foreign exchange and commodity prices. Commodity futures contracts and most commodity option contracts are intended and effective as hedges of market price risks associated with the anticipated purchase of certain raw materials (primarily sugar). Foreign currency forward contracts are intended and effective as hedges of the Company's exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of products manufactured in Canada and sold in the United States. The Company does not engage in trading or other speculative use of derivative instruments.

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Statement of Financial Position. Derivative assets are recorded in other receivables and derivative liabilities are recorded in accrued liabilities. The Company uses either hedge accounting or mark-to-market accounting for its derivative instruments. Derivatives that qualify for hedge accounting are designated as cash flow hedges by formally documenting the hedge relationships, including identification of the hedging instruments, the hedged items and other critical terms, as well as the Company's risk management objectives and strategies for undertaking the hedge transaction.

Changes in the fair value of the Company's cash flow hedges are recorded in accumulated other comprehensive loss, net of tax, and are reclassified to earnings in the periods in which earnings are affected by the hedged item. Substantially all amounts reported in accumulated other comprehensive loss for commodity derivatives are expected to be reclassified to cost of goods sold. Substantially all amounts reported in accumulated other comprehensive loss for foreign currency derivatives are expected to be reclassified to other income, net.

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The following table summarizes the Company's outstanding derivative contracts and their effects on its Condensed Consolidated Statements of Financial Position at September 27, 2014, December 31, 2013 and September 28, 2013:

	September 27, 2014		
	Notional		
	Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	\$ 33,291	\$ 20	\$ (1,258)
Commodity futures contracts	3,352	-	(377)
Total derivatives designated as hedging instruments		20	(1,635)
Derivatives not designated as hedging instruments:			
Commodity futures contracts	-	-	-
Total derivatives not designated as hedging instruments		-	-
Total derivatives		\$ 20	\$ (1,635)

	December 31, 2013		
	Notional		
	Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	\$ 34,244	\$ -	\$ (684)
Commodity futures contracts	5,601	41	(191)
Total derivatives designated as hedging instruments		41	(875)
Derivatives not designated as hedging instruments:			
Commodity futures contracts	321	20	-
Total derivatives not designated as hedging instruments		20	-
Total derivatives		\$ 61	\$ (875)

	September 28, 2013		
	Notional		
	Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	\$ 30,181	\$ 29	\$ -
Commodity futures contracts	4,376	114	(66)
Total derivatives designated as hedging instruments		143	(66)
Derivatives not designated as hedging instruments:			
Commodity futures contracts	871	49	-
Total derivatives not designated as hedging instruments		49	-

Total derivatives	\$ 192	\$ (66)
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The effects of derivative instruments on the Company's Condensed Consolidated Statement of Earnings and Retained Earnings, and the Condensed Consolidated Statement of Comprehensive Earnings for periods ended September 27, 2014 and September 28, 2013 are as follows:

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For Quarter Ended September 27, 2014

	Gain(Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	\$ (1,492)	\$ (173)	\$ -
Commodity futures contracts	(762)	(235)	-
Commodity option contracts	-	-	-
Total	\$ (2,254)	\$ (408)	\$ -

For Quarter Ended September 28, 2013

	Gain(Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	\$ 626	\$ (162)	\$ -
Commodity futures contracts	142	(153)	-
Commodity option contracts	-	-	-
Total	\$ 768	\$ (315)	\$ -

For Year to Date Ended September 27, 2014

	Gain(Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	\$ (1,178)	\$ (624)	\$ -
Commodity futures contracts	(521)	(294)	-
Commodity option contracts	-	-	-
Total	\$ (1,699)	\$ (918)	\$ -

For Year to Date Ended September 28, 2013

	Gain(Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	\$ (241)	\$ (270)	\$ -
Commodity futures contracts	(723)	(946)	-
Commodity option contracts	-	-	-

Total	\$ (964)	\$ (1,216)	\$ -
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During the quarters and years to date ended September 27, 2014 and September 28, 2013, the Company recognized earnings (loss) of \$(0) and \$92, and \$(20) and \$53 respectively, related to mark-to-market accounting for certain commodity option and future contracts.

