AMPHENOL CORP /DE/
Form 10-K
February 24, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2011

or

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

For the transition period from to

Commission file number 1-10879

AMPHENOL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**22-2785165**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

358 Hall Avenue, Wallingford, Connecticut 06492

203-265-8900

(Address of Principal Executive Offices, Zip Code, Registrant s Telephone

Number, including Area Code)

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

Class A Common Stock, $.001 par value	**New York Stock Exchange, Inc.**
(Title of each Class)	(Name of each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x,	Accelerated filer o,
Non-accelerated filer o,	Smaller reporting company o.

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

The aggregate market value of Amphenol Corporation Class A Common Stock, $.001 par value, held by non-affiliates was approximately $7,968 million based on the reported last sale price of such stock on the New York Stock Exchange on June 30, 2011.

As of January 31, 2012, the total number of shares outstanding of Registrant s Class A Common Stock was 163,332,458.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement, which is expected to be filed within 120 days following the end of the fiscal year covered by this report, are incorporated by reference into Part III hereof.

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PART I

Item 1. Business

General

Amphenol Corporation (Amphenol or the Company) is one of the world s largest designers, manufacturers and marketers of electrical, electronic and fiber optic connectors, interconnect systems and coaxial and high-speed specialty cable. The Company was incorporated in 1987. Certain predecessor businesses, which now constitute part of the Company, have been in business since 1932. The primary end markets for the Company s products are:

- information technology and communication systems for the converging technologies of voice, video and data communications;
- a broad range of industrial applications including factory automation and motion control systems, medical and industrial instrumentation, mass transportation, alternative and traditional energy generation, natural resource exploration and traditional and hybrid-electrical automotive applications; and
- commercial aerospace and military applications.

The Company s strategy is to provide its customers with comprehensive design capabilities, a broad selection of products and a high level of service on a worldwide basis while maintaining continuing programs of productivity improvement and cost control. For 2011, the Company reported net sales, operating income and net income attributable to Amphenol Corporation of $3,939.8 million, $751.7 million and $524.2 million, respectively. The table below summarizes information regarding the Company s primary markets and end applications for the Company s products in 2011:

	Information Technology & Communications	**Industrial/Automotive**	**Commercial Aerospace & Military**
Percentage of Sales (approximate)	59%	21%	20%
Primary End Applications	Broadband Communications Networks	Alternative and traditional energy generation	Military and Commercial Aircraft

• cable modems • cable television networks • high-speed internet • network switching equipment • set top converters Telecommunications and Data Communications • computers, personal computers and related peripherals • data networking equipment • routers and switches • servers and storage systems Wireless Communication Systems • base stations • cell sites • smart wireless devices, including tablets • wireless handsets • wireless infrastructure equipment	Automobile on-board electronics and safety systems Factory automation Geophysical Heavy equipment High speed and traditional rail Hybrid-electrical vehicles Instrumentation Mass transportation Medical equipment Natural resource exploration	• avionics • engine controls • flight controls • passenger related systems • unmanned aerial vehicles Military communications systems Missile systems Ordnance Radar systems Satellite and space programs

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The Company designs and manufactures connectors and interconnect systems, which are used primarily to conduct electrical and optical signals for a wide range of sophisticated electronic applications. The Company believes, based primarily on published market research, that it is the second largest connector and interconnect product manufacturer in the world. The Company has developed a broad range of connector and interconnect products for information technology and communications equipment applications including the converging voice, video and data communications markets. The Company offers a broad range of interconnect products for factory automation and motion control systems, machine tools, instrumentation and medical systems, mass transportation applications and automotive safety systems and a diverse range of on-board electronics. In addition, the Company is the leading supplier of high performance, military-specification, circular environmental connectors that require superior reliability and performance under conditions of stress and in hostile environments. These conditions are frequently encountered in commercial and military aerospace applications and other demanding industrial applications such as solar and wind power generation, oil exploration, medical equipment, hybrid-electrical vehicles and off-road construction.

The Company is a global manufacturer employing advanced manufacturing processes. The Company designs, manufactures and assembles its products at facilities in the Americas, Europe, Asia and Africa. The Company sells its products through its own global sales force, independent manufacturers representatives and a global network of electronics distributors to thousands of Original Equipment Manufacturers (OEMs) in approximately 70 countries throughout the world. The Company also sells certain products to Electronic Manufacturing Services (EMS) companies, to Original Design Manufacturing (ODM) companies and to communication network operators. For 2011, approximately 35% of the Company s net sales were in North America, 17% were in Europe and 48% were in Asia and other countries.

The Company generally implements its product development strategy through product design teams and collaboration arrangements with customers which result in the Company obtaining approved vendor status for its customers new products and programs. The Company seeks to have its products become widely accepted within the industry for similar applications and products manufactured by other potential customers, which the Company believes will provide additional sources of future revenue. By developing application specific products, the Company has decreased its exposure to standard products which generally experience greater pricing pressure. In addition to product design teams and customer collaboration arrangements, the Company uses key account managers to manage customer relationships on a global basis such that it can bring to bear its total resources to meet the worldwide needs of its multinational customers.

The Company and industry analysts estimate that the worldwide sales of interconnect products were approximately $48 billion in 2011. The Company believes that the worldwide industry for interconnect products and systems is highly fragmented with over 2,000 producers of connectors and interconnect systems worldwide, of which the 10 largest, including Amphenol, accounted for a combined market share of approximately 63% in 2011.

The Company s acquisition strategy is focused on the consolidation of this highly fragmented industry. The Company targets acquisitions on a global basis in high growth segments that have complementary capabilities to the Company from a product, customer and/or geographic standpoint. The Company looks to add value to smaller companies through its global capabilities and generally expects acquisitions to be accretive to performance in the first year. In 2011, the Company invested approximately $303 million in acquisitions. This investment was made for two acquisitions in the automotive market, which broadened and enhanced the Company s product offerings in this market.

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Business Segments

The following table sets forth the dollar amounts of the Company s net trade sales by business segment and geographic area. For a discussion of factors affecting changes in sales by business segment and additional financial data by business segment and geographic area, see Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 13 to the Consolidated Financial Statements included in Part II, Item 8 herein.

	2011	2010 (dollars in thousands)	2009
Net trade sales by business segment:			
Interconnect Products and Assemblies	$ 3,666,042	$ 3,293,119	$ 2,566,578
Cable Products	273,744	260,982	253,487
	$ 3,939,786	$ 3,554,101	$ 2,820,065
Net trade sales by geographic area (1):			
United States	$ 1,268,936	$ 1,258,167	$ 1,001,742
China	980,239	851,626	611,877
Other International Locations	1,690,611	1,444,308	1,206,446
	$ 3,939,786	$ 3,554,101	$ 2,820,065

(1) Based on customer location to which product is shipped.

Interconnect Products and Assemblies. The Company produces a broad range of interconnect products and assemblies primarily for information technology, voice, video and data communication systems, commercial aerospace and military systems, automotive and mass transportation applications, and industrial and factory automation equipment. Interconnect products include connectors, which when attached to an electronic or fiber optic cable, a printed circuit board or other device, facilitate electronic or fiber optic transmission. Interconnect assemblies generally consist of a system of cable and connectors for linking electronic and fiber optic equipment. The Company designs and produces a broad range of connector and cable assembly products used in communication applications, such as: engineered cable assemblies used in base stations for wireless communication systems and internet networking equipment; smart card acceptor and other interconnect devices used in mobile telephones; set top boxes and other applications to facilitate reading data from smart cards; fiber optic connectors used in fiber optic signal transmission; backplane and input/output connectors and assemblies used for servers and data storage devices and linking personal computers and peripheral equipment; sculptured flexible circuits used for integrating printed circuit boards in communication applications and hinge products used in mobile phone and other wireless communication devices. The Company also designs and produces a broad range of radio frequency connector products and antennas used in telecommunications, computer and office equipment, instrumentation equipment, local area networks and automotive electronics. The Company s radio frequency interconnect products, assemblies and antennas are also used in base stations, wireless communication devices and other components of cellular and personal communications networks.

The Company believes that it is the largest supplier of high performance, military-specification, circular environmental connectors. Such connectors require superior performance and reliability under conditions of stress and in hostile environments. High performance environmental connectors and interconnect systems are generally used to interconnect electronic and fiber optic systems in sophisticated aerospace, military, commercial and industrial equipment. These applications present demanding technological requirements in that the connectors are subject to rapid and severe temperature changes, vibration, humidity and nuclear radiation. Frequent applications of these connectors and interconnect systems include aircraft, guided missiles, radar, military vehicles, equipment for spacecraft, energy, medical instrumentation, geophysical applications and off-road construction equipment. The Company also designs and produces industrial interconnect products used in a variety of applications such as factory automation equipment, mass transportation applications including railroads and marine transportation; and automotive safety systems and a diverse range of on-board electronics. The Company also designs and produces highly-engineered cable and backplane assemblies. Such assemblies are specially designed by the Company in conjunction with OEM customers for specific applications, primarily for computer, wired and wireless communication systems, office equipment, industrial and aerospace applications. The cable assemblies utilize the Company s connector and cable products as well as components purchased from others.

Cable Products. The Company designs, manufactures and markets coaxial cable primarily for use in the cable television industry. The Company s Times Fiber Communications subsidiary is the world s second largest producer of coaxial cable for the cable television market. The Company believes that its Times Fiber Communications unit is one of the lowest cost producers of coaxial cable for cable television. The Company s coaxial cable and connector products are used in cable television systems including full service cable television/telecommunication systems being installed by cable operators and telecommunication companies offering video, voice and data services. The Company is also a major supplier of coaxial cable to the international cable television market.

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The Company manufactures two primary types of coaxial cable: semi-flexible, which has an aluminum tubular shield, and flexible, which has one or more braided metallic shields. Semi-flexible coaxial cable is used in the trunk and feeder distribution portion of cable television systems, and flexible cable (also known as drop cable) is used primarily for hookups from the feeder cable to the cable television subscriber s residence. Flexible cable is also used in other communication applications. The Company has also developed a broad line of radio frequency and fiber optic interconnect components for full service cable television/ telecommunication networks.

The Company is also a leading producer of high speed data cables and specialty cables, which are used to connect internal components in systems with space and component configuration limitations. Such products are used in computer and office equipment applications as well as in a variety of telecommunication applications.

