

Tyco Electronics Ltd.  
Form 10-Q  
April 29, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

**For the Quarterly Period Ended March 26, 2010**

Or

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

**001-33260**

(Commission File Number)

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**TYCO ELECTRONICS LTD.**

(Exact name of registrant as specified in its charter)

**Switzerland**  
(Jurisdiction of Incorporation)

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

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

**+41 (0)52 633 66 61**

(Registrant's telephone number)

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

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

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

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

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

The number of common shares outstanding as of April 23, 2010 was 453,553,902.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## TYCO ELECTRONICS LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

|   | For the<br>Quarters Ended            |                   | For the<br>Six Months Ended |                   |
|---|--------------------------------------|-------------------|-----------------------------|-------------------|
|   | March 26,<br>2010                    | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|   | (in millions, except per share data) |                   |                             |                   |
| Net sales   | \$ 2,957                             | \$ 2,337          | \$ 5,849                    | \$ 5,050          |
| Cost of sales   | 1,999                                | 1,803             | 4,050                       | 3,792             |
| <b>Gross margin</b>   | 958                                  | 534               | 1,799                       | 1,258             |
| Selling, general, and administrative expenses                           | 406                                  | 329               | 774                         | 740               |
| Research, development, and engineering expenses                         | 142                                  | 131               | 280                         | 275               |
| Pre-separation litigation charges, net                                  |                                      | 135               |                             | 144               |
| Restructuring and other charges, net                                    | 12                                   | 189               | 78                          | 266               |
| Impairment of goodwill  |                                      | 3,547             |                             | 3,547             |
| <b>Operating income (loss)</b>  | 398                                  | (3,797)           | 667                         | (3,714)           |
| Interest income   | 6                                    | 3                 | 10                          | 9                 |
| Interest expense  | (38)                                 | (41)              | (77)                        | (83)              |
| Other income, net   | 75                                   | 3                 | 83                          | 2                 |
| <b>Income (loss) from continuing operations<br/>before income taxes</b> | 441                                  | (3,832)           | 683                         | (3,786)           |
| Income tax (expense) benefit  | (135)                                | 594               | (204)                       | 580               |
| <b>Income (loss) from continuing operations</b>                         | 306                                  | (3,238)           | 479                         | (3,206)           |
| Income (loss) from discontinued operations, net of<br>income taxes      |                                      | 1                 |                             | (66)              |
| <b>Net income (loss)</b>  | 306                                  | (3,237)           | 479                         | (3,272)           |
| Less: net income attributable to noncontrolling<br>interests            | (2)                                  | (1)               | (3)                         | (3)               |
| <b>Net income (loss) attributable to Tyco<br/>Electronics Ltd.</b>      | \$ 304                               | \$ (3,238)        | \$ 476                      | \$ (3,275)        |
| <b>Amounts attributable to Tyco Electronics Ltd.:</b>                   |                                      |                   |                             |                   |
| Income (loss) from continuing operations                                | \$ 304                               | \$ (3,239)        | \$ 476                      | \$ (3,209)        |
| Income (loss) from discontinued operations                              |                                      | 1                 |                             | (66)              |
| <b>Net income (loss)</b>  | \$ 304                               | \$ (3,238)        | \$ 476                      | \$ (3,275)        |

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**Basic earnings (loss) per share attributable to Tyco Electronics Ltd.:**

|  |    |      |    |        |    |      |    |        |
|--|----|------|----|--------|----|------|----|--------|
| Income (loss) from continuing operations   | \$ | 0.67 | \$ | (7.07) | \$ | 1.04 | \$ | (6.99) |
| Income (loss) from discontinued operations |    |      |    |        |    |      |    | (0.15) |
| Net income (loss)                          | \$ | 0.67 | \$ | (7.07) | \$ | 1.04 | \$ | (7.14) |

**Diluted earnings (loss) per share attributable to Tyco Electronics Ltd.:**

|  |    |      |    |        |    |      |    |        |
|--|----|------|----|--------|----|------|----|--------|
| Income (loss) from continuing operations   | \$ | 0.66 | \$ | (7.07) | \$ | 1.03 | \$ | (6.99) |
| Income (loss) from discontinued operations |    |      |    |        |    |      |    | (0.15) |
| Net income (loss)                          | \$ | 0.66 | \$ | (7.07) | \$ | 1.03 | \$ | (7.14) |