Note 6 — Pension Plans

During 2012 and 2013, the Company received notices from the Bakery and Confectionery Union and Industry International (BC&T) Pension Fund (Plan), a multi-employer defined benefit pension plan for certain Company union employees. The notices indicate that the Plan's actuary has certified that the Plan is in critical status, the "Red Zone", as defined by the Pension Protection Act (PPA), and that a plan of rehabilitation was adopted by the trustees of the Plan in the fourth quarter of 2012. The rehabilitation plan adopted requires that employer contributions include 5% compounded annual surcharges each year for an unspecified period of time beginning January 2013 (in addition to the 5% interim surcharge initiated in June 2012) as well as certain plan benefit reductions. The Company was advised by the Plan that if the Company had withdrawn from the Plan during 2012 its estimated withdrawal liability would have been \$37,200. The Company does not have any updated information as to its withdrawal liability. Should the Company actually withdraw from the Plan at a future date, a withdrawal liability, which could be higher than \$37,200, would be payable to the Plan. The Company's existing labor contract with its BC&T local union commits the Company's participation in this Plan through third quarter 2017. Pension expense, including surcharges as discussed above, for the BC&T Plan for nine months 2014 and 2013 was \$2,028 and \$1,758, respectively. The Company is currently unable to determine the ultimate outcome of the above discussed matter and therefore, is unable to determine the effects on its consolidated financial statements, but, the ultimate outcome could be material to its consolidated results of operations in one or more future periods. See also the Company's consolidated financial statements and related notes and Management and Discussion and Analysis and Results of Operations incorporated into the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K").

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Note 7 — Accumulated Other Comprehensive Earnings (Loss)

Accumulated Other Comprehensive Earnings (Loss) consists of the following components:

	Foreign Currency Translation	Investments	Foreign Currency Derivatives	Commodity Derivatives	Postretirement and Pension Benefits	Accumulated Other Comprehensive Earnings (Loss)
Balance at December 31, 2013	\$ (13,527)	\$ 54	\$ (436)	\$ (96)	\$ 9,367	\$ (4,638)
Other comprehensive earnings (loss) before reclassifications	(1,703)	(202)	(752)	(332)	-	(2,989)
Reclassifications from accumulated other comprehensive loss	-	-	398	188	(864)	(278)
Other comprehensive earnings (loss) before tax	(1,703)	(202)	(354)	(144)	(864)	(3,267)
Balance at September 27, 2014	\$ (15,230)	\$ (148)	\$ (790)	\$ (240)	\$ 8,503	\$ (7,905)
	Foreign Currency Translation	Investments	Foreign Currency Derivatives	Commodity Derivatives	Postretirement and Pension Benefits	Accumulated Other Comprehensive Earnings (Loss)
Balance at December 31, 2012	\$ (13,406)	\$ 908	\$ -	\$ (111)	\$ (3,838)	\$ (16,447)
Other comprehensive earnings (loss) before reclassifications	(257)	140	(154)	(461)	-	(732)
Reclassifications from accumulated other comprehensive loss	-	-	173	603	-	776
Other comprehensive earnings (loss) before tax	(257)	140	19	142	-	44

Balance at September 28, 2013	\$ (13,663)	\$ 1,048	\$ 19	\$ 31	\$ (3,838)	\$ (16,403)
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The amounts reclassified from accumulated other comprehensive income (loss) consisted of the following:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Location of (Gain) Loss Recognized in Earnings
	Quarter Ended September 27, 2014	September 28, 2013	Year to Date Ended September 27, 2014	September 28, 2013	
Foreign currency derivatives	\$ 173	\$ 162	\$ 624	\$ 270	Other income, net
Commodity derivatives	235	153	294	946	Product cost of goods sold
Postretirement and pension benefits	(230)	-	(690)	-	Selling, marketing and administrative expenses
Postretirement and pension benefits	(221)	-	(663)	-	Product cost of goods sold
Total before tax	(43)	315	(435)	1,216	
Tax (expense) benefit	15	(114)	157	(440)	
Net of tax	\$ (28)	\$ 201	\$ (278)	\$ 776	

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Note 8 — Restricted Cash

Restricted cash comprises certain cash deposits of the Company's less than wholly owned Spanish companies (see Note 10) with international banks that are pledged as collateral for letters of credit and bank borrowings.

Note 9 — Bank Loans

Long term bank loans comprise borrowings by the Company's less than wholly owned Spanish companies (see Note 10) which are held by international banks. The average weighted interest rate in third quarter 2014 was of 2.7% and maturity dates range from 1 to 4 years. Short term bank loans also relate to the Company's less than wholly owned Spanish companies.