International Operations

The Company believes that its global presence is an important competitive advantage, as it allows the Company to provide quality products on a timely and worldwide basis to its multinational customers. Approximately 68% of the Company s sales for the year ended December 31, 2011 were outside the United States and approximately 25% of the Company s sales were sold to customers in China. The Company has international manufacturing and assembly facilities in China, Taiwan, Korea, India, Japan, Malaysia, Europe, Canada, Latin America, Africa and Australia. European operations include manufacturing and assembly facilities in the United Kingdom, Germany, France, the Czech Republic, Slovakia and Estonia and sales offices in most European markets. The Company s international manufacturing and assembly facilities generally serve the respective local markets and coordinate product design and manufacturing responsibility with the Company s other operations around the world. The Company has lower cost manufacturing and assembly facilities in China, Malaysia, Mexico, India, Eastern Europe and Africa to serve regional and world markets. For a discussion of risks attendant to the Company s foreign operations, see the risk factor titled The Company is subject to the risks of political, economic and military instability in countries outside the United States in Part I, Item 1A herein.

Customers

The Company s products are used in a wide variety of applications by numerous customers. No single customer accounted for more than 10% of net sales for the years ended December 31, 2011, 2010 or 2009. The Company sells its products to over 10,000 customer locations worldwide. The Company s products are sold directly to OEMs, EMSs, ODMs, cable system operators, telecommunication companies and through manufacturers representatives and distributors. There has been a trend on the part of OEM customers to consolidate their lists of qualified suppliers to companies that have a broad portfolio of leading technology solutions, design capability, global presence, and the ability to meet quality and delivery standards while maintaining competitive prices.

The Company has focused its global resources to position itself to compete effectively in this environment. The Company has concentrated its efforts on service and productivity improvements including advanced computer aided design and manufacturing systems, statistical process controls and just-in-time inventory programs to increase product quality and shorten product delivery schedules. The Company s strategy is to provide comprehensive design capabilities, a broad selection of products and a high level of service in the areas in which it competes. The Company has achieved a preferred supplier designation from many of its customers.

The Company s sales to distributors represented approximately 13% of the Company s 2011 sales. The Company s recognized brand names, including Amphenol, Times Fiber, Tuchel, Socapex, Sine, Spectra-Strip, Pyle-National, Matrix, Kai Jack and others, together wi Company s strong connector design-in position (products that are specified in customer drawings), enhance its ability to reach the secondary market through its network of distributors.

Manufacturing

The Company employs advanced manufacturing processes including molding, stamping, plating, turning, extruding, die casting and assembly operations as well as proprietary process technology for specialty and coaxial cable production. The Company s manufacturing facilities are generally vertically integrated operations from the initial design stage through final design and manufacturing.

Outsourcing of certain fabrication processes is used when cost-effective. Substantially all of the Company s manufacturing facilities are certified to the ISO9000 series of quality standards, and many of the Company s manufacturing facilities are certified to other quality standards, including QS9000, ISO14000 and TS16469.

The Company employs a global manufacturing strategy to lower its production costs and to improve service to customers. The Company sources its products on a worldwide basis with manufacturing and assembly operations in the Americas, Europe, Asia, Africa and Australia. To better serve certain high volume customers, the Company has established just-in-time facilities near these major customers.

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The Company s policy is to maintain strong cost controls in its manufacturing and assembly operations. The Company is continually evaluating and adjusting its expense levels and workforce to reflect current business conditions and maximize the return on capital investments.

The Company purchases a wide variety of raw materials for the manufacture of its products, including precious metals such as gold and silver used in plating, aluminum, brass, steel, copper and bimetallic products used for cable, contacts and connector shells, and plastic materials used for cable and connector bodies and inserts. Such raw materials are generally available throughout the world and are purchased locally from a variety of suppliers. The Company is generally not dependent upon any one source for raw materials, or if one source is used the Company attempts to protect itself through long-term supply agreements.

Research and Development

The Company s research and development expense for the creation of new and improved products and processes was $88.9 million, $77.6 million and $64.0 million for 2011, 2010 and 2009, respectively. The Company s research and development activities focus on selected product areas and are performed by individual operating divisions. Generally, the operating divisions work closely with OEM customers to develop highly-engineered products and systems that meet specific customer needs. The Company focuses its research and development efforts primarily on those product areas that it believes have the potential for broad market applications and significant sales within a one-to-three year period.

Trademarks and Patents

The Company owns a number of active patents worldwide. The Company also regards its trademarks Amphenol, Times Fiber, Tuchel, Socapex and Spectra-Strip to be of material value in its businesses. The Company has exclusive rights in all its major markets to use these registered trademarks. The Company has rights to other registered and unregistered trademarks which it believes to be of value to its businesses. While the Company considers its patents and trademarks to be valuable assets, the Company does not believe that its competitive position is dependent on patent or trademark protection or that its operations are dependent on any individual patent or trademark.

Competition

The Company encounters competition in substantially all areas of its business. The Company competes primarily on the basis of technology innovation, product quality, price, customer service and delivery time. Competitors include large, diversified companies, some of which have substantially greater assets and financial resources than the Company, as well as medium to small companies. In the area of coaxial cable for cable television, the Company believes that it and CommScope, Inc. are the primary world providers of such cable; however, CommScope, Inc. is larger than the Company in this market. In addition, the Company faces competition from other companies that have concentrated their efforts in one or more areas of the coaxial cable market.

Backlog

The Company estimates that its backlog of unfilled orders was $746 million and $680 million at December 31, 2011 and 2010, respectively. Orders typically fluctuate from quarter to quarter based on customer demand and general business conditions. Unfilled orders may be cancelled prior to shipment of goods. It is expected that all or a substantial portion of the backlog will be filled within the next 12 months. Significant elements of the Company s business, such as sales to the communications related markets (including wireless communications, telecom & data communications and broadband communications) and sales to distributors, generally have short lead times. Therefore, backlog may not be indicative of future demand.

Employees

As of December 31, 2011, the Company had approximately 39,100 employees worldwide of which approximately 31,100 were located in lower cost regions. Of these employees, approximately 32,600 were hourly employees and the remainder were salaried employees. The Company believes that it has a good relationship with its unionized and non-unionized employees.

Environmental Matters

Certain operations of the Company are subject to environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with applicable environmental laws and regulations and that the costs of continuing compliance will not have a material effect on the Company s financial condition or results of operations.

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Owners and occupiers of sites containing hazardous substances, as well as generators of hazardous substances, are subject to broad liability under various environmental laws and regulations, including expenditures for cleanup and monitoring costs and potential damages arising out of past disposal activities. Such liability in many cases may be imposed regardless of fault or the legality of the original disposal activity. The Company has performed remediation activities and is currently performing operations and maintenance and monitoring activities at three off-site disposal sites previously utilized by the Company s facility in Sidney, New York, and others - the Richardson Hill Road landfill, the Route 8 landfill and the Sidney landfill. Actions at the Richardson Hill Road and Sidney landfills were undertaken subsequent to designation as Superfund sites on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. The Route 8 landfill was designated as a New York State Inactive Hazardous Waste Disposal Site, with remedial actions taken pursuant to Chapter 6, Section 375-1 of the New York Code of Rules and Regulations. In addition, the Company is currently performing monitoring activities at, and in proximity to, its manufacturing site in Sidney, New York. The Company is also engaged in remediating or monitoring environmental conditions at certain of its other manufacturing facilities and has been named as a potentially responsible party for cleanup costs at other off-site disposal sites.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), the Company and Honeywell were named jointly and severally liable as potentially responsible parties in connection with several environmental cleanup sites. The Company and Honeywell jointly consented to perform certain investigations and remediation and monitoring activities at the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at the Sidney landfill, all as referred to above. All of the costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material effect on the Company s consolidated financial condition or results of operations. The environmental investigation, remediation and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

Since 1987, the Company has not been identified nor has it been named as a potentially responsible party with respect to any other significant on-site or off-site hazardous waste matters. In addition, the Company believes that its manufacturing activities and disposal practices since 1987 have been in material compliance with applicable environmental laws and regulations. Nonetheless, it is possible that the Company will be named as a potentially responsible party in the future with respect to additional Superfund or other sites. Although the Company is unable to predict with any reasonable certainty the extent of its ultimate liability with respect to any pending or future environmental matters, the Company believes, based upon information currently known by management about the Company s manufacturing activities, disposal practices and estimates of liability with respect to known environmental matters, that any such liability will not have a material effect on the Company s consolidated financial condition or results of operations.

Other

The Company s annual report on Form 10-K and all of the Company s other filings with the Securities and Exchange Commission (SEC) are available, without charge, on the Company s web site, www.amphenol.com, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available without charge, from Amphenol Corporation, Investor Relations, 358 Hall Avenue, Wallingford, CT 06492.

Cautionary Information for Purposes of Forward Looking Statements

Statements made by the Company in written or oral form to various persons, including statements made in this annual report on Form 10-K and other filings with the SEC, that are not strictly historical facts are forward looking statements. Such statements should be considered as subject to uncertainties that exist in the Company s operations and business environment. Certain of the risk factors, assumptions or uncertainties that could cause the Company to fail to conform with expectations and predictions are described below under the caption Risk Factors in Part I, Item IA and elsewhere in this annual report on Form 10-K. Should one or more of these risks or uncertainties occur, or should the Company s assumptions prove incorrect, actual results may vary materially from those described in this annual report on Form 10-K as anticipated, believed, estimated or expected. We do not intend to update these forward looking statements.

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Item 1A. Risk Factors

Investors should carefully consider the risks described below and all other information in this annual report on Form 10-K. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that it currently deems immaterial may also impair the Company s business and operations.

If actions taken by management to limit, monitor or control financial enterprise risk exposures are not successful, the Company s business and consolidated financial statements could be materially adversely affected. In such case, the trading price of the Company s common stock could decline and investors may lose all or part of their investment.

The Company is dependent on the communications industry, including telecommunications and data communications, wireless communications and broadband communications.

Approximately 59% of the Company s 2011 revenues came from sales to the communications industry, including telecommunication and data communication, wireless communications and broadband communications of which 20% of the Company s sales came from sales to the wireless device market. Demand for these products is subject to rapid technological change (see below The Company is dependent on the acceptance of new product introductions for continued revenue growth). These markets are dominated by several large manufacturers and operators who regularly exert significant price pressure on their suppliers, including the Company. There can be no assurance that the Company will be able to continue to compete successfully in the communications industry, and the Company s failure to do so could have an adverse effect on the Company s financial condition and results of operations.

Approximately 7% and 12% of the Company s 2011 revenues came from sales to the broadband communications and wireless infrastructure markets, respectively. Demand for the Company s products in these markets depends primarily on capital spending by operators for constructing, rebuilding or upgrading their systems. The amount of this capital spending and, therefore, the Company s sales and profitability will be affected by a variety of factors, including general economic conditions, consolidation within the communications industry, the financial condition of operators and their access to financing, competition, technological developments, new legislation and regulation of operators. There can be no assurance that existing levels of capital spending will continue or that spending will not decrease.

Changes in defense expenditures may reduce the Company s sales.