**Weighted-average number of shares outstanding:**

|         |  |     |     |     |     |
|---------|--|-----|-----|-----|-----|
| Basic   |  | 457 | 458 | 458 | 459 |
| Diluted |  | 461 | 458 | 461 | 459 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**TYCO ELECTRONICS LTD.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|   | March 26,<br>2010                   | September 25,<br>2009 |
|---|-------------------------------------|-----------------------|
|   | (in millions,<br>except share data) |                       |
| <b>Assets</b>   |                                     |                       |
| Current Assets:   |                                     |                       |
| Cash and cash equivalents   | \$ 1,839                            | \$ 1,521              |
| Accounts receivable, net of allowance for doubtful accounts of \$41 and \$48, respectively  | 2,042                               | 1,975                 |
| Inventories   | 1,550                               | 1,435                 |
| Prepaid expenses and other current assets   | 527                                 | 487                   |
| Deferred income taxes   | 153                                 | 161                   |
| <br>Total current assets  | <br>6,111                           | <br>5,579             |
| Property, plant, and equipment, net   | 2,896                               | 3,111                 |
| Goodwill  | 3,175                               | 3,160                 |
| Intangible assets, net  | 397                                 | 407                   |
| Deferred income taxes   | 2,539                               | 2,518                 |
| Receivable from Tyco International Ltd. and Covidien plc  | 1,210                               | 1,211                 |
| Other assets  | 224                                 | 234                   |
| <br><b>Total Assets</b>   | <br>\$ 16,552                       | <br>\$ 16,220         |
| <b>Liabilities and Shareholders' Equity</b>   |                                     |                       |
| Current Liabilities:  |                                     |                       |
| Current maturities of long-term debt  | \$ 101                              | \$ 101                |
| Accounts payable  | 1,304                               | 1,068                 |
| Accrued and other current liabilities   | 1,713                               | 1,243                 |
| Deferred revenue  | 162                                 | 203                   |
| <br>Total current liabilities   | <br>3,280                           | <br>2,615             |
| Long-term debt  | 2,313                               | 2,316                 |
| Long-term pension and postretirement liabilities  | 1,089                               | 1,129                 |
| Deferred income taxes   | 174                                 | 188                   |
| Income taxes  | 2,365                               | 2,312                 |
| Other liabilities   | 535                                 | 634                   |
| <br><b>Total Liabilities</b>  | <br>9,756                           | <br>9,194             |
| Commitments and contingencies (Note 12)   |                                     |                       |
| Shareholders' Equity:   |                                     |                       |
| Common shares, 468,215,574 shares authorized and issued, CHF 2.09 par value, at March 26, 2010; 468,215,574 shares authorized and issued, CHF 2.43 par value, at September 25, 2009 | 599                                 | 1,049                 |
| Contributed surplus   | 8,137                               | 8,135                 |
| Accumulated deficit   | (1,798)                             | (2,274)               |
| Treasury shares, at cost, 14,699,794 and 9,425,172 shares, respectively   | (467)                               | (349)                 |
| Accumulated other comprehensive income  | 317                                 | 455                   |

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|   |           |           |
|---|-----------|-----------|
| Total Tyco Electronics Ltd. shareholders' equity  | 6,788     | 7,016     |
| Noncontrolling interests                          | 8         | 10        |
| <b>Total Shareholders' Equity</b>                 | 6,796     | 7,026     |
| <b>Total Liabilities and Shareholders' Equity</b> | \$ 16,552 | \$ 16,220 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**TYCO ELECTRONICS LTD.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

**For the  
Six Months Ended  
March 26,    March 27,  
2010            2009**

**(in millions)**

| <b>Cash Flows From Operating Activities:</b>  |        |            |
|---|--------|------------|
| Net income (loss)   | \$ 479 | \$ (3,272) |
| Loss from discontinued operations, net of income taxes  |        | 66         |
| Income (loss) from continuing operations  | 479    | (3,206)    |
| Adjustments to reconcile net cash provided by operating activities:                           |        |            |
| Impairment of goodwill  |        | 3,547      |
| Non-cash restructuring and other charges, net   | 16     | 23         |
| Depreciation and amortization   | 266    | 252        |
| Deferred income taxes   | 155    | (679)      |
| Provision for losses on accounts receivable and inventories                                   |        | 38         |
| Tax sharing income  | (83)   | (5)        |
| Other   | 38     | 34         |
| Changes in assets and liabilities, net of the effects of acquisitions and divestitures:       |        |            |
| Accounts receivable, net  | (146)  | 832        |
| Inventories   | (129)  | 207        |
| Inventoried costs on long-term contracts  | (25)   | (59)       |
| Prepaid expenses and other current assets   | 26     | 215        |
| Accounts payable  | 260    | (544)      |
| Accrued and other current liabilities   | 4      | (156)      |
| Income taxes  |        | 28         |
| Deferred revenue  | (40)   | (59)       |
| Other   | 9      | 25         |
| Net cash provided by continuing operating activities  | 830    | 493        |
| Net cash used in discontinued operating activities  |        | (36)       |
| Net cash provided by operating activities   | 830    | 457        |
| <b>Cash Flows From Investing Activities:</b>  |        |            |
| Capital expenditures  | (157)  | (209)      |
| Proceeds from sale of property, plant, and equipment  | 5      | 7          |
| Acquisition of business, net of cash acquired   | (55)   |            |
| Proceeds from divestiture of discontinued operations, net of cash retained by operations sold |        | 29         |
| Proceeds from divestiture of businesses, net of cash retained by businesses sold              | 12     | 6          |
| Other   | (4)    | (3)        |
| Net cash used in continuing investing activities  | (199)  | (170)      |
| Net cash used in discontinued investing activities  |        | (2)        |
| Net cash used in investing activities   | (199)  | (172)      |
| <b>Cash Flows From Financing Activities:</b>  |        |            |
| Net decrease in commercial paper  |        | (649)      |
| Proceeds from long-term debt  |        | 442        |
| Repayment of long-term debt   |        | (119)      |



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|   |          |        |
|---|----------|--------|
| Repurchase of common shares   | (165)    | (152)  |
| Payment of common share dividends and cash distributions to shareholders                  | (146)    | (147)  |
| Transfer to discontinued operations   |          | (32)   |
| Other   | (2)      | (3)    |
| Net cash used in continuing financing activities  | (313)    | (660)  |
| Net cash provided by discontinued financing activities                                    |          | 37     |
| Net cash used in financing activities   | (313)    | (623)  |
| Effect of currency translation on cash  |          | (26)   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                               | 318      | (364)  |
| <b>Less: net decrease in cash and cash equivalents related to discontinued operations</b> |          | 1      |
| <b>Cash and cash equivalents at beginning of period</b>                                   | 1,521    | 1,090  |
| <b>Cash and cash equivalents at end of period</b>   | \$ 1,839 | \$ 727 |

See Notes to Condensed Consolidated Financial Statements.