Note 10 — Step Acquisition

During first quarter 2014, the Company gained operating control of its two 50% owned Spanish companies when Company employee representatives assumed all positions on their boards of directors. This was considered a step acquisition, whereby the Company remeasured the previously held investment to fair value in first quarter 2014. As a result, the Company's first quarter 2014 net earnings include a net loss of \$529, including an income tax provision of \$2,350 relating to deferred income taxes. The Company purchased newly issued capital stock of the Spanish companies for \$736 which further increased the Company's ownership and control to 75% at the end of second quarter 2014.

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

This financial review discusses the Company's financial condition, results of operations, liquidity and capital resources, new accounting pronouncements and other matters. Dollars are presented in thousands, except per share amounts. This review should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related notes and with the Company's Condensed Consolidated Financial Statements and related notes and Management's Discussion and Analysis included in the Company's 2013 Form 10-K.

Net product sales were \$191,093 in third quarter 2014 compared to \$191,807 in third quarter 2013, a decrease of \$714 or 0.4%. Nine months 2014 net product sales were \$401,966 compared to \$404,074 in nine months 2013, a decrease of \$2,108 or 0.5%. The third quarter reflects our historical pre-Halloween sales period which is our largest quarterly sales period. Our third quarter and nine months 2014 sales in the United States were off slightly from the prior year comparative periods which reflect the challenges of certain of our retail customers regarding consumer sales and consumer spending. Lower sales in Mexico and Canada, including the effects of a weaker Canadian dollar, also adversely affected our reported sales during these same comparative periods.

Product cost of goods sold were \$123,164 in third quarter 2014 compared to \$125,833 in third quarter 2013, and nine months 2014 product cost of goods sold were \$256,211 compared to \$264,974 in nine months 2013. Product cost of goods sold includes \$84 and \$668 of certain deferred compensation expenses in third quarter 2014 and 2013, respectively, and \$716 and \$1,605 of certain deferred compensation expenses in nine months 2014 and 2013, respectively. These deferred compensation expenses principally result from the changes in the market value of investments and investment income from trading securities relating to compensation deferred in previous years and are not reflective of current operating results. Adjusting for the aforementioned, product cost of goods sold decreased from \$125,165 in third quarter 2013 to \$123,080 in third quarter 2014, a decrease of \$2,085 or 1.7%; and decreased from \$263,369 in nine months 2013 to \$255,495 in nine months 2014, a decrease of \$7,874 or 3.0%. As a percentage of net product sales, adjusted product cost of goods sold was 64.4% and 65.3% in third quarter 2014 and 2013, respectively, a favorable decrease of 0.9%; and adjusted product cost of goods sold was 63.6% and 65.2% in nine months 2014 and 2013, respectively, a favorable decrease of 1.6%. These favorable changes reflect lower ingredient costs as well as manufacturing plant efficiencies driven by capital investments and ongoing cost containment programs. Although overall comparative ingredient costs were more favorable in third quarter and nine months 2014 compared to the corresponding periods in the prior year, certain key ingredient costs are higher this year. The Company is continuing to make progress on restoring its margins to their historical levels before the increases in commodity and other input costs that occurred in recent years.

Selling, marketing and administrative expenses were \$31,840 in third quarter 2014 compared to \$33,166 in third quarter 2013, and nine months 2014 selling, marketing and administrative expenses were \$85,767 compared to \$87,620 in nine months 2013. Selling, marketing and administrative expenses includes \$265 and \$2,204 of certain deferred compensation expenses in third quarter 2014 and 2013, respectively, and \$2,374 and \$5,372 of certain

deferred compensation expenses in nine months 2014 and 2013, respectively. As discussed above, these expenses principally result from changes in the market value of investments and investment income from trading securities relating to compensation deferred in previous years, and are not reflective of current operating results. Adjusting for the aforementioned, selling, marketing and administrative expenses increased from \$30,962 in third quarter 2013 to \$31,575 in third quarter 2014, an increase of \$613 or 2.0%; and selling, marketing and administrative expenses increased from \$82,248 in nine months 2013 to \$83,393 in nine months 2014, an increase of \$1,145 or 1.4%. As a percentage of net product sales, adjusted selling, marketing and administrative expenses increased from 16.1% in third quarter 2013 to 16.5% in third quarter 2014, an unfavorable increase of 0.4% as a percent of net sales; and adjusted selling, marketing and administrative expenses increased from 20.4% in nine months 2013 to 20.7% in nine months 2014, an unfavorable increase of 0.3%. Selling, marketing and administrative expenses include \$12,930 and \$12,637 for freight, delivery and warehousing expenses in third quarter 2014 and 2013, respectively, and \$33,819 and \$33,141 for freight, delivery and warehousing expenses in nine months 2014 and 2013,

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respectively. These expenses were 6.7% and 6.6% of net product sales in third quarter 2014 and 2013, respectively, and 8.4% and 8.2% of net product sales in nine months 2014 and 2013, respectively, and contributed to the above discussed increases in selling, marketing and administrative expenses in both third quarter and nine months 2014. In addition, certain marketing expenses also increased in third quarter and nine months 2014 compared to the corresponding periods in the prior years.