Approximately 15% of the Company s 2011 revenues came from sales to the military market. The Company participates in a broad spectrum of defense programs and believes that no one program accounted for more than 1% of its 2011 revenues. The substantial majority of these sales are related to both U.S. and foreign military and defense programs. The Company s sales are generally to contractors and subcontractors of the U.S. or foreign governments or to distributors that in turn sell to the contractors and subcontractors. Accordingly, the Company s sales are affected by changes in the defense budgets of the U.S. and foreign governments. A significant decline in U.S. defense expenditures and foreign government defense expenditures generally could adversely affect the Company s business and have an adverse effect on the Company s financial condition and results of operations.

The Company encounters competition in substantially all areas of its business.

The Company competes primarily on the basis of technology innovation, product quality, price, customer service and delivery time. Competitors include large, diversified companies, some of which have substantially greater assets and financial resources than the Company, as well as medium to small companies. There can be no assurance that additional competitors will not enter the Company s existing markets, nor can there be any assurance that the Company will be able to compete successfully against existing or new competition, and the inability to do so could have an adverse effect on the Company s business, financial condition and results of operations.

The Company is dependent on the acceptance of new product introductions for continued revenue growth.

The Company estimates that products introduced in the last two years accounted for approximately 24% of 2011 net sales. The Company s long-term results of operations depend substantially upon its ability to continue to conceive, design, source and market new products and upon continuing market acceptance of its existing and future product lines. In the ordinary course of business, the Company continually develops or creates new product line concepts. If the Company fails to or is significantly delayed in introducing new product line concepts or if the Company s new products do not meet with market acceptance, its business, financial condition and results of operations may be adversely affected.

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Covenants in the Company s credit agreements may adversely affect the Company.

The Credit Agreement, amended on June 30, 2011, among the Company, certain subsidiaries of the Company, and a syndicate of financial institutions (the Revolving Credit Facility) contains financial and other covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, a limit on priority indebtedness and limits on incurrence of liens. Although the Company believes none of these covenants is presently restrictive to the Company s operations, the ability to meet the financial covenants can be affected by events beyond the Company s control, and the Company cannot provide assurance that it will meet those tests. A breach of any of these covenants could result in a default under the Revolving Credit Facility. Upon the occurrence of an event of default under any of the Company s credit facilities, the lenders could elect to declare amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit. If the lenders accelerate the repayment of borrowings, the Company may not have sufficient assets to repay the Revolving Credit Facility and other indebtedness.

Downgrades of the Company s debt rating could adversely affect the Company s results of operations and financial condition.

If the credit rating agencies that rate the Company s debt were to downgrade the Company s credit rating in conjunction with a deterioration of the Company s performance, it may increase the Company s cost of capital and make it more difficult for the Company to obtain new financing, which could adversely affect the Company s business.

The Company s results may be negatively affected by changing interest rates.

The Company is subject to market risk from exposure to changes in interest rates based on the Company s financing activities. As of December 31, 2011, $777.8 million or 56% of the Company s outstanding borrowings were subject to floating interest rates, primarily LIBOR. The Company has $600.0 million of unsecured Senior Notes due November 2014 outstanding, which were issued at 99.813% of their face value and which have a fixed interest rate of 4.75% (the 4.75% Senior Notes). In addition, in January 2012, the Company issued $500.0 million of unsecured Senior Notes due February 2022 at 99.746% of their face value and which have a fixed interest rate of 4.00% (the 4.00% Senior Notes). The net proceeds from the sale of the 4.00% Senior Notes were used to repay borrowings under the Company s Revolving Credit Facility.

A 10% change in LIBOR at December 31, 2011would have no material effect on the Company s interest expense. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2012, although there can be no assurances that interest rates will not significantly change.

The Company s results may be negatively affected by foreign currency exchange rates.

The Company conducts business in several international currencies through its worldwide operations, and as a result is subject to foreign exchange exposure due to changes in exchange rates of the various currencies. Changes in exchange rates can positively or negatively affect the Company s sales, gross margins and equity. The Company attempts to minimize currency exposure risk in a number of ways including producing its products in the same country or region in which the products are sold, thereby generating revenues and incurring expenses in the same currency, cost reduction and pricing actions, and working capital management. However, there can be no assurance that these actions will be fully effective in managing currency risk, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company s worldwide operations, which could have an adverse effect on the Company s results of operations and financial conditions.

The Company is subject to the risks of political, economic and military instability in countries outside the United States.

Non-U.S. markets account for a substantial portion of the Company s business. During 2011, non-U.S. markets constituted approximately 68% of the Company s net sales. The Company employs more than 89% of its workforce outside the United States. The Company s customers are located throughout the world and it has many manufacturing, administrative and sales facilities outside the United States. Because the Company has extensive non-U.S. operations as well as the amount of cash and cash investments that are held at institutions located outside of the U.S., it is exposed to risks that could negatively affect sales, profitability or the liquidity of such cash and cash investments including:

- tariffs, trade barriers and trade disputes;
- regulations related to customs and import/export matters;
- longer payment cycles;
- tax issues, such as tax law changes, examinations by taxing authorities, variations in tax laws from country to country as compared to the United States and difficulties in repatriating cash generated or held abroad in a tax-efficient manner;
- challenges in collecting accounts receivable;
- challenges in repatriating such cash and cash investments if required;
- employment regulations and local labor conditions;
- difficulties protecting intellectual property;
- instability in economic or political conditions, including inflation, recession and actual or anticipated military or political conflicts; and
- the impact of each of the foregoing on outsourcing and procurement arrangements.

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The Company may experience difficulties and unanticipated expense of assimilating newly acquired businesses, including the potential for the impairment of goodwill.

The Company has completed a number of acquisitions in the past few years and anticipates that it will continue to pursue acquisition opportunities as part of its growth strategy. The Company may experience difficulty and unanticipated expense in integrating such acquisitions and the acquisitions may not perform as expected. At December 31, 2011, the total assets of the Company were $4,445.2 million, which included $1,746.1 million of goodwill (the excess of fair value of consideration paid over the fair value of net identifiable assets of businesses acquired). The Company performs annual evaluations for the potential impairment of the carrying value of goodwill. Such evaluations have not resulted in the need to recognize an impairment. However, if the financial performance of the Company s businesses were to decline significantly, the Company could incur a material non-cash charge to its income statement for the impairment of goodwill.

The Company may experience difficulties in obtaining a consistent supply of materials at stable pricing levels, which could adversely affect its results of operations.

The Company uses basic materials like steel, aluminum, brass, copper, bi-metallic products, silver, gold and plastic resins in its manufacturing processes. Volatility in the prices of such material and availability of supply may have a substantial impact on the price the Company pays for such materials. In addition, to the extent such cost increases cannot be recovered through sales price increases or productivity improvements, the Company s margin may decline.

The Company may not be able to attract and retain key employees.

The Company s continued success depends upon its continued ability to hire and retain key employees at its operations around the world. Any difficulties in obtaining or retaining the management and other human resource competencies that the Company needs to achieve its business objectives may have an adverse effect on the Company s performance.

Changes in general economic conditions and other factors beyond the Company s control may adversely impact its business.

The following factors could adversely impact the Company s business:

- A global economic slowdown in any of the Company s market segments.
- The effects of significant changes in monetary and fiscal policies in the U.S. and abroad including significant income tax changes, currency fluctuations and unforeseen inflationary pressures.
- Rapid material escalation of the cost of regulatory compliance and litigation.

- Unexpected government policies and regulations affecting the Company or its significant customers.

- Unforeseen intergovernmental conflicts or actions, including but not limited to armed conflict and trade wars.

- Unforeseen interruptions to the Company s business with its largest customers, distributors and suppliers resulting from but not limited to, strikes, financial instabilities, computer malfunctions, inventory excesses or natural disasters.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company s fixed assets include plants and warehouses and a substantial quantity of machinery and equipment, most of which is general purpose machinery and equipment using tools and fixtures and in many instances having automatic control features and special adaptations. The Company s plants, warehouses, machinery and equipment are in good operating condition, are well maintained, and substantially all of its facilities are in regular use. The Company considers the present level of fixed assets along with planned capital expenditures as suitable and adequate for operations in the current business environment. At December 31, 2011, the Company operated a total of 260 plants, warehouses and offices of which (a) the locations in the U.S. had approximately 2.6 million square feet, of which 1.0 million square feet were leased; (b) the locations outside the U.S. had approximately 7.4 million square feet,

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of which 5.5 million square feet were leased; and (c) the square footage by segment was approximately 9.0 million square feet and 1.0 million square feet for the Interconnect Products and Assemblies segment and the Cable Products segment, respectively.

The Company believes that its facilities are suitable and adequate for the business conducted therein and are being appropriately utilized for their intended purposes. Utilization of the facilities varies based on demand for the products. The Company continuously reviews its anticipated requirements for facilities and, based on that review, may from time to time acquire or lease additional facilities and/or dispose of existing facilities.

Item 3. Legal Proceedings

The Company and its subsidiaries have been named as defendants in several legal actions in which various amounts are claimed arising from normal business activities. Although the amount of any ultimate liability with respect to such matters cannot be precisely determined, in the opinion of management, such matters are not expected to have a material effect on the Company s financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company effected the initial public offering of its Class A Common Stock in November 1991. The Company s common stock has been listed on the New York Stock Exchange since that time under the symbol APH. The following table sets forth on a per share basis the high and low sales prices for the common stock for both 2011 and 2010 as reported on the New York Stock Exchange.

	2011		2010	
	High	**Low**	**High**	**Low**
First Quarter	$ 59.11	$ 50.54	$ 47.01	$ 37.78
Second Quarter	57.34	49.41	47.83	38.40
Third Quarter	55.76	40.02	49.98	38.36
Fourth Quarter	50.51	38.98	54.07	47.37

The below graph compares the performance of Amphenol over a period of five years ending December 31, 2011 with the performance of the Standard & Poor s 500 Stock Index and the average performance of a composite group consisting of peer corporations on a line-of-business basis. The Company is excluded from this group. The corporations comprising Composite Group A are CommScope, Inc., Hubbell Incorporated, Methode Electronics, Inc., Molex, Inc., and Thomas & Betts Corporation. In 2011, CommScope, Inc. ceased being publicly traded, therefore Composite Group B is shown without CommScope, Inc. and including Hubbell Incorporated, Methode Electronics, Inc., Molex, Inc., and Thomas & Betts Corporation and TE Connectivity LTD. The Company determined that TE Connectivity LTD. is a peer corporation on a line of business basis; information for TE Connectivity LTD. became available in 2007, as shown below. Total Daily Compounded Return indices reflect reinvested dividends and are weighted on a market capitalization basis at the time of each reported data point.

As of January 31, 2012, there were 40 holders of record of the Company s common stock. A significant number of outstanding shares of common stock are registered in the name of only one holder, which is a nominee of The Depository Trust Company, a securities depository for banks and brokerage firms. The Company believes that there are a significant number of beneficial owners of its common stock.