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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

*Basis of Presentation*

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

The Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The year-end balance sheet data was derived from audited financial statements, but does not include all of the information and disclosures required by GAAP. These financial statements should be read in conjunction with the Company's audited Consolidated and Combined Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 25, 2009.

Unless otherwise indicated, references in the Condensed Consolidated Financial Statements to fiscal 2010 and fiscal 2009 are to the Company's fiscal years ending September 24, 2010 and September 25, 2009, respectively.

*Reclassifications*

The Company has reclassified certain items on its Condensed Consolidated Financial Statements to conform to the current year presentation. See additional information regarding the Company's adoption of updates to guidance in Accounting Standards Codification ("ASC") 810, *Consolidation*, in Note 2.

**2. Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance in ASC 820, *Fair Value Measurements and Disclosures*, that defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements, and introduces the fair value option for certain financial assets and liabilities. The Company adopted the fair value provisions of ASC 820 in the first quarter of fiscal 2009. Prior to adoption, the fair value measurement and disclosure requirements for non-financial assets and liabilities were deferred by one year. The Company adopted the fair value provisions of ASC 820 for non-financial assets and liabilities on September 26, 2009. See Note 14 for additional information related to fair value measurements.

In April 2009 and December 2007, the FASB issued guidance in ASC 805, *Business Combinations*, addressing the recognition and accounting for identifiable assets acquired, liabilities assumed, and

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**2. Accounting Pronouncements (Continued)**

noncontrolling interests in business combinations. The Company adopted the business combination provisions on September 26, 2009. Adoption did not have a material impact on the Company's results of operations, financial position, or cash flows.

In December 2007, the FASB issued updates to guidance in ASC 810 that address the accounting and reporting framework for noncontrolling interests by a parent company. The Company adopted the updates on September 26, 2009. As a result of adopting the presentation requirements related to noncontrolling interests, the Company has retrospectively adjusted its Condensed Consolidated Financial Statements. Adoption of the accounting requirements for noncontrolling interests did not have a material impact on the Company's results of operations, financial position, or cash flows.

**3. Restructuring and Other Charges, Net**

Restructuring and other charges, net consisted of the following during the quarters and six months ended March 26, 2010 and March 27, 2009:

|   | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|---|---------------------------|-------------------|-----------------------------|-------------------|
|   | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|   | (in millions)             |                   |                             |                   |
| Restructuring and related charges, net                          | \$ 14                     | \$ 183            | \$ 65                       | \$ 260            |
| Loss (gain) on divestitures and impairment of long-lived assets | (2)                       | 6                 | 13                          | 6                 |
|   | \$ 12                     | \$ 189            | \$ 78                       | \$ 266            |

**Restructuring and Related Charges, Net**

Charges to operations by segment during the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Electronic Components                  | \$ 8                      | \$ 160            | \$ 52                       | \$ 202            |
| Network Solutions                      | 2                         | 8                 | 4                           | 27                |
| Specialty Products                     | 4                         | 12                | 4                           | 26                |
| Subsea Communications                  |                           | 1                 | 2                           | 4                 |
|  | 14                        | 181               | 62                          | 259               |
| Less: credits in cost of sales         |                           | 2                 | 3                           | 1                 |
| Restructuring and related charges, net | \$ 14                     | \$ 183            | \$ 65                       | \$ 260            |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**3. Restructuring and Other Charges, Net (Continued)**

Amounts recognized on the Condensed Consolidated Statements of Operations during the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Cash charges                           | \$ 15                     | \$ 168            | \$ 59                       | \$ 236            |
| Non-cash charges                       | (1)                       | 13                | 3                           | 23                |
|  | 14                        | 181               | 62                          | 259               |
| Less: credits in cost of sales         |                           | 2                 | 3                           | 1                 |
| Restructuring and related charges, net | \$ 14                     | \$ 183            | \$ 65                       | \$ 260            |

**Cash Charges**

Activity in the Company's restructuring reserves during the first six months of fiscal 2010 is summarized as follows:

|                        | Balance at<br>September 25,<br>2009 | Charges | Utilization | Currency<br>Changes in<br>Estimate | Currency<br>Translation<br>and Other | Balance at<br>March 26,<br>2010 |
|------------------------|-------------------------------------|---------|-------------|------------------------------------|--------------------------------------|---------------------------------|
|                        | (in millions)                       |         |             |                                    |                                      |                                 |
| Fiscal 2010            |                                     |         |             |                                    |                                      |                                 |
| Actions:               |                                     |         |             |                                    |                                      |                                 |
| Employee<br>severance  | \$                                  | \$ 44   | \$ (1)      | \$                                 | \$ (3)                               | \$ 40                           |
| Facility exit<br>costs |                                     | 7       | (5)         |                                    | 7 <sup>(1)</sup>                     | 9                               |
| Other                  |                                     | 1       |             |                                    |                                      | 1                               |
| Total                  |                                     | 52      | (6)         |                                    | 4                                    | 50                              |
| Fiscal 2009            |                                     |         |             |                                    |                                      |                                 |
| Actions:               |                                     |         |             |                                    |                                      |                                 |
| Employee<br>severance  | 116                                 |         | (58)        | (7)                                | (5)                                  | 46                              |
| Facility exit<br>costs | 3                                   | 3       | (3)         |                                    |                                      | 3                               |
| Other                  | 1                                   | 4       | (5)         |                                    |                                      |                                 |
| Total                  | 120                                 | 7       | (66)        | (7)                                | (5)                                  | 49                              |
| Pre-Fiscal<br>2009     |                                     |         |             |                                    |                                      |                                 |
| Actions:               |                                     |         |             |                                    |                                      |                                 |
|                        | 91                                  |         | (37)        | 1                                  | (5)                                  | 50                              |