Earnings from operations were \$36,759 in third quarter 2014 compared to \$33,487 in third quarter 2013, and were \$62,016 in nine months 2014 compared to \$53,589 in nine months 2013. Earnings from operations include \$349 and \$2,872 of certain deferred compensation expenses in third quarter 2014 and 2013, respectively, and include \$3,090 and \$6,977 of certain deferred compensation expenses in nine months 2014 and 2013, respectively. As discussed above, these deferred compensation expenses relate to changes in deferred compensation liabilities resulting from corresponding changes in the market value of trading securities and related investment income that hedge these liabilities. Adjusting for the aforementioned, operating earnings were \$37,108 and \$36,359 in third quarter 2014 and 2013, respectively, an increase of \$749 or 2.1%; and adjusted operating earnings were \$65,106 and \$60,566 in nine months 2014 and 2013, respectively, an increase of \$4,540 or 7.5%. As a percentage of net product sales, these adjusted operating earnings were 19.4% and 19.0% in third quarter 2014 and 2013, respectively, a favorable increase of 0.4% as a percentage of net product sales; and adjusted operating earnings were 16.2% and 15.0% in nine months 2014 and 2013, respectively, a favorable increase of 1.2% as a percentage of net product sales. The above discussed increases in adjusted operating earnings principally reflect more favorable gross profit margins which are discussed above. Management believes the presentation in this and the preceding paragraphs relating to amounts adjusted for deferred compensation expense are more reflective of the underlying operations of the Company.

Other income (expense) net, was \$166 in third quarter 2014 compared to \$3,105 in third quarter 2013, an unfavorable decrease of \$2,939; and other income (expense), net, was \$4,865 in nine months 2014 compared to \$7,401 in nine months 2013, an unfavorable decrease of \$2,536. Other income (expense), net for third quarter 2014 and 2013 includes aggregate net gains and investment income of \$349 and \$2,872, respectively, on trading securities relating to deferred compensation programs as discussed above; and other income, net for nine months 2014 and 2013 includes aggregate net gains and investment income of \$3,090 and \$6,977, respectively, on trading securities relating to these programs. As discussed above, these increases in trading securities were substantially offset by a like amount of deferred compensation expense included in product cost of goods sold and selling, marketing, and administrative expenses in the respective periods as discussed above. Other income (expense) net, includes gains (losses) on foreign exchange of \$(380) and \$39 in third quarter 2014 and 2013, respectively, and includes gains (losses) on foreign exchange of \$(1,169) and \$(284) in nine months 2014 and 2013, respectively. In addition, first quarter and nine months 2014 other income, net includes a pre-tax gain of approximately \$1,800 resulting from the step acquisition of the two Spanish companies discussed in Note 10 of the Notes to the Condensed Consolidated Financial Statements.

The consolidated effective tax rates were 27.9% and 28.8% in third quarter 2014 and 2013, respectively, and 32.8% and 28.7% in nine months 2014 and 2013, respectively. The higher effective income tax rate in nine months 2014 reflects a reversal of deferred tax assets of \$2,350 relating to the step acquisition of the Spanish companies discussed above.

Net earnings attributable to Tootsie Roll Industries, Inc. were \$26,668 (after \$59 net loss attributed to non-controlling interests) in third quarter 2014 compared to \$26,043 in third quarter 2013, and earnings per share were \$0.44 and \$0.42 in third quarter 2014 and third quarter 2013, respectively, an increase of \$0.02 per share or 5%. Nine months 2014 net earnings attributable to Tootsie Roll Industries, Inc. were \$45,275 (after \$352 net loss attributed to non-controlling interests) compared to nine months net earnings of \$43,481, and net earnings per share were \$0.75 and \$0.71 in nine months 2014 and nine months 2013, respectively, an increase of \$0.04 per share or 6%. The increase in earnings per share in third quarter and nine months 2014 principally results from the improvements in gross profit margins as discussed above. The prior year comparative third quarter and nine months 2013 periods also benefited from a lower effective income tax rate as discussed above. Earnings per share attributable to Tootsie Roll Industries, Inc. for third quarter and nine months 2014 did benefit from the reduction in average shares outstanding resulting from purchases in the open market by the Company of its common stock. As a result, average shares outstanding decreased

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from 61,343 in third quarter 2013 to 60,525 in third quarter 2014, and from 61,487 in nine months 2013 to 60,668 in nine months 2014.