After declaration by the Board of Directors, the Company paid a quarterly dividend on its common stock of $.015 per share in 2010 and 2011. The Company paid its fourth quarterly dividend in the amount of $2.4 million or $.015 per share on January 3, 2012

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to shareholders of record as of December 14, 2011. Cumulative dividends declared during 2011 and 2010 were $10.1 million and $10.4 million, respectively. Total dividends paid in 2011 were $10.3 million, including those declared in 2010 and paid in 2011, and total dividends paid in 2010 were $10.4 million, including those declared in 2009 and paid in 2010. On January 26, 2012, the Company s Board of Directors approved the first quarter 2012 dividend on its common stock in the amount of $.105 per share. This represents an increase in the quarterly dividend from $.015 to $.105 per share effective with the first quarter 2012 dividend, which will be paid in April 2012. The Company intends to retain the remainder of its earnings not used for dividend payments to provide funds for the operation and expansion of the Company s business (including acquisition-related activity), to repurchase shares of its common stock and to repay outstanding indebtedness.

The Company s Revolving Credit Facility, amended June 30, 2011, contains financial covenants and restrictions, some of which may limit the Company s ability to pay dividends, and any future indebtedness that the Company may incur could limit its ability to pay dividends.

The following table summarizes the Company s equity compensation plan information as of December 31, 2011.

		Equity Compensation Plan Information	
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance**
Equity compensation plans approved by security holders	14,016,900	$ 38.00	7,684,550
Equity compensation plans not approved by security holders			
Total	14,016,900	$ 38.00	7,684,550

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Repurchase of Equity Securities

In January 2011, the Company announced that its Board of Directors authorized a stock repurchase program under which the Company may repurchase up to 20 million shares of its common stock during the three year period ending January 31, 2014 (the Program). During the twelve months ended December 31, 2011, the Company repurchased 13.4 million shares of its common stock for approximately $672.2 million. These treasury shares have been or will be retired by the Company and common stock and accumulated earnings were reduced accordingly. The price and timing of any such purchases under the Program after December 31, 2011 will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, economic and market conditions and stock price. As of December 31, 2011, 6.6 million shares of common stock may be repurchased under the Program. Through February 17, 2012, the Company has repurchased an additional 1.1 million shares of its common stock for $60.6 million. At February 17, 2012, approximately 5.5 million additional shares of common stock may be repurchased under the Program.

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs at end of Period
January 1 to January 31, 2011		$			
February 1 to February 28, 2011	955,591		56.91	955,591	19,044,409
March 1 to March 31, 2011	2,397,598		55.94	2,397,598	16,646,811
April 1 to April 30, 2011	948,415		53.03	948,415	15,698,396
May 1 to May 31, 2011	1,301,785		55.10	1,301,785	14,396,611
June 1 to June 30, 2011	976,900		51.59	976,900	13,419,711
July 1 to July 31, 2011					13,419,711
August 1 to August 31, 2011	3,641,900		45.12	3,641,900	9,777,811
September 1 to September 30, 2011	206,200		42.17	206,200	9,571,611
October 1 to October 31, 2011	395,800		40.10	395,800	9,175,811
November 1 to November 30, 2011	2,604,200		46.97	2,604,200	6,571,611
December 1 to December 31, 2011					6,571,611
Total	13,428,389	$	50.06	13,428,389	

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Item 6. Selected Financial Data

(dollars in thousands, except per share data)

	2011	2010	2009	2008	2007
Operations					
Net sales	$ 3,939,786	$ 3,554,101	$ 2,820,065	$ 3,236,471	$ 2,851,041
Net income attributable to Amphenol Corporation	524,191(1)	496,405(2)	317,834(3)	419,151	353,194
Net income per common share Diluted	3.05(1)	2.82(2)	1.83(3)	2.34	1.94
Financial Condition					
Cash, cash equivalents and short-term investments	$ 648,934	$ 624,229	$ 422,383	$ 219,415	$ 186,301
Working capital	1,538,822	1,337,140	917,236	701,032	703,327
Total assets	4,445,225	4,015,857	3,219,184	2,994,159	2,675,733
Long-term debt, including current portion	1,377,129	799,992	753,449	786,459	722,636
Shareholders equity attributable to Amphenol Corporation	2,171,769	2,320,855	1,746,077	1,349,425	1,264,914
Weighted average shares outstanding Diluted	171,825,588	176,325,993	173,941,752	178,813,013	182,503,969
Cash dividends declared per share	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06

(1) Includes (a) a tax benefit related to reserve adjustments from the favorable settlement of certain international tax positions and the completion of prior year audits of $4.5 million, or $0.03 per share, (b) a contingent payment adjustment of approximately $17.8 million, less a tax expense of $6.6 million, or $0.06 per share after taxes, (c) a charge for expenses incurred in connection with a flood at the Company s Sidney, NY facility of $21.5 million, less a tax benefit of $7.9 million, or $0.08 per share after taxes and (d) acquisition related charges of $2.0 million, less a tax benefit of $0.2 million, or $0.01 per share after taxes. Net income per diluted common share for the year ended December 31, 2011, excluding the effects of these items is $3.05.

(2) Includes a tax benefit related to reserve adjustments from the favorable settlement of certain international tax positions and the completion of prior year audits of $20.7 million, or $0.12 per share. Net income per diluted common share for the year ended December 31, 2010, excluding the effect of this item is $2.70.

(3) Includes (a) a charge for expenses incurred in the early extinguishment of interest rate swaps of $4.6 million, less a tax benefit of $1.2 million, or $0.02 per share after taxes as well as (b) a tax benefit related to a reserve adjustment from the completion of the audit of certain of the Company s prior year tax returns of $3.6 million, or $0.02 per share. Net income per diluted common share for the year ended December 31, 2009, excluding the effects of these items is $1.83.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the results of operations for the three fiscal years ended December 31, 2011, 2010 and 2009 has been derived from and should be read in conjunction with the consolidated financial statements included in Part II, Item 8 herein.

Overview

The Company is a global designer, manufacturer and marketer of interconnect and cable products. In 2011, approximately 68% of the Company s sales were outside the U.S. The primary end markets for our products are:

- information technology and communication systems for the converging technologies of voice, video and data communications;
- a broad range of industrial applications including factory automation and motion control systems, medical and industrial instrumentation, mass transportation, alternative energy, natural resource exploration, and traditional and hybrid-electrical automotive applications; and
- commercial aerospace and military applications.

The Company s products are used in a wide variety of applications by numerous customers. The Company encounters competition in its markets and competes primarily on the basis of technology innovation, product quality, price, customer service and delivery time. There has been a trend on the part of OEM customers to consolidate their lists of qualified suppliers to companies that have a global presence, can meet quality and delivery standards, have a broad product portfolio and design capability and have competitive prices. The Company has focused its global resources to position itself to compete effectively in this environment. The Company believes that its global presence is an important competitive advantage as it allows the Company to provide quality products on a timely and worldwide basis to its multinational customers.

The Company s strategy is to provide comprehensive design capabilities, a broad selection of products and a high level of service in the areas in which it competes. The Company focuses its research and development efforts through close collaboration with its OEM customers to develop highly-engineered products that meet customer needs and have the potential for broad market applications and significant sales within a one-to-three year period. The Company is also focused on controlling costs. The Company does this by investing in modern manufacturing technologies, controlling purchasing processes and expanding into lower cost areas.

The Company s strategic objective is to further enhance its position in its served markets by pursuing the following success factors:

- Focus on customer needs;
- Design and develop performance-enhancing interconnect solutions;
- Establish a strong global presence in resources and capabilities;
- Preserve and foster a collaborative, entrepreneurial management structure;
- Maintain a culture of controlling costs; and
- Pursue strategic acquisitions

For the year ended December 31, 2011, the Company reported net sales, operating income and net income attributable to Amphenol Corporation of $3,939.8 million, $751.7 million and $524.2 million, respectively; up 11%, 7% and 6%, respectively, from 2010. Sales and profitability trends are discussed in detail in Results of Operations below. In addition, a strength of the Company has been its ability to consistently generate cash. The Company uses cash generated from operations to fund capital expenditures and acquisitions, repurchase shares of its common stock, pay dividends and reduce indebtedness. In 2011, the Company generated operating cash flow of $565.2 million.

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Results of Operations

The following table sets forth the components of net income attributable to Amphenol Corporation as a percentage of net sales for the periods indicated.

	Year Ended December 31, 2011	2010	2009
Net sales	100.0%	100.0%	100.0%
Cost of sales	68.4	67.4	68.6
Casualty loss related to flood	0.5		
Change in contingent acquisition-related obligations	(0.5)		
Acquisition-related expenses	0.1		
Selling, general and administrative expenses	12.4	12.9	14.1
Operating income	19.1	19.7	17.3
Interest expense	(1.1)	(1.2)	(1.3)
Early extinguishment of interest rate swaps			(0.2)
Other income (expense), net	0.2	0.1	
Income before income taxes	18.2	18.6	15.8
Provision for income taxes	(4.8)	(4.5)	(4.2)
Net income	13.4	14.1	11.6
Net income attributable to noncontrolling interests	(0.1)	(0.1)	(0.3)
Net income attributable to Amphenol Corporation	13.3%	14.0%	11.3%

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2011 Compared to 2010

Net sales were $3,939.8 million for the year ended December 31, 2011 compared to $3,554.1 million for 2010, an increase of 11% in U.S. dollars, 9% in local currencies and 6% organically (excluding both currency and acquisition impacts). Sales of interconnect products and assemblies in 2011 (approximately 93% of net sales) increased 11% in U.S. dollars, 10% in local currencies and 7% organically compared to 2010 ($3,666.0 million in 2011 versus $3,293.1 million in 2010) driven by strength in the wireless devices, automotive, industrial, and commercial aerospace markets. Sales to the wireless devices market increased (approximately $195.4 million), primarily due to increased smart wireless device and tablet computer demand. Sales to the automotive market increased (approximately $101.0 million) driven primarily by new electronics applications as well as from the impact of two acquisitions made during the year. Industrial market sales increased (approximately $71.3 million), primarily reflecting increased sales to alternative energy, oil and gas and heavy equipment markets. Sales to the commercial aerospace market increased (approximately $36.0 million), primarily due to higher airplane production volumes as well as next generation jet liner production. This was partially offset by reductions in sales to the military aerospace market (approximately $9.5 million), primarily due to reductions in procurement by defense contractors related to budget uncertainties and also due to the approximately $18.0 million business interruption impact from the flood at the Company s Sidney, New York facility in early September 2011 as further described below (the Flood Impact), partially offset by acquisition growth from a 2010 acquisition and a reduction in sales to the wireless infrastructure market (approximately $21.7 million), primarily due to slowed demand at base station/equipment manufacturers. Sales of cable products in 2011 (approximately 7% of net sales) increased 5% in U.S. dollars and 3% in local currencies compared to 2010 ($273.7 million in 2011 versus $261.0 million in 2010), primarily due to increased spending in South American wireless infrastructure markets during the year, partially offset by lower spending in broadband communications markets.