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|                       |            |           |              |            |            |            |
|-----------------------|------------|-----------|--------------|------------|------------|------------|
| Employee severance    |            |           |              |            |            |            |
| Facilities exit costs | 51         | 3         | (8)          |            | (1)        | 45         |
| Other                 | 8          | 4         | (5)          | (1)        |            | 6          |
| <b>Total</b>          | <b>150</b> | <b>7</b>  | <b>(50)</b>  |            | <b>(6)</b> | <b>101</b> |
| <br>Total Activity    | <br>\$ 270 | <br>\$ 66 | <br>\$ (122) | <br>\$ (7) | <br>\$ (7) | <br>\$ 200 |

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(1) Reclassification of \$7 million lease obligation from other reserves to restructuring reserves.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**3. Restructuring and Other Charges, Net (Continued)***Fiscal 2010 Actions*

The Company initiated restructuring programs during fiscal 2010 primarily relating to headcount reductions in the Electronic Components and Specialty Products segments. In connection with these actions, during the six months ended March 26, 2010, the Company recorded restructuring charges of \$52 million primarily related to employee severance and benefits. The Company expects to complete all restructuring activities commenced in fiscal 2010 by the end of fiscal 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately \$4 million relating to these initiated actions by completion.

*Fiscal 2009 Actions*

The Company initiated restructuring programs during fiscal 2009 primarily relating to headcount reductions and manufacturing site closures in the Electronic Components, Network Solutions, and Specialty Products segments. In connection with these actions, during the six months ended March 27, 2009, the Company recorded net restructuring charges of \$188 million primarily related to employee severance and benefits. The Company expects to complete all restructuring activities commenced in fiscal 2009 by the end of fiscal 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately \$13 million relating to these initiated actions by completion.

*Pre-Fiscal 2009 Actions*

During the six months ended March 26, 2010 and March 27, 2009, the Company recorded net restructuring charges of \$7 million and \$48 million, respectively, related to pre-fiscal 2009 actions. The Company expects to complete all restructuring activities commenced in fiscal 2008 by the end of fiscal 2010 and to incur additional charges, primarily in the Electronic Components segment, of approximately \$8 million relating to these actions by completion.

*Restructuring and Related Non-Cash Charges*

During the six months ended March 26, 2010 and March 27, 2009, the Company recorded non-cash charges of \$3 million and \$23 million, respectively, primarily related to the impairment of fixed assets in connection with exited manufacturing facilities and product lines.

*Total Restructuring Reserves*

The Company's restructuring reserves by segment were as follows:

|                        | March 26,<br>2010 | September 25,<br>2009 |
|------------------------|-------------------|-----------------------|
|                        | (in millions)     |                       |
| Electronic Components  | \$ 130            | \$ 186                |
| Network Solutions      | 17                | 27                    |
| Specialty Products     | 10                | 9                     |
| Subsea Communications  | 43                | 48                    |
| Restructuring reserves | \$ 200            | \$ 270                |

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****3. Restructuring and Other Charges, Net (Continued)**

Restructuring reserves were included in the Company's Condensed Consolidated Balance Sheets as follows:

|                                       | March 26,<br>2010 | September 25,<br>2009 |
|---------------------------------------|-------------------|-----------------------|
|                                       | (in millions)     |                       |
| Accrued and other current liabilities | \$ 163            | \$ 231                |
| Other liabilities                     | 37                | 39                    |
| <b>Restructuring reserves</b>         | <b>\$ 200</b>     | <b>\$ 270</b>         |

**Loss on Divestitures and Impairment of Long-Lived Assets**

In the first quarter of fiscal 2010, in connection with the anticipated sale of the Dulmison connectors and fittings product line, the Company recorded an impairment charge of \$12 million related to long-lived assets. In December 2009, the Company completed the sale of this product line which was part of the Company's energy business in the Network Solutions segment for net cash proceeds of \$12 million. The divestiture resulted in a pre-tax loss on sale of \$1 million.

During the second quarter of fiscal 2009, the Company completed the sale of the Battery Systems business which was part of the Electronic Components segment and recorded a pre-tax loss on the sale of \$6 million. After working capital adjustments, total cash proceeds were \$14 million, of which \$6 million was received in the second quarter of fiscal 2009.

The loss on divestitures and the impairment charge are reflected in restructuring and other charges, net on the Condensed Consolidated Statement of Operations. The Company has presented the loss on divestitures, related long-lived asset impairments, and the operations of the Dulmison connectors and fittings product line and the Battery Systems business in continuing operations due to immateriality.

**4. Discontinued Operations**

In May 2009, the Company completed the sale of its Wireless Systems business. This business met the held for sale and discontinued operations criteria and has been included in discontinued operations in fiscal 2009. Prior to reclassification to held for sale and discontinued operations, the Wireless Systems business was a component of the former Wireless Systems segment.

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****4. Discontinued Operations (Continued)**

The following table reflects net sales, pre-tax loss from discontinued operations, and income taxes for the quarter and six months ended March 27, 2009; there were no such amounts for the quarter and six months ended March 26, 2010:

|   | <b>For the<br/>Quarter Ended</b> | <b>For the<br/>Six Months Ended</b> |
|---|----------------------------------|-------------------------------------|
|   | <b>March 27, 2009</b>            |                                     |
|   | <b>(in millions)</b>             |                                     |
| Net sales   | \$ 119                           | \$ 215                              |
| Pre-tax loss from discontinued operations                       | \$ (4)                           | \$ (108)                            |
| Pre-tax gain on sale of discontinued operations                 | 4                                | 4                                   |
| Income tax benefit  | 1                                | 38                                  |
| Income (loss) from discontinued operations, net of income taxes | \$ 1                             | \$ (66)                             |

Pre-tax loss from discontinued operations for the six months ended March 27, 2009 included pre-tax charges of \$111 million related to the Wireless Systems business' contract with the State of New York. See Note 12 for additional information regarding the State of New York contract.