Goodwill and intangibles are assessed annually as of December 31 or whenever events or circumstances indicate that the carrying values may not be recoverable from future cash flows. The Company has not identified any triggering events, as defined, or other adverse information that would indicate a material impairment of its goodwill or intangibles in nine months 2014. There were also no impairments in the comparative nine months 2013 period.

During first quarter 2014, the Company gained operating control of its two 50% owned Spanish companies when Company employee representatives assumed all positions on their boards of directors. This was considered a step acquisition, whereby the Company remeasured the previously held investment to fair value in first quarter 2014. As a result, the Company's first quarter 2014 net earnings include a net loss of \$529, including an additional income tax provision of \$2,350 relating to deferred income taxes. The Company further increased its ownership and control to 75% at the end of second quarter 2014.

During 2012 and 2013, the Company received notices from the Bakery and Confectionery Union and Industry International (BC&T) Pension Plan (Plan), a multi-employer defined benefit pension plan for certain Company union employees. The notices indicate that the Plan's actuary has certified that the Plan is in critical status, the "Red Zone", as defined by the Pension Protection Act (PPA), and that a plan of rehabilitation was adopted by the trustees of the Plan in the fourth quarter of 2012. The rehabilitation plan requires that employer contributions include 5% compounded annual surcharges each year for an unspecified period of time beginning January 2013 (in addition to the 5% interim surcharge initiated in June 2012) as well as certain plan benefit reductions. The Company was advised by the Plan that if the Company had withdrawn from the Plan during 2012 its estimated withdrawal liability would have been \$37,200. The Company does not have any updated information as to its withdrawal liability. Should the Company actually withdraw from the Plan at a future date, a withdrawal liability, which could be higher than \$37,200, would be payable to the Plan. The Company's existing labor contract with its BC&T local union commits the Company's participation in this Plan through third quarter 2017. Pension expense, including surcharges, for the BC&T Plan for nine months 2014 and 2013 was \$2,028 and \$1,758, respectively. The aforementioned expense includes surcharges of \$268 and \$163 in nine months 2014 and 2013, respectively. The Company is currently unable to determine the ultimate outcome of the above discussed matter and therefore, is unable to determine the effects on its consolidated financial statements, but, the ultimate outcome could be material to its consolidated results of operations in one or more future periods. See also the Company's consolidated financial statements and related notes and Management and Discussion and Analysis and Results of Operations incorporated into the Company's 2013 Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by operating activities were \$9,791 and \$44,754 in nine months 2014 and 2013, respectively. Nine months 2014 operating cash flows were adversely affected by the timing of our seasonal production resulting in higher inventories. In addition, changes in prepaid expenses and other assets in the nine months 2013 favorably

affected the net cash flows from operating activities in the prior year nine month period.

Net cash used in investing activities was \$21,088 in nine months 2014 compared to \$54,761 in nine months 2013. Cash flows from investing activities reflect \$37,416 and \$63,992 relating to the purchase of available for sale securities during nine months 2014 and 2013, respectively. Nine months 2014 and 2013 investing activities also include capital expenditures of \$7,315 and \$10,593, respectively. Capital expenditures for the 2014 year are anticipated to be generally in line with historical annualized spending, and are to be funded from the Company's cash flow from operations and internal sources.

The Company's consolidated financial statements include bank borrowings of \$1,081 as of the end of third quarter 2014, all of which relates to its two majority owned and controlled Spanish companies. The Company had no other outstanding bank borrowings as of the end of third quarter 2014.

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Financing activities include Company common stock purchases and retirements of \$16,792 and \$11,429 in nine months 2014 and 2013, respectively. Cash dividends of \$14,415 and \$9,517 were paid in nine months 2014 and 2013, respectively. Fourth quarter 2012 included an accelerated payment (from first quarter 2013) of the regular quarterly dividend of \$4,656 (\$0.08 per share) which has historically been paid during the first week in January. This was in response to the uncertainty surrounding the future federal tax treatment of dividends at that time after giving consideration to the Company's cash and investment positions.