Geographically, sales in the U.S. in 2011 increased approximately 1% ($1,268.9 million in 2011 versus $1,258.2 million in 2010) compared to 2010. International sales for 2011 increased approximately 16% in U.S. dollars and 14% in local currencies ($2,670.9 million in 2011 versus $2,296.0 million in 2010) compared to 2010 with particular strength in Asia. The comparatively weaker U.S. dollar in 2011 had the effect of increasing net sales by approximately $59.6 million when compared to foreign currency translation rates in 2010.

The gross profit margin as a percentage of net sales was 31.6% in 2011 compared to 32.6% in 2010. The operating margin for the Interconnect Products and Assemblies segment decreased approximately 0.5% compared to the prior year, as a result of the impacts of increases in input costs primarily due to higher commodity prices. These impacts were partially offset by the positive impacts of higher volume, cost reduction actions and price increases. The operating margins for the Cable Products segment decreased 0.9%, primarily as a result of higher relative material costs.

The Company incurred damage at its Sidney, New York manufacturing facility as a result of severe and sudden flooding in New York State in early September 2011. As separately presented in the Consolidated Statements of Income, the Company recorded a charge of $21.5 million ($13.5 million after taxes), for property-related damage, as well as cleanup and repair efforts incurred through December 31, 2011, net of insurance recoveries. This charge includes the Company s loss for damaged inventory and machinery and equipment. The Sidney facility had limited manufacturing and sales activity primarily during the third quarter of 2011, but the plant was substantially back to full production by the end of the fourth quarter of 2011.

During the year ended December 31, 2011, the Company reassessed, based on current 2011 performance expectations, a contingent acquisition-related obligation which would have been payable in 2012 related to a 2010 acquisition (Note 3). Performance expectations were reduced as a result of a softening in demand in the defense market and the related deferral of certain defense related programs to periods beyond 2011 and therefore outside the contractual earn-out period. Therefore, it was determined that the payment related to 2011 profitability levels was no longer probable and the Company adjusted the remaining contingent consideration liability of $17.8 million as a gain in operating income as separately presented in the Consolidated Statements of Income. Based on the actual 2011 results of the acquired company, it has been determined that the 2012 contingent consideration payment is in fact not payable. This adjustment had an impact of $11.2 million on net income, or $0.06 per share, for the year ended December 31, 2011.

As separately presented in the Consolidated Statements of Income, the Company incurred $2.0 million of acquisition-related expenses in 2011 in connection with an acquisition made in the fourth quarter in the Interconnect Products and Assemblies segment.

Selling, general and administrative expenses were $486.3 million and $457.9 million in 2011 and 2010, or approximately 12% and 13% of net sales for 2011 and 2010, respectively. Selling and marketing expenses increased approximately $10.4 million in 2011 due primarily to the higher sales volume and the impact on related costs such as freight and employee-related costs. Research and development expenditures increased approximately $11.3 million in 2011, reflecting increases in expenditures for new product development and represented approximately 2% of sales for both 2011 and 2010. Administrative expenses increased approximately $6.7 million in 2011, primarily related to increases in stock-based compensation expense, salaries and employee-related benefits and amortization of acquisition related identified intangible assets, and represented approximately 5% of sales for both 2011 and 2010.

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Interest expense was $43.0 million for 2011 compared to $40.7 million for 2010. The increase is primarily attributed to higher average debt levels related to the Company s stock repurchase program (Note 7), partially offset by lower average borrowing costs.

Other income, net, was $8.1 million for 2011 compared to $4.1 million for 2010, primarily related to interest income on higher levels of cash, cash equivalents and short-term investments.

The provision for income taxes was at an effective rate of 26.2% in 2011 and 24.3% in 2010. The 2011 and 2010 tax rates reflect a reduction in tax expense of $4.5 million and $20.7 million, respectively, relating primarily to reserve adjustments from the favorable settlement of certain tax positions and the completion of prior year audits. Excluding these adjustments, the Company s effective tax rate for 2011 and 2010 was 26.8% and 27.4%, respectively.

The Company operates in over sixty tax jurisdictions, and at any point in time has numerous audits underway at various stages of completion. With few exceptions, the Company is subject to income tax examinations by tax authorities for the years 2008 and after. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company s belief that the underlying tax positions are fully supportable. As of December 31, 2011, the amount of the liability for unrecognized tax benefits, which if recognized would impact the effective tax rate, was approximately $21.9 million, the majority of which is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statute of limitations. Based on information currently available, management anticipates that over the next twelve month period, audit activity could be completed and statutes of limitations may close relating to existing unrecognized tax benefits of approximately $3.8 million.

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2010 Compared to 2009

Net sales were $3,554.1 million for the year ended December 31, 2010 compared to $2,820.1 million for 2009, an increase of 26% in U.S. dollars and in local currencies and 22% organically (excluding both currency and acquisition impacts). Sales of interconnect products and assemblies in 2010 (approximately 93% of net sales) increased 28% in U.S. dollars and 29% in local currencies compared to 2009 ($3,293.1 million in 2010 versus $2,566.6 million in 2009). Sales increased in all of the Company s major end markets, including the telecommunications and data communications, wireless communications, industrial, military/aerospace and automotive markets as a result of a broad strengthening from a product, customer and geographic perspective and to a lesser extent from acquisitions. Sales to the telecommunications and data communications market increased (approximately $202.7 million) primarily due to increased sales of high speed interconnect products for servers and switching as well as network and storage equipment. The wireless communications market sales increased (approximately $181.3 million) in all areas, including the wireless device market, primarily related to higher handset and tablet computer demand and in the wireless infrastructure market due to higher cell site installation demand, which also drove higher demand at base station/equipment manufacturers. Industrial market sales increased (approximately $163.9 million) primarily reflecting increased sales to the geophysical and oil and gas, alternative energy, factory automation and instrumentation markets. Sales to the military/aerospace markets increased (approximately $125.2 million), primarily due to higher demand in the defense market and to a lesser extent the commercial market. Sales to the automotive market increased (approximately $42.8 million) primarily due to the increased demand in the European and U.S. automotive markets including the ramp up of new hybrid electric vehicle platforms. Sales of cable products in 2010 (approximately 7% of net sales) increased 3% in U.S. dollars and were relatively flat in local currencies compared to 2009 ($261.0 million in 2010 versus $253.5 million in 2009), primarily attributed to an increase in spending in international broadband communications markets, partially offset by lower spending in North American broadband communications markets.

Geographically, sales in the U.S. in 2010 increased approximately 26% ($1,258.2 million in 2010 versus $1,001.7 million in 2009) compared to 2009. International sales for 2010 increased approximately 26% both in U.S. dollars and in local currencies ($2,296.0 million in 2010 versus $1,818.3 million in 2009) compared to 2009. The comparatively weaker U.S. dollar in 2010 had the effect of increasing net sales by approximately $1.1 million when compared to foreign currency translation rates in 2009.

The gross profit margin as a percentage of net sales was 32.6% in 2010 compared to 31.4% in 2009. The operating margin for interconnect products and assemblies increased approximately 2.3% compared to the prior year, primarily as a result of higher volume levels combined with the proactive and aggressive management of all elements of costs. Cable operating margins decreased 1.7% primarily as a result of higher relative material costs and the impact of market price reductions.

Selling, general and administrative expenses were $457.9 million and $397.6 million in 2010 and 2009, or approximately 13% and 14% of net sales for 2010 and 2009, respectively. The increase in expense in 2010 is primarily attributable to increases in the major components of selling, general and administrative expenses. Selling and marketing expenses increased approximately $17.1 million in 2010 due primarily to the higher sales volume and the impact on related costs such as freight and employee costs. Research and development expenditures increased approximately $13.6 million, reflecting increases in expenditures for new product development and represented approximately 2% of sales for both 2010 and 2009. Administrative expenses increased approximately $29.6 million, primarily related to an increase in stock-based compensation expense, amortization of identified intangible assets and employee incentive payments, and represented approximately 5% of sales for both 2010 and 2009.

Interest expense was $40.7 million for 2010 compared to $36.6 million for 2009. The increase is primarily attributable to the inclusion of fees of $1.5 million in 2010 on the Company s Receivables Securitization Facility in interest expense (included in other expense, net in 2009) in accordance with the adoption of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) *No. 2009-16, Accounting for Transfers of Financial Assets* (ASU 2009-16), which was effective January 1, 2010 (Note 2) and is also attributable to one-time expenses of $0.5 million for the early extinguishment of the Company s previous credit facility and a full year of deferred debt issue costs in the 2010 related to the Senior Notes issuance in November 2009.

The provision for income taxes was at an effective rate of 24.3% in 2010 and 26.7% in 2009. The 2010 tax rate reflects a reduction in tax expense of $20.7 million relating primarily to reserve adjustments from the favorable settlement of certain international tax positions and the completion of prior year audits. The 2009 tax rate reflects a reduction in tax expense of $3.6 million for tax reserve adjustments relating to the completion of the audit of certain of the Company s prior year tax returns. Excluding these adjustments, the Company s effective tax rate for 2010 and 2009 was 27.4% and 27.5%, respectively.

The Company operates in over fifty tax jurisdictions, and at any point in time has numerous audits underway at various stages of completion. With few exceptions, the Company is subject to income tax examinations by tax authorities for the years 2007 and after. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company s belief that the underlying tax positions are fully supportable. As of

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December 31, 2010, the amount of the liability for unrecognized tax benefits, which if recognized would impact the effective tax rate, was approximately $23.3 million, the majority of which is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statute of limitations.

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Liquidity and Capital Resources

Cash flow provided by operating activities was $565.2 million for 2011 compared to $424.9 million for 2010. Cash flow provided by operating activities for the 2010 period includes the effect of adoption of FASB ASU 2009-16, which became effective January 1, 2010 and resulted in a decrease to cash flow provided by operating activities of $82.0 million in 2010. The increase in cash flow provided by operating activities for 2011 compared to 2010 (excluding the effect of adoption of ASU 2009-16 in 2010) is primarily due to increases in net income and non-cash expenses, including a casualty loss related to the flood, depreciation and amortization and stock-based compensation, as well as a decrease in other long-term assets primarily related to deferred income taxes, partially offset by an increase in components of working capital and a non-cash change in contingent acquisition-related obligations.