**5. Acquisition**

On January 20, 2010, the Company acquired 100% of the outstanding shares of capital stock of Sensitive Object, an early-stage software company engaged in developing touch-enabling technology focused on computers, mobile devices, and consumer electronics, for a purchase price of approximately \$67 million in cash, including contingent consideration of \$6 million to be paid in fiscal 2011 upon completion of certain service requirements by key Sensitive Object managers. Based on an initial evaluation of the range of outcomes for this contingent consideration, the maximum amount payable, on an undiscounted basis, would be \$7 million.

The acquisition complements the Company's existing Touch Systems business, which is primarily focused on commercial and industrial markets. Sensitive Object is reported as part of the Touch Systems business within the Specialty Products segment.



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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**5. Acquisition (Continued)**

The transaction is accounted for under the provisions of ASC 805, *Business Combinations*. The allocation of the purchase price of the assets acquired and liabilities assumed based on the recognition and measurement provisions of ASC 805 was as follows:

|  | (in millions) |
|--|---------------|
| Cash and cash equivalents                    | \$ 6          |
| Tangible and other assets                    | 3             |
| Amortizable intangible assets:               |               |
| Developed technology and patents             | 11            |
| Reacquired rights                            | 1             |
| Customer contracts and related relationships | 1             |
| Goodwill                                     | 51            |
| <br>   |               |
| Total assets acquired                        | 73            |
| Liabilities assumed                          | (6)           |
| <br>   |               |
| Total  | \$ 67         |

The amortizable intangible assets include developed technology, patents, and reacquired rights having useful lives of eight years and will be amortized based on their contributions to earnings. Also included in amortizable intangible assets are customer contracts and related relationships that will be amortized on a straight-line basis over their expected life of five years. Due to immateriality, no amounts have been allocated to in-process research and development.

Approximately \$51 million has been allocated to goodwill, representing the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed. Factors contributing to the amount of recognized goodwill are low revenue levels in the years immediately after the acquisition reflecting the early-stage status of Sensitive Object and the amount of future investment required to develop a commercially viable product. Goodwill related to this acquisition is reported in the Specialty Products segment and is not deductible for tax purposes.

Pro forma information is not presented as the impact on the Company's Condensed Consolidated Statements of Operations is not material.

**6. Inventories**

Inventories consisted of the following:

|  | March 26,<br>2010 | September 25,<br>2009 |
|--|-------------------|-----------------------|
|  | (in millions)     |                       |
| Raw materials                            | \$ 259            | \$ 253                |
| Work in progress                         | 490               | 439                   |
| Finished goods                           | 658               | 624                   |
| Inventoried costs on long-term contracts | 143               | 119                   |
| <br>                                     |                   |                       |
| Inventories                              | \$ 1,550          | \$ 1,435              |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**7. Goodwill**

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

|                               | Electronic<br>Components | Network<br>Solutions | Specialty<br>Products | Total    |
|-------------------------------|--------------------------|----------------------|-----------------------|----------|
|                               | (in millions)            |                      |                       |          |
| Balance at September 25, 2009 | \$ 1,413                 | \$ 847               | \$ 900                | \$ 3,160 |
| Acquisition                   |                          |                      | 51                    | 51       |
| Currency translation          | (16)                     | (10)                 | (10)                  | (36)     |
| Balance at March 26, 2010     | \$ 1,397                 | \$ 837               | \$ 941                | \$ 3,175 |

During the second quarter of fiscal 2010, the Company completed the acquisition of Sensitive Object. The acquisition resulted in the recognition of \$51 million of goodwill, all of which benefits the Touch Systems business in the Specialty Products segment. See Note 5 for additional information on the acquisition of Sensitive Object.

**8. Intangible Assets, Net**

The Company's intangible assets were as follows:

|                          | March 26, 2010              |                             |                           |   | September 25, 2009          |                             |                           |   |
|--------------------------|-----------------------------|-----------------------------|---------------------------|---|-----------------------------|-----------------------------|---------------------------|---|
|                          | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount | Weighted<br>Average<br>Amortization<br>Period | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount | Weighted<br>Average<br>Amortization<br>Period |
|                          | (\$ in millions)            |                             |                           |   |                             |                             |                           |   |
| Intellectual<br>property | \$ 719                      | \$ (339)                    | \$ 380                    | 23 years                                      | \$ 724                      | \$ (330)                    | \$ 394                    | 24 years                                      |
| Other                    | 21                          | (4)                         | 17                        | 46 years                                      | 17                          | (4)                         | 13                        | 50 years                                      |
| <b>Total</b>             | <b>\$ 740</b>               | <b>\$ (343)</b>             | <b>\$ 397</b>             | <b>24 years</b>                               | <b>\$ 741</b>               | <b>\$ (334)</b>             | <b>\$ 407</b>             | <b>25 years</b>                               |

Intangible asset amortization expense was \$7 million and \$8 million for the quarters ended March 26, 2010 and March 27, 2009, respectively, and \$15 million and \$16 million for the six months ended March 26, 2010 and March 27, 2009, respectively.