The Company's current ratio (current assets divided by current liabilities) was 3.5 to 1 as of the end of third quarter 2014 as compared to 4.0 to 1 as of the end of fourth quarter 2013 and 3.1 to 1 as of the end of third quarter 2013. Net working capital was \$195,287 as of the end of third quarter 2014 as compared to \$179,990 and \$165,673 as of the end of fourth and third quarter 2013, respectively.

The aforementioned net working capital amounts are principally reflected in aggregate cash and cash equivalents and short-term investments which totaled \$81,204 as of the end of third quarter 2014 compared to \$121,855 and \$64,313 as of the end of fourth and third quarters 2013, respectively. In addition, long term investments, principally debt securities comprising municipal bonds and trading securities, were \$160,175 as of the end of third quarter 2014, as compared to \$148,532 and \$162,371 as of the end of fourth and third quarters 2013, respectively. Aggregate cash and cash equivalents and short and long-term investments were \$241,379, \$270,387, and \$226,684, as of the end of third quarter 2014, and as of the end of fourth and third quarters 2013, respectively. The aforementioned includes \$69,367, \$63,215, and \$58,968 as of the end of the third quarter 2014, and fourth and third quarters 2013, respectively, relating to trading securities which are used as an economic hedge for the Company's deferred compensation liabilities. Investments in municipal bonds and other debt securities that matured during nine months 2014 and 2013 were generally used to purchase the Company's common stock or were replaced with debt securities of similar maturities.

During fourth quarter 2013, the Company contributed \$15,000 to a VEBA trust, managed and controlled by the Company, to fund the estimated future costs of certain employee health, welfare and other benefits. The Company is using these funds, as well as investment income in this VEBA trust, to pay the actual cost of such benefits beginning in fourth quarter 2013. As of the end of third quarter 2014, the VEBA trust holds \$10,758 of aggregate cash, cash equivalents and investments. This asset is included in prepaid expenses in current and long-term assets on the Company's condensed consolidated statement of financial position.

As discussed above, Company management gained operating control of its two 50% owned Spanish companies in first quarter 2014, and further increased its control and ownership to 75% as of the end of second quarter 2014. The Company invested approximately \$750 in the Spanish companies during second quarter 2014 resulting in its 75% ownership, and is likely to contribute approximately \$750 in additional monies in fourth quarter 2014 or 2015. These Spanish companies had operating losses for each of the years 2008 through 2013 and for nine months 2014. Company management has restructured the Spanish operations and management believes that they should be nearing break-even cash flows from operating activities going forward as a result of this restructuring and other changes in business plans. Management believes that the business, competitive and economic challenges in Spain are likely to continue, and therefore, additional cash financing of these Spanish companies may be required in the future.

ACCOUNTING PRONOUNCEMENTS

See Note 1 of the Company's condensed consolidated financial statements.

RISK FACTORS

The Company's operations and financial results are subject to a number of risks and uncertainties that could adversely affect the Company's operating results and financial condition. Significant risk factors, without limitation, that could impact the Company, are the following: (i) significant competitive activity, including advertising, promotional and price competition, and changes in consumer demand for the Company's products; (ii) fluctuations in the cost and availability of commodities and ingredients, including the effects adverse weather, climate change, and disease in west Africa which could affect cocoa supplies; and the ability to recover cost increases through product sales price increases; (iii) inherent risks in the marketplace,