The components of working capital as presented on the accompanying Consolidated Statements of Cash Flow increased $110.3 million in 2011 due primarily to increases in inventory, accounts receivable, and other current assets of $88.5 million, $9.7 million, $8.9 million, respectively, and a decrease of $27.5 million in accounts payable, partially offset by a $24.3 million increase in accrued liabilities. The components of working capital increased $120.1 million in 2010 due primarily to increases in accounts receivable, inventory, and other current assets of $157.7 million, $65.2 million, $5.6 million, respectively, partially offset by a $76.9 million increase in accounts payable and a $31.5 million increase in accrued liabilities. The components of working capital decreased $125.6 million in 2009 due primarily to decreases in accounts receivable, inventory and other current assets of $96.6 million, $76.3 million and $6.0 million, respectively, partially offset by a $31.7 million decrease in accounts payable, a $3.0 million decrease in accounts receivable sold under the Company s receivable securitization program and $2.6 million decrease in accrued liabilities.

The following represents the significant changes in the amounts as presented on the accompanying Consolidated Balance Sheets in 2011. Accounts receivable increased $48.6 million to $767.2 million resulting from higher sales levels, the impact of acquisitions of $34.8 million and translation resulting from the comparatively weaker U.S. dollar at December 31, 2011 compared to December 31, 2010 (Translation). Days sales outstanding increased to approximately 71 days from 68 days in 2010. Inventory increased $100.7 million to $649.9 million, primarily due to the impact of higher sales activity, a planned increase in certain raw materials due to expected increases in commodity prices, the increase of certain inventory to support first quarter 2012 sales and the impact of acquisitions of $19.0 million. Inventory days at December 31, 2011 and 2010 were 89 and 77, respectively. Other current assets increased $15.1 million to $115.3 million, primarily due to an increase in the fair value of a foreign exchange forward contract as well as increases in VAT-related receivables and deferred taxes. Land and depreciable assets, net, increased $13.5 million to $380.5 million reflecting capital expenditures of $100.2 million, as well as assets from acquisitions of approximately $28.5 million offset by depreciation of $101.6 million and disposals of $13.2 million, which included a write-off of certain flood damaged assets. Goodwill increased $212.8 million to $1,746.1 million, primarily as a result of two acquisitions in the Interconnect Products and Assemblies segment completed during the year. Other long-term assets increased $13.9 million to $137.4 million, primarily due to an increase in identifiable intangible assets resulting from 2011 acquisitions. Accounts payable decreased $7.1 million to $377.9 million, primarily as a result of a decrease in days payable and also due to accelerated payments for certain commodities, partially offset by the impact of acquisitions of $13.4 million and Translation. Total accrued expenses decreased $5.4 million to $264.3 million, primarily due to the payment of acquisition-related contingent consideration of $40.0 million, partially offset by an increase in accrued income taxes of $22.0 million and Translation. Accrued pension and post-employment benefit obligations increased $30.4 million due primarily to an increase in the projected benefit obligation as a result of a lower discount rate assumption. Other long-term liabilities decreased $7.8 million to $34.1 million, primarily due to the reduction in an acquisition-related contingent payment obligation of $17.8 million, partially offset by an increase in deferred tax liabilities.

In 2011, cash flow provided by operating activities of $565.2 million, net borrowings of $569.2 million, proceeds from the exercise of stock options including excess tax benefits from stock-based payment arrangements of $32.1 million, proceeds from the disposal of fixed assets of $8.1 million, and the change in cash and cash equivalents of $10.8 million were used to fund purchases of treasury stock of $672.2 million, acquisition-related payments of $303.3 million, capital expenditures of $100.2 million, contingent acquisition-related obligation payments of $40.0 million, net purchases of short-term investments of $35.5 million, payments to shareholders of noncontrolling interests of $30.0 million and dividend payments of $10.3 million.

In 2010, cash flow provided by operating activities of $424.9 million, proceeds from the exercise of stock options including excess tax benefits from stock-based payment arrangements of $61.3 million, net borrowings of $45.4 million and proceeds from disposal of fixed assets of $1.9 million were used to fund acquisition-related payments of $180.4 million, capital expenditures of $109.5 million, net purchases of short-term investments of $60.2 million, payments to shareholders of noncontrolling interests of $24.6 million, dividend payments of $10.4 million, and to fund fees and expenses in connection with refinancing the Company s Revolving Credit Facility of $7.0 million, which resulted in an increase in cash and cash equivalents of $141.3 million.

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At December 31, 2011 and 2010, the Company had cash, cash equivalents and short-term investments of $648.9 million and $624.2 million, respectively. The majority of these amounts are located outside of the U.S. The Company does not intend to repatriate these funds. However, any repatriation of funds would result in the need to accrue and pay income taxes.

In November 2009, the Company issued $600.0 million principal amount of unsecured 4.75% Senior Notes due November 2014 (the 4.75% Senior Notes) at 99.813% of their face value. Interest on the 4.75% Senior Notes is payable semi-annually on May 15 and November 15 of each year to the holders of record as of the immediately preceding May 1 and November 1. The Company may, at its option, redeem some or all of the 4.75% Senior Notes at any time by paying a make-whole premium, plus accrued and unpaid interest, if any, to the date of repurchase. The 4.75% Senior Notes are unsecured and rank equally in right of payment with the Company s other unsecured senior indebtedness. The fair value of the 4.75% Senior Notes at December 31, 2011 was approximately $643.0 million based on recent bid prices.

In January 2012, the Company issued $500.0 million principal amount of unsecured 4.00% Senior Notes due February 2022 (the 4.00% Senior Notes) at 99.746% of their face value. Net proceeds from the sale of the 4.00% Senior Notes were used to repay borrowings under the Company s Revolving Credit Facility. Interest on the 4.00% Senior Notes is payable semi-annually on February 1 and August 1 of each year, beginning August 1, 2012, to the holders of record as of the immediately preceding January 15 and July 15. The Company may, at its option, redeem some or all of the 4.00% Senior Notes at any time by paying 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase, plus a make-whole premium (if redeemed prior to November 1, 2021). The 4.00% Senior Notes are unsecured and rank equally in right of payment with the Company s other unsecured senior indebtedness.

In June 2011, the Company amended its $1,000.0 million unsecured credit facility (the Revolving Credit Facility) to reduce borrowing costs and to extend the maturity date from August 2014 to July 2016. At December 31, 2011, borrowings and availability under the Revolving Credit Facility were $692.4 million and $307.6 million, respectively. As of December 31, 2011, the interest rate on borrowings under the Revolving Credit Facility was at a spread over LIBOR. The Revolving Credit Facility requires payment of certain annual agency and commitment fees and requires that the Company satisfy certain financial covenants. At December 31, 2011, the Company was in compliance with the financial covenants under the Revolving Credit Facility. The Company paid fees and expenses of approximately $2.1 million related to the amendment, which were deferred and are being amortized as interest expense through the amended maturity date of the Revolving Credit Facility.

A subsidiary of the Company has entered into a Receivables Securitization Facility with a financial institution whereby the subsidiary can sell an undivided interest of up to $100.0 million in a designated pool of qualified accounts receivable (the Receivables Securitization Facility). The Company services, administers and collects the receivables on behalf of the purchaser. The Receivables Securitization Facility includes certain covenants, provides for various events of termination. In accordance with previous accounting guidance, the receivables sold under the Receivables Securitization Facility were accounted for off-balance sheet as sales of receivables. The Company adopted FASB ASU 2009-16 on January 1, 2010. As a result, the Company no longer accounts for the value of the outstanding undivided interest held by investors under the Receivables Securitization Facility as a sale. In addition, transfers of receivables occurring on or after January 1, 2010 are reflected as debt issued in the Company s Consolidated Statements of Cash Flow, and the value of the outstanding undivided interest held by investors at December 31, 2010 and December 31, 2011 is accounted for as a secured borrowing and is included in the Company s Consolidated Balance Sheets as long-term debt. At December 31, 2011, borrowings under the Receivables Securitization Facility were $81.7 million. Additionally, in accordance with ASU 2009-16, fees incurred in connection with the Receivables Securitization Facility are included in interest expense. Such fees were approximately $1.6 million, $1.5 million, and $1.5 million for 2011, 2010 and 2009, respectively. In January 2012, the Company amended the Receivable Securitization Facility to reduce certain fees and amend the expiration date to January 2013.

The carrying value of borrowings under the Company s Revolving Credit Facility and Receivables Securitization Facility approximated their fair value at December 31, 2011.

The Company had $24.9 million of issued and unused letters of credit at December 31, 2011.

The Company s primary ongoing cash requirements will be for operating and capital expenditures, product development activities, repurchase of its common stock, funding of pension obligations, dividends and debt service. The Company may also use cash to fund all or part of the cost of acquisitions. The Company expects that capital expenditures in 2012 will be approximately $110 to $130 million. On January 26, 2012, the Company s Board of Directors approved the first quarter 2012 dividend on its common stock in the amount of $.105 per share. This represents an increase in the quarterly dividend from $.015 to $.105 per share effective with the first quarter 2012 dividend, which will be paid in April 2012. Cumulative dividends declared and paid during 2011 were $10.3 million, including those declared in 2010 and paid in 2011. The Company s debt service requirements consist primarily of principal and interest on Senior Notes, the Revolving Credit Facility and its Receivables Securitization Facility.

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The Company s primary sources of liquidity are internally generated cash flow, the Revolving Credit Facility, the Receivables Securitization Facility and cash, cash equivalents and short-term investments. The Company expects that ongoing cash requirements will be funded from these sources; however, the Company s sources of liquidity could be adversely affected by, among other things, a decrease in demand for the Company s products, a deterioration in certain of the Company s financial ratios or a deterioration in the quality of the Company s accounts receivable. However, management believes that the Company s cash, cash equivalents and short-term investment position, ability to generate strong cash flow from operations, availability under its Revolving Credit Facility and its Receivables Securitization Facility will allow it to meet its obligations for the next twelve months.

In January 2011, the Company announced that its Board of Directors authorized a stock repurchase program under which the Company may repurchase up to 20 million shares of its common stock during the three year period ending January 31, 2014 (the Program). During the twelve months ended December 31, 2011, the Company repurchased 13.4 million shares of its common stock for approximately $672.2 million. These treasury shares have been or will be retired by the Company and common stock and accumulated earnings were reduced accordingly. The price and timing of any such purchases under the Program after December 31, 2011 will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, economic and market conditions and stock price. As of December 31, 2011, 6.6 million shares of common stock may be repurchased under the Program. Through February 17, 2012, the Company has repurchased an additional 1.1 million shares of its common stock for $60.2 million. At February 17, 2012, approximately 5.5 million additional shares of common stock may be repurchased under the Program.

Environmental Matters

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), the Company and Honeywell were named jointly and severally liable as potentially responsible parties in connection with several environmental cleanup sites. The Company and Honeywell jointly consented to perform certain investigations and remediation and monitoring activities at two sites, the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at another site, the Sidney landfill. All of the costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material effect on the Company s consolidated financial condition or results of operations. The environmental investigations, remediation and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

Inflation and Costs

The cost of the Company s products is influenced by the cost of a wide variety of raw materials, including precious metals such as gold and silver used in plating; aluminum, copper, brass and steel used for contacts; shells and cable; and plastic materials used in molding connector bodies, inserts and cable. The Company strives to offset the impact of increases in the cost of raw materials, labor and services through price increases, productivity improvements and cost saving programs. However, in certain markets, particularly in the communications related markets, this can be difficult and there is no guarantee that the Company will be successful.