The estimated aggregate amortization expense on intangible assets currently owned by the Company is expected to be as follows:

|                          | (in millions) |
|--------------------------|---------------|
| Remainder of fiscal 2010 | \$ 15         |
| Fiscal 2011              | 30            |
| Fiscal 2012              | 29            |
| Fiscal 2013              | 31            |
| Fiscal 2014              | 30            |
| Fiscal 2015              | 29            |
| Thereafter               | 233           |
|                          | \$ 397        |



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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. Debt**

Debt was as follows:

|   | March 26,<br>2010 | September 25,<br>2009 |
|---|-------------------|-----------------------|
|   | (in millions)     |                       |
| 6.00% senior notes due 2012 <sup>(1)</sup>  | \$ 720            | \$ 720                |
| 5.95% senior notes due 2014 <sup>(1)</sup>  | 300               | 300                   |
| 6.55% senior notes due 2017 <sup>(1)</sup>  | 742               | 744                   |
| 7.125% senior notes due 2037 <sup>(1)</sup> | 475               | 475                   |
| Other                                       | 177               | 178                   |
| <b>Total debt</b>                           | <b>2,414</b>      | <b>2,417</b>          |
| Less current portion <sup>(2)</sup>         | 101               | 101                   |
| <b>Long-term debt</b>                       | <b>\$ 2,313</b>   | <b>\$ 2,316</b>       |

(1) Senior notes are recorded at face amount, net of unamortized discount and the fair value of interest rate swaps.

(2) The current portion of long-term debt at March 26, 2010 and September 25, 2009 was comprised of amounts included in other.

In April 2007, Tyco Electronics Group S.A. ("TEGSA"), a wholly-owned subsidiary of the Company, entered into a five-year unsecured senior revolving credit facility ("Credit Facility"). In fiscal 2009, \$75 million of the commitment was assigned by Lehman Brothers Bank, FSB to TEGSA, reducing the total effective commitment to \$1,425 million. At March 26, 2010 and September 25, 2009, TEGSA had no borrowings under the Credit Facility.

The Credit Facility contains a financial ratio covenant providing that if the Company's ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered under the Credit Facility. The Credit Facility and the Company's other debt agreements contain other customary covenants.

TEGSA's payment obligations under its senior notes and Credit Facility and the payment obligation of the profit sharing notes issued by a subsidiary are fully and unconditionally guaranteed by Tyco Electronics Ltd.

During the first quarter of fiscal 2010, the Company entered into options to enter into interest rate swaps ("swaptions") and forward starting interest rate swaps designated as cash flow hedges to manage interest rate exposure prior to the probable issuance of fixed-rate debt when the Company's 6.00% senior notes mature in fiscal 2012. These swaptions and forward starting interest rate swaps are based on a total notional amount of \$300 million. Also, during the first quarter of fiscal 2010, the Company entered into an interest rate swap designated as a fair value hedge on \$50 million principal amount of the 6.00% senior notes.

During the first quarter of fiscal 2009, the Company terminated interest rate swaps designated as fair value hedges on \$300 million principal amount of the 6.55% senior notes and \$200 million principal amount of the 6.00% senior notes.



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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. Debt (Continued)**

See Note 13 for additional information on swaptions, forward starting interest rate swaps, and interest rate swaps.

The fair value of the Company's debt was approximately \$2,545 million and \$2,420 million at March 26, 2010 and September 25, 2009, respectively.

**10. Guarantees**

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, upon separation from Tyco International Ltd. ("Tyco International") on June 29, 2007, the Company entered into certain guarantee commitments and indemnifications with Tyco International and Covidien plc ("Covidien"). Under these agreements, principally the Tax Sharing Agreement, Tyco International, Covidien, and Tyco Electronics share 27%, 42%, and 31%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify the Company for 69% of certain liabilities settled in cash by the Company with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, the Company has made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, the Company would be responsible for a portion of the defaulting party or parties' obligation. In addition, Tyco International and Covidien are responsible for their tax liabilities that are not subject to the Tax Sharing Agreement's sharing formula. The Company's indemnification created under the Tax Sharing Agreement qualifies as a guarantee of a third party entity's debt under ASC 460, *Guarantees*.

At March 26, 2010, the Company had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of \$339 million of which \$254 million was reflected in other liabilities and \$85 million was reflected in accrued and other current liabilities on the Condensed Consolidated Balance Sheet. At September 25, 2009, the liability of \$339 million was reflected in other liabilities on the Condensed Consolidated Balance Sheet. The Company has assessed the probable future cash payments to Tyco International and Covidien for pre-separation income tax matters pursuant to the terms of the Tax Sharing Agreement and determined this amount remains sufficient to satisfy these expected obligations.

In disposing of assets or businesses, the Company often provides representations, warranties, and/or indemnities to cover various risks including unknown damage to the assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. The Company does not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions; however, the Company has no reason to believe that these uncertainties would have a material adverse effect on the Company's results of operations, financial position, or cash flows.

At March 26, 2010, the Company had outstanding letters of credit and letters of guarantee in the amount of \$390 million, of which \$50 million was related to its contract with the State of New York. See Note 12 for additional information regarding the State of New York contract.

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****10. Guarantees (Continued)**

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, except for the charges related to the contract with the State of New York discussed below, such obligations will not significantly affect the Company's results of operations, financial position, or cash flows.

As disclosed in Note 12, in January 2009, the State of New York (the "State") drew down \$50 million against an irrevocable standby letter of credit funded by the Company. As a result, the Company recorded a pre-tax charge equal to the draw. The State has the ability to draw up to an additional \$50 million against the standby letter of credit which could result in additional charges and could have a material adverse effect on the Company's results of operations, financial position, and cash flows.