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including uncertainties about trade and consumer acceptance of product pricing changes and seasonal events such as Halloween, the Company's largest sales season; (iv) the effect of acquisitions on the Company's results of operations and financial condition; (v) the effect of changes in foreign currencies on the Company's foreign subsidiaries operating results, and the effect of the fluctuation of the Canadian dollar on products manufactured in Canada and marketed and sold in the United States in U.S. dollars; (vi) the Company's reliance on third party vendors for various goods and services, including commodities used for ingredients that are primarily grown or sourced from foreign locations; (vii) the Company's ability to successfully implement new production processes and manufacturing automation without disruption or quality problems; (viii) the effect of changes in assumptions, including discount rates, sales growth and profit margins, which could affect the Company's impairment testing and analysis of its goodwill and trademarks; (ix) changes in the confectionery marketplace including actions taken by major retailers and customers; (x) customer, consumer and competitor response to marketing programs, price, product weight adjustments, and new products; (xi) dependence on significant customers, including the volume and timing of their purchases, availability of shelf space, and competitive products; (xii) increases in energy costs, including freight and delivery, that cannot generally be passed along to customers through increased price realization due to competitive reasons; (xiii) any significant labor stoppages, strikes or production interruptions; (xiv) changes in governmental laws or regulations that affect ingredients used in products, or taxes, tariffs or other government restrictions on products sold; (xv) the adverse effects should the Company either voluntarily or involuntarily recall its product(s) from the marketplace; (xvi) the risk that the market value of Company's investments could decline, including being classified as "other-than-temporary" as defined; (xvii) the Company's dependence on its enterprise resource planning (ERP) computer system to manage its supply chain and customer deliveries, and the risk that the Company's information technology systems fail to perform adequately; (xviii) the adverse effects if the Company is unable to protect its information technology systems against data corruption, cyber-based attacks or network security breaches; (xix) the potential adverse effects on the Company as to changes to improve the funding status of the Bakery and Confectionery Union and Industry Pension Plan, a multi-employer plan which covers certain Company union employees; (xx) the adverse effects if restructuring efforts and changes in business plans with respect to the Company's Spanish operations are not fully successful; and (xxi) the potential effects of current and future macroeconomic conditions and geopolitical events.

FORWARD-LOOKING STATEMENTS

This discussion and certain other sections contain forward-looking statements that are based largely on the Company's current expectations and are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "anticipated," "believe," "expect," "intend," "estimate," "project," and other words of similar meaning in connection with a discussion of future operating or financial performance and are subject to certain factors, risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. Such factors, risks, trends and uncertainties, which in some instances are beyond the Company's control, include the overall competitive environment in the Company's industry, changes in assumptions and judgments discussed above under the heading "Significant Accounting Policies and Estimates," and factors identified and referred to above under the heading "Risk Factors."

The risk factors identified and referred to above are believed to be significant factors, but not necessarily all of the significant factors that could cause actual results to differ from those expressed in any forward-looking statement. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made only as of the

date of this report. The Company undertakes no obligation to update such forward-looking statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to various market risks, including fluctuations in and sufficient availability of sugar, corn syrup, edible oils, including soybean and palm oils, cocoa, dextrose, milk and whey, and gum-base input ingredients and packaging, and fuel costs principally relating to freight and delivery fuel surcharges. The Company is exposed to exchange rate fluctuations in the Canadian dollar which is the currency used for a portion of the raw material and packaging material costs and operating expenses at its Canadian plants. The Company invests in securities with maturities dates of up to approximately three years, the majority of which are held to maturity, which limits the Company's exposure to interest rate fluctuations. Except for the market risks associated with the Ebola epidemic and potential adverse effects on cocoa (one of the companies key product ingredients) producing countries in west Africa, there has been no material change in the Company's market risks that would significantly affect the disclosures made in the Form 10-K for the year ended December 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, the Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 27, 2014 and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 27, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

TOOTSIE ROLL INDUSTRIES, INC.

AND SUBSIDIARIES

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the Company's purchases of its common stock during the quarter ended September 27, 2014:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans Or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Jun 29 to Jul 26	45,346	\$ 28.32	Not Applicable	Not Applicable
Jul 27 to Aug 23	18,500	27.77	Not Applicable	Not Applicable
Aug 24 to Sep 27	164,959	27.90	Not Applicable	Not Applicable
Total	228,805	\$ 27.97	Not Applicable	Not Applicable

While the Company does not have a formal or publicly announced stock purchase program, the Company's board of directors periodically authorizes a dollar amount for share purchases. The treasurer executes share purchase transactions according to these guidelines.

ITEM 6. EXHIBITS

Exhibits 31.1 and 31.2 — Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 — Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 101.INS - XBRL Instance Document.

Exhibit 101.SCH - XBRL Taxonomy Extension Schema Document.

Exhibit 101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit 101.LAB - XBRL Taxonomy Extension Label Linkbase Document.

Exhibit 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit 101.DEF - XBRL Taxonomy Extension Definition Linkbase Document.

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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.

TOOTSIE ROLL
INDUSTRIES, INC.

Date: November 5, 2014 BY: /S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief
Executive Officer

Date: November 5, 2014 BY: /S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President Finance and
Chief Financial Officer