Foreign Exchange

The Company conducts business in several international currencies through its worldwide operations, and as a result is subject to foreign exchange exposure due to changes in exchange rates of the various currencies. Changes in exchange rates can positively or negatively affect the Company s sales, gross margins and equity. The Company attempts to minimize currency exposure risk in a number of ways including producing its products in the same country or region in which the products are sold, thereby generating revenues and incurring expenses in the same currency, cost reduction and pricing actions, and working capital management. However, there can be no assurance that these actions will be fully effective in managing currency risk, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company s worldwide operations.

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New Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update (ASU) 2011-08, *Intangibles - Goodwill and Other* (ASU 2011-08), which allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this amendment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment of events and circumstances, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will consider this update when performing its annual impairment assessment in the third quarter of 2012.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011 and is applied retrospectively. The Company has adopted this update and presented the Consolidated Statements of Comprehensive Income immediately following the Consolidated Statements of Income.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity s shareholders equity, and (3) quantitative information required for fair value measurements categorized within Level 3 of the fair value hierarchy. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio, and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect that the adoption of this update will have a material effect on its financial statements.

Pensions

The Company and certain of its domestic subsidiaries have two defined benefit pension plans (U.S. Plans), which, cover certain U.S. employees and which represent the majority of the plan assets and benefit obligations of the aggregate defined benefit plans of the Company. The U.S. Plans benefits are generally based on years of service and compensation and are generally noncontributory. Certain U.S. employees not covered by the U.S. Plans are covered by defined contribution plans. Certain foreign subsidiaries also have defined benefit plans covering their employees (the International Plans). The pension expense for the U.S. Plans and International Plans (the Plans) approximated $19.1 million, $18.0 million and $16.5 million in 2011, 2010 and 2009, respectively, and is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year, including a weighted-average discount rate, rate increase of future compensation levels, and an expected long-term rate of return on the respective Plans assets.

The discount rate used by the Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations. The discount rate for the U.S. Plans on this basis was 4.45% at December 31, 2011 and 5.20% at December 31, 2010. Although future changes to the discount rate are unknown, had the discount rate increased or decreased 50 basis points, the accrued benefit obligation would have decreased or increased by approximately $21.0 million.

In developing the expected long-term rate of return assumption for the U.S. Plans, the Company evaluated input from its external actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices. The Company also considered its historical twenty-year compounded return of approximately 9%, which has been in excess of these broad equity and bond benchmark indices. The expected long-term rate of return on the U.S. Plans assets is based on an asset allocation assumption of 60% with equity managers, with an expected long-term rate of return of approximately 9% and 40% with fixed income managers, with an expected long-term rate of return of approximately 7%. As of December 31, 2011, the asset allocation was 62% with equity managers and 37% with fixed income managers and 1% in cash. As of December 31, 2010, the asset allocation was 59% with equity managers and 36% with fixed income managers and 5% in cash. The Company believes that the long-term asset allocation on average will approximate 60% with equity managers and 40% with fixed income managers. The Company regularly reviews the actual asset allocation and periodically rebalances investments to its targeted

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allocation when considered appropriate. Based on this methodology, the Company s expected long-term rate of return assumption to determine the accrued benefit obligation of the U.S. Plans at both December 31, 2011 and 2010 is approximately 8.25%, respectively.

The Company made cash contributions to the Plans of $22.8 million and $17.3 million in 2011 and 2010, respectively. The total liability for accrued pension and post-employment benefit obligations under the Company s pension and post-retirement benefit plans increased in 2011 to $210.3 million ($3.2 million of which is included in other accrued expenses representing required contributions to be made during 2012 for unfunded foreign plans) from $179.9 million in 2010 primarily due to a reduction of the discount rate assumption compared to 2010. The Company estimates that, based on current actuarial calculations, it will make a cash contribution to the Plans in 2012 of approximately $26.0 million, most of which is related to the U.S. Plans. Cash contributions in subsequent years will depend on a number of factors including the investment performance of the respective Plans assets.

The Company offers various defined contribution plans for U.S. and foreign employees. Participation in these plans is based on certain eligibility requirements. The Company matches the majority of employee contributions to the U.S. defined contribution plans with cash contributions up to a maximum of 5% of eligible compensation. The Company provided matching contributions of approximately $2.5 million and $2.2 million in 2011 and 2010, respectively.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are adjusted as new information becomes available. The Company s significant accounting policies are set forth below.

Revenue Recognition - The Company s primary source of revenues is from product sales to its customers. Revenue from sales of the Company s products is recognized at the time the goods are delivered and title passes, provided the earning process is complete and revenue is measurable. Delivery is determined by the Company s shipping terms, which are primarily freight on board shipping point. Revenue is recorded at the net amount to be received after deductions for estimated discounts, allowances and returns. These estimates and reserves are determined and adjusted as needed based upon historical experience, contract terms and other related factors. The shipping costs for the majority of the Company s sales are paid directly by the Company s customers. In the broadband communications market (approximately 7% of consolidated sales in 2011), the Company pays for shipping cost to the majority of its customers. Shipping costs are also paid by the Company for certain customers in the Interconnect Products and Assemblies segment. Amounts billed to customers related to shipping costs are immaterial and are included in net sales. Shipping costs incurred to transport products to the customer which are not reimbursed are included in selling, general and administrative expense.

Inventories - Inventories are stated at the lower of standard cost, which approximates average cost, or market. Provisions for slow-moving and obsolete inventory are made based on historical experience and product demand. Should future product demand change, existing inventory could become slow-moving or obsolete, and provisions would be increased accordingly.

Depreciable Assets - Property, plant and equipment are carried at cost less accumulated depreciation. The appropriateness and the recoverability of the carrying value of such assets are periodically reviewed taking into consideration current and expected business conditions. The Company has not recorded any significant impairments.

Goodwill - The Company performs its annual evaluation for the impairment of goodwill for the Company s reporting units as of each June 30. The Company has determined that its reporting units are its two reportable business segments Interconnect Products and Assemblies and Cable Products , as the components of these reportable business segments have similar economic characteristics. Goodwill impairment for each reporting unit is evaluated using a two-step approach requiring the Company to determine the fair value of the reporting unit and to compare that to the carrying value of the reporting unit. If the carrying value exceeded the fair value, the goodwill of the reporting unit would be potentially impaired and a second step of testing would be performed to measure the impairment loss. The second step of the goodwill impairment test would require the comparison of the implied fair value of reporting unit goodwill to the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds its fair value, an impairment loss would be recognized in an amount equal to the excess. The second step of the goodwill impairment test was not required.

As of June 30, 2011, and for each previous year in which the impairment test has been performed, the estimated fair value of the Company s reporting units exceeded their carrying values and therefore no impairment was recognized.

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Defined Benefit Plan Obligation - The defined benefit plan obligation is based on significant assumptions such as mortality rates, discount rates and plan asset rates of return as determined by the Company in consultation with the respective benefit plan actuaries and investment advisors.

Income Taxes **-** Deferred income taxes are provided for revenue and expenses which are recognized in different periods for income tax and financial statement reporting purposes. At December 31, 2011, the cumulative amount of undistributed earnings of foreign affiliated companies was approximately $2.1 billion. Deferred income taxes are not provided on undistributed earnings of foreign affiliated companies which are considered to be permanently invested. It is not practicable to estimate the amount of tax that might be payable if undistributed earnings were to be repatriated as there is a significant amount of uncertainty with respect to the tax impact of the remittance of these earnings due to the fact that dividends received from foreign subsidiaries could bring additional foreign tax credits, which could ultimately reduce the U.S. tax cost of the dividend. These uncertainties are further complicated by the significant number of foreign tax jurisdictions involved. Deferred tax assets are regularly assessed for recoverability based on both historical and anticipated earnings levels and a valuation allowance is recorded when it is more likely than not that these amounts will not be recovered. The tax effects of an uncertain tax position taken or expected to be taken in income tax returns are recognized only if it is more likely than not to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company includes estimated interest and penalties related to unrecognized tax benefits in the provision for income taxes.

The significant accounting policies are more fully described in Note 1 to the Company s Consolidated Financial Statements.

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Disclosures about contractual obligations and commitments

The following table summarizes the Company s known obligations to make future payments pursuant to certain contracts as of December 31, 2011, as well as an estimate of the timing in which such obligations are expected to be satisfied.

		Payment Due By Period			
Contractual Obligations (dollars in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Debt (1)	$ 1,377,129	$ 298	$ 682,135	$ 694,696	$
Interest related to 4.75% Senior Notes	85,500	28,500	57,000		
Operating leases	74,441	27,315	32,172	13,482	1,472
Purchase obligations	168,991	167,295	1,696		
Accrued pension and post employment benefit obligations (2)	56,315	25,721	8,503	8,042	14,049
Total (3)	$ 1,762,376	$ 249,129	$ 781,506	$ 716,220	$ 15,521

(1) The Company has excluded expected interest payments on the Revolving Credit Facility and the Receivables Securitization Facility from the above table, as this calculation is largely dependent on average debt levels the Company expects to have during each of the years presented. The actual interest payments made related to the Revolving Credit Facility and Receivables Securitization Facility in 2011 were $13.7 million, including amortization of the fees related to the amendment of the Revolving Credit Facility. Expected debt levels, and therefore expected interest payments, are difficult to predict, as they are significantly impacted by such items as future acquisitions, repurchases of treasury stock, dividend payments as well as payments or additional borrowing made to reduce or increase the underlying revolver balance.

(2) Included in this table are estimated benefit payments expected to be made under the Company s unfunded pension and post-retirement benefit plans. The Company also maintains several funded pension and post-retirement benefit plans, the most significant of which covers its U.S. employees. Over the past several years, there has been no minimum requirement for Company contributions to the U.S. Plans due to prior contributions made in excess of minimum requirements, however, the Company did make a voluntary contribution of approximately $20.0 million in 2011. An anticipated minimum required contribution of approximately $21.2 million was included in the above table related to the U.S. Plans for 2012. It is not possible to reasonably estimate expected required contributions in the above table after 2012 since several assumptions are required to calculate minimum required contributions, such as the discount rate and expected returns on pension assets.

(3) As of December 31, 2011, the Company has non-current liabilities of approximately $21.9 million recognized in accordance with the *Income Taxes* topic of the Accounting Standards Codification. These liabilities have been excluded from the above table due to the high degree of uncertainty regarding the timing of potential future cash flows; it is difficult to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company, in the normal course of doing business, is exposed to a variety of risks, including market risks associated with foreign currency exchange rates and changes in interest rates.