The Company generally records estimated product warranty costs at the time of sale. The changes in the Company's warranty liability for the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Balance at beginning of period               | \$ 48                     | \$ 29             | \$ 43                       | \$ 27             |
| Warranties issued                            | 1                         | 1                 | 3                           | 3                 |
| Warranty expirations and changes in estimate | 1                         | 5                 | 5                           | 6                 |
| Settlements                                  | (3)                       | (1)               | (4)                         | (2)               |
| Currency translation                         | (1)                       |                   | (1)                         |                   |
| Balance at end of period                     | \$ 46                     | \$ 34             | \$ 46                       | \$ 34             |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**11. Retirement Plans**

The net periodic benefit cost for all U.S. and non-U.S. defined benefit pension plans in the quarters ended March 26, 2010 and March 27, 2009 was as follows:

|                                    | <b>Defined Benefit Pension Plans</b> |                  |                       |                  |
|------------------------------------|--------------------------------------|------------------|-----------------------|------------------|
|                                    | <b>U.S. Plans</b>                    |                  | <b>Non-U.S. Plans</b> |                  |
|                                    | <b>For the</b>                       |                  | <b>For the</b>        |                  |
|                                    | <b>Quarters Ended</b>                |                  | <b>Quarters Ended</b> |                  |
|                                    | <b>March 26,</b>                     | <b>March 27,</b> | <b>March 26,</b>      | <b>March 27,</b> |
|                                    | <b>2010</b>                          | <b>2009</b>      | <b>2010</b>           | <b>2009</b>      |
|                                    | (in millions)                        |                  |                       |                  |
| Service cost                       | \$ 1                                 | \$ 1             | \$ 14                 | \$ 14            |
| Interest cost                      | 13                                   | 15               | 22                    | 22               |
| Expected return on plan assets     | (14)                                 | (16)             | (13)                  | (16)             |
| Amortization of net actuarial loss | 8                                    | 4                | 7                     | 4                |
| Settlement/curtailment loss        |                                      |                  |                       | 1                |
| Net periodic benefit cost          | \$ 8                                 | \$ 4             | \$ 30                 | \$ 25            |

The net periodic benefit cost for all U.S. and non-U.S. defined benefit pension plans in the six months ended March 26, 2010 and March 27, 2009 was as follows:

|                                    | <b>Defined Benefit Pension Plans</b> |                  |                         |                  |
|------------------------------------|--------------------------------------|------------------|-------------------------|------------------|
|                                    | <b>U.S. Plans</b>                    |                  | <b>Non-U.S. Plans</b>   |                  |
|                                    | <b>For the</b>                       |                  | <b>For the</b>          |                  |
|                                    | <b>Six Months Ended</b>              |                  | <b>Six Months Ended</b> |                  |
|                                    | <b>March 26,</b>                     | <b>March 27,</b> | <b>March 26,</b>        | <b>March 27,</b> |
|                                    | <b>2010</b>                          | <b>2009</b>      | <b>2010</b>             | <b>2009</b>      |
|                                    | (in millions)                        |                  |                         |                  |
| Service cost                       | \$ 3                                 | \$ 3             | \$ 29                   | \$ 29            |
| Interest cost                      | 27                                   | 29               | 43                      | 44               |
| Expected return on plan assets     | (29)                                 | (31)             | (27)                    | (32)             |
| Amortization of net actuarial loss | 16                                   | 8                | 15                      | 7                |
| Settlement/curtailment loss (gain) | 2                                    |                  | (1)                     |                  |
| Net periodic benefit cost          | \$ 19                                | \$ 9             | \$ 59                   | \$ 48            |

The net periodic benefit cost for postretirement benefit plans was immaterial for the quarters and six month periods ended March 26, 2010 and March 27, 2009.

The Company anticipates that, at a minimum, it will make the minimum required contributions to its pension plans in fiscal 2010 of \$3 million for U.S. plans and \$90 million for non-U.S. plans. During the six months ended March 26, 2010, the Company contributed \$63 million to its U.S. and non-U.S. plans.

The Company expects to make contributions to its postretirement benefit plans of \$2 million in fiscal 2010. During the six months ended March 26, 2010, the Company contributed \$1 million to its postretirement benefit plans.





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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Commitments and Contingencies**

**Tyco Electronics Legal Proceedings**

*Intellectual Property and Antitrust Litigation*

The Company is a party to a number of patent infringement and antitrust actions that may require the Company to pay damage awards. The Company has assessed the status of these matters and has recorded liabilities related to certain of these matters where appropriate.

*Other Matters*

The Company is a defendant in a number of other pending legal proceedings incidental to present and former operations, acquisitions, and dispositions. The Company does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on its results of operations, financial position, or cash flows.

**Legal Matters under Separation and Distribution Agreement**

The Separation and Distribution Agreement among the Company, Tyco International, and Covidien provided for the allocation among the parties of Tyco International's assets, liabilities, and obligations attributable to periods prior to the Company's and Covidien's separations from Tyco International on June 29, 2007. Under the Separation and Distribution Agreement, the Company assumed the liability for, and control of, all pending and threatened legal matters at separation related to the Company's business or assumed or retained liabilities, and will indemnify the other parties for any liability arising out of or resulting from such assumed legal matters. Tyco Electronics remains responsible for 31% of certain potential liabilities that may arise from litigation pending or threatened at separation that was not allocated to one of the three parties, and Tyco International and Covidien are responsible for 27% and 42%, respectively, of such liabilities. If any party defaults in payment of its allocated share of any such liability, each non-defaulting party will be responsible for an equal portion of the amount in default together with any other non-defaulting party, although any such payments will not release the obligation of the defaulting party. Subject to the terms and conditions of the Separation and Distribution Agreement, Tyco International manages and controls all the legal matters related to the shared contingent liabilities, including the defense or settlement thereof, subject to certain limitations. All costs and expenses that Tyco International incurs in connection with the defense of such litigation, other than the amount of any judgment or settlement, which will be allocated in the manner described above, will be borne equally by Tyco International, Covidien, and the Company.