Foreign Currency Exchange Rate Risk

The Company conducts business in several international currencies through its worldwide operations, and as a result is subject to foreign exchange exposure due to changes in exchange rates of the various currencies. Changes in exchange rates can positively or negatively affect the Company s sales, gross margins and equity. The Company attempts to minimize currency exposure risk in a number of ways including producing its products in the same country or region in which the products are sold, thereby generating revenues and incurring expenses in the same currency, cost reduction and pricing actions, and working capital management. However, there can be no assurance that these actions will be fully effective in managing currency risk, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company s worldwide operations.

As of December 31, 2011, the Company had foreign currency rate protection in the form of forward contracts that effectively fixed a Hong Kong dollar denominated intercompany debt obligation of 1,202.3 million Hong Kong dollars into a fixed euro denominated obligation expiring in November 2012 concurrent with the underlying loan. The Company does not engage in purchasing forward exchange contracts for trading or speculative purposes.

Refer to Note 5 of the Consolidated Financial Statements for a discussion of derivative financial instruments.

Interest Rate Risk

Outstanding borrowings under the Company s Revolving Credit Facility are subject to floating interest rates, primarily LIBOR. At December 31, 2011, the Company s average LIBOR rate was 0.29%. A 10% change in the LIBOR interest rate at December 31, 2011 would have no material effect on interest expense. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2012, although there can be no assurances that interest rates will not significantly change.

In November 2009, the Company issued $600.0 million of 4.75% Senior Notes at 99.813% of their face value due in November 2014 with a fixed interest rate of 4.75%. In January 2012, the Company issued $500.0 million of 4.00% Senior Notes at 99.746% of their face value due in February 2022 with a fixed interest rate of 4.00%. Proceeds were used to repay borrowings under the Revolving Credit Facility.

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Amphenol Corporation

Wallingford, Connecticut

We have audited the accompanying consolidated balance sheets of Amphenol Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flow for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amphenol Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of presenting comprehensive income in 2011 due to the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income. The change in presentation has been applied retrospectively to all periods presented.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut

February 24, 2012

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AMPHENOL CORPORATION

Consolidated Statements of Income

(dollars in thousands, except per share data)

	Year Ended December 31, 2011	2010	2009
Net sales	$ 3,939,786	$ 3,554,101	$ 2,820,065
Cost of sales	2,696,126	2,395,873	1,933,511
Gross profit	1,243,660	1,158,228	886,554
Casualty loss related to flood	21,479		
Change in contingent acquisition-related obligations	(17,813)		
Acquisition-related expenses	2,000		
Selling, general and administrative expenses	486,316	457,871	397,641
Operating income	751,678	700,357	488,913
Interest expense	(43,029)	(40,741)	(36,586)
Early extinguishment of interest rate swaps			(4,575)
Other income (expense), net	8,103	4,072	(1,225)
Income before income taxes	716,752	663,688	446,527
Provision for income taxes	(187,910)	(161,275)	(119,311)
Net income	528,842	502,413	327,216
Less: Net income attributable to noncontrolling interests	(4,651)	(6,008)	(9,382)
Net income attributable to Amphenol Corporation	$ 524,191	$ 496,405	$ 317,834
Net income per common share Basic	$ 3.09	$ 2.86	$ 1.85
Weighted average common shares outstanding Basic	169,640,115	173,785,650	171,607,643
Net income per common share Diluted	$ 3.05	$ 2.82	$ 1.83
Weighted average common shares outstanding - Diluted	171,825,588	176,325,993	173,941,752
Dividends declared per common share	$ 0.06	$ 0.06	$ 0.06

See accompanying notes to consolidated financial statements.

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AMPHENOL CORPORATION

Consolidated Statements of Comprehensive Income

(dollars in thousands, except per share data)

	Year Ended December 31, 2011	2010	2009
Net income	$ 528,842	$ 502,413	$ 327,216
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(9,679)	18,504	22,521
Revaluation of derivatives	(287)	2,363	13,354
Defined benefit plan liability adjustment	(24,859)	(4,495)	3,354
Total other comprehensive income (loss), net of tax	(34,825)	16,372	39,229
Total comprehensive income	494,017	518,785	366,445
Less: Comprehensive income attributable to noncontrolling interests	(5,126)	(7,047)	(8,110)
Comprehensive income attributable to Amphenol Corporation	$ 488,891	$ 511,738	$ 358,335

See accompanying notes to consolidated financial statements.

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AMPHENOL CORPORATION

Consolidated Balance Sheets

(dollars in thousands, except per share data)

	December 31, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 515,086	$ 525,888
Short-term investments	133,848	98,341
Total cash, cash equivalents and short-term investments	648,934	624,229
Accounts receivable, less allowance for doubtful accounts of $11,113 and $14,946, respectively	767,181	718,545
Inventories, net:		
Raw materials and supplies	210,886	162,439
Work in process	255,581	231,719
Finished goods	183,395	155,011
	649,862	549,169
Other current assets	115,260	100,187
Total current assets	2,181,237	1,992,130
Land and depreciable assets:		
Land	21,930	19,400
Buildings and improvements	159,573	158,426
Machinery and equipment	854,867	800,178
	1,036,370	978,004
Accumulated depreciation	(655,869)	(611,008)
	380,501	366,996
Goodwill	1,746,113	1,533,299
Other long-term assets	137,374	123,432
	$ 4,445,225	$ 4,015,857
Liabilities & Equity		
Current Liabilities:		
Accounts payable	$ 377,867	$ 384,963
Accrued salaries, wages and employee benefits	83,810	75,183
Accrued income taxes	87,315	65,311
Accrued acquisition-related obligations		39,615
Other accrued expenses	93,125	89,566
Short-term debt	298	352
Total current liabilities	642,415	654,990
Long-term debt (Note 2)	1,376,831	799,640
Accrued pension and post-employment benefit obligations	207,049	176,636
Other long-term liabilities	34,144	41,876
Commitments and contingent liabilities (Notes 2, 10 and 16)		
Equity:		
Class A Common Stock, $.001 par value; 500,000,000 shares authorized; 163,122,474 and 175,550,683 shares issued and outstanding at December 31, 2011 and 2010, respectively	163	176
Additional paid-in capital	189,166	144,855
Accumulated earnings	2,102,497	2,260,581
Accumulated other comprehensive loss	(120,057)	(84,757)
Total shareholders equity attributable to Amphenol Corporation	2,171,769	2,320,855
Noncontrolling interests	13,017	21,860

Total equity		2,184,786		2,342,715
	$	4,445,225	$	4,015,857

See accompanying notes to consolidated financial statements.

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AMPHENOL CORPORATION

Consolidated Statements of Changes in Equity

(dollars in thousands, shares in millions)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital (Deficit)	Accumulated Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Equity
Balance January 1, 2009	171	$ 171	$ 22,746	$ 1,467,099	$ (140,591)	$	$ 19,144	$ 1,368,569
Net income				317,834			9,382	327,216
Translation adjustments					23,793		(1,272)	22,521
Revaluation of interest rate derivatives					13,354			13,354
Defined benefit plan liability adjustment					3,354			3,354
Purchase of noncontrolling interests			(14,529)				(1,367)	(15,896)
Acquisitions resulting in noncontrolling interests							983	983
Distributions to shareholders of noncontrolling interests							(10,129)	(10,129)
Stock compensation			131					131
Stock options exercised, including tax benefit	2	3	42,780					42,783
Dividends declared				(10,308)				(10,308)
Stock-based compensation expense			20,240					20,240
Balance December 31, 2009	173	$ 174	$ 71,368	$ 1,774,625	$ (100,090)	$	$ 16,741	$ 1,762,818
Net income				496,405			6,008	502,413
Translation adjustments					17,465		1,039	18,504
Revaluation of interest rate derivatives					2,363			2,363
Defined benefit plan liability adjustment					(4,495)			(4,495)
Purchase of noncontrolling interests			(12,375)				(7,792)	(20,167)
Acquisitions resulting in noncontrolling interests							10,285	10,285
Distributions to shareholders of noncontrolling interests							(4,421)	(4,421)
Stock options exercised, including tax benefit	3	2	60,477					60,479
Dividends declared				(10,449)				(10,449)
Stock-based compensation expense			25,385					25,385
Balance December 31, 2010	176	$ 176	$ 144,855	$ 2,260,581	$ (84,757)	$	$ 21,860	$ 2,342,715
Net income				524,191			4,651	528,842
Translation adjustments					(10,154)		475	(9,679)

Revaluation of forward contract derivatives					(287)			(287)
Defined benefit plan liability adjustment					(24,859)			(24,859)
Purchase of noncontrolling interests			(15,962)				(8,892)	(24,854)
Distributions to shareholders of noncontrolling interests							(5,077)	(5,077)
Purchase of treasury stock						(672,191)		(672,191)
Retirement of treasury stock	(13)	(13)		(672,178)		672,191		
Stock options exercised, including tax benefit			31,594					31,594
Dividends declared				(10,097)				(10,097)
Stock-based compensation expense			28,679					28,679
Balance December 31, 2011	163	$ 163	$ 189,166	$ 2,102,497	$ (120,057)	$	$ 13,017	$ 2,184,786

See accompanying notes to consolidated financial statements.

AMPHENOL CORPORATION

Consolidated Statements of Cash Flow

(dollars in thousands)

	Year Ended December 31, 2011	2010	2009
Net income	$ 528,842	$ 502,413	$ 327,216
Adjustments for cash from operating activities:			
Depreciation and amortization	119,439	102,846	98,524
Net change in receivables sold under Receivables Securitization Facility (Note 2)		(82,000)	(3,000)
Stock-based compensation expense	28,679	25,385	20,240
Non-cash casualty loss related to flood	10,388		
Change in contingent acquisition related obligations	(17,813)		
Excess tax benefits from stock-based payment arrangements	(5,995)	(14,692)	(16,085)
Net change in operating assets and liabilities:			
Accounts receivable	(9,664)	(157,657)	96,588
Inventory	(88,486)	(65,179)	76,332
Other current assets	(8,890)	(5,637)	6,017
Accounts payable	(27,547)	76,932	(31,709)
Accrued income taxes	26,947	(3,996)	16,920
Other accrued liabilities	(2,613)	35,466	(19,494)
Accrued pension and post employment benefits	(5,660)	(1,247)	6,526
Other long-term assets	17,114	11,658	8,842
Other	466	601	(4,620)
Cash flow provided by operating activities	565,207	424,893	582,297
Cash flow from investing activities:			
Additions to property, plant and equipment	(100,222)	(109,458)	(63,058)
Proceeds from disposal of fixed assets	8,118	1,851	3,224
Purchases of short-term investments	(181,880)	(198,228)	(46,786)
Sales and maturities of short-term investments	146,373	138,012	