*Securities Proceedings and Settlements*

As previously reported in the Company's periodic filings, prior to the separation, Tyco International and certain of its former directors and officers were named as defendants in over 40 purported securities class action lawsuits. As a part of the Separation and Distribution Agreement, any existing or potential liabilities related to the securities class actions were allocated among Tyco International, Covidien, and the Company. The Company is responsible for 31% of potential liabilities that may arise upon the resolution of remaining pending litigation. In 2007, Tyco International settled 32 of the purported securities class action lawsuits arising from the actions alleged to have been taken by its prior management in a class action settlement, for which the Company was responsible for 31%

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Commitments and Contingencies (Continued)**

of the settlement amount. A number of individuals and entities who opted out of the class action settlement filed actions against Tyco International and/or Tyco International, Covidien, and the Company, all of which actions have been settled subsequently. Nearly all of the remaining securities lawsuits were subsequently settled, and in the second quarter of fiscal 2010, Tyco International reached an agreement in principle to settle the remaining significant lawsuit, *Stumpf v. Tyco International Ltd., et al.*, for \$79 million, with the Company being responsible for \$24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement will be subject to court approval and may be subject to opt-out claims. As the Company had previously established reserves for this case during the second quarter of fiscal 2009, the agreement in principle did not impact its Condensed Consolidated Statement of Operations.

***Investigations***

As previously reported in the Company's periodic filings, Tyco International and others received various subpoenas and requests from the Securities and Exchange Commission's ("SEC") Division of Enforcement, the U.S. Department of Labor, the General Services Administration, and others seeking the production of documents in connection with various investigations into Tyco International's governance, management, operations, accounting, and related controls prior to the separation. The Department of Labor is investigating Tyco International and the administrators of certain of its benefit plans. Tyco International has advised the Company that it cannot predict when these investigations will be completed, nor can it predict what the results of these investigations may be. It is possible that Tyco International will be required to pay material fines or suffer other penalties, and pursuant to the liability sharing provisions of the Separation and Distribution Agreement, a portion of such payments may be allocated to the Company. It is not possible to estimate the amount of loss, or range of possible loss, if any, that might result from an adverse resolution of these matters. As a result, the Company's share of such potential losses also is not estimable and may have a material adverse effect on the Company's results of operations, financial position, or cash flows.

***Compliance Matters***

As previously reported in the Company's periodic filings, Tyco International received and has responded to various allegations that certain improper payments were made by Tyco International subsidiaries, including Tyco Electronics subsidiaries, in recent years prior to the separation. Tyco International reported to the U.S. Department of Justice and the SEC the investigative steps and remedial measures that it had taken in response to the allegations, including that it retained outside counsel to perform a company-wide baseline review of its policies, controls, and practices with respect to compliance with the Foreign Corrupt Practices Act ("FCPA"), and that it would continue to investigate and make periodic progress reports to these agencies. To date, the Company's baseline review has revealed that some of the Company's former business practices may not comply with FCPA requirements. At this time, the Company cannot predict the outcome of these matters and other allegations reported to regulatory and law enforcement authorities and therefore cannot estimate the range of potential loss or extent of risk, if any, that may result from an adverse resolution of these matters. However, it is possible that the Company may be required to pay judgments, suffer penalties, or incur settlements in amounts that may have a material adverse effect on the Company's results of operations, financial position, or cash flows. Any judgment, settlement, or other cost incurred by Tyco

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Commitments and Contingencies (Continued)**

International in connection with these matters not specifically allocated to Tyco International, Covidien, or the Company would be subject to the liability sharing provisions of the Separation and Distribution Agreement.

**Income Taxes**

In prior years, in connection with the Internal Revenue Service ("IRS") audit of various fiscal years, Tyco International submitted to the IRS proposed adjustments to prior period U.S. federal income tax returns resulting in a reduction in the taxable income previously filed. The IRS accepted substantially all of the proposed adjustments for fiscal 1997 through 2000 for which the IRS had completed its field work. On the basis of previously accepted amendments, the Company has determined that acceptance of adjustments presented for additional periods through fiscal 2005 is probable and, accordingly, has recorded them, as well as the impacts of the adjustments accepted by the IRS, on the Condensed Consolidated Financial Statements.

Tyco International continues to complete proposed adjustments to the remainder of its U.S. federal income tax returns and in fiscal 2009 and 2008, proposed certain adjustments to the returns. In addition, in fiscal 2008, Tyco International, Covidien, and the Company completed and filed certain fiscal 2007 U.S. consolidated federal and state income tax returns which included a combination of Tyco International, Covidien, and the Company's subsidiaries.

As the Company's tax return positions continue to be updated for periods prior to the separation, additional adjustments may be identified and recorded on the Condensed Consolidated Financial Statements. While the final adjustments cannot be determined until the income tax return amendment process is completed, the Company believes that any resulting adjustments will not have a material impact on its results of operations, financial position, or cash flows. Additionally, adjustments may be recorded to shareholders' equity in the future for the impact of filing final or amended income tax returns in certain jurisdictions where those returns include a combination of Tyco International, Covidien, and/or the Company's subsidiaries for the periods prior to the separation.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued anticipated Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the periods under audit. Tyco International has agreed with the IRS on adjustments totaling \$498 million. It is the Company's understanding that Tyco International has appealed other proposed adjustments totaling approximately \$1 billion and is vigorously defending its prior filed tax return positions. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. Any penalty imposed would be subject to sharing with Tyco International and Covidien under the Tax Sharing Agreement. It is the Company's understanding that Tyco International is vigorously opposing the assertion of any such penalties.

It is the Company's understanding that Tyco International has made progress during fiscal 2010 towards resolving several of the disputed tax issues for the years 1997 through 2000 and it could reach agreement with the IRS on these matters within the next twelve months. In addition, the IRS continues to audit certain Tyco International income tax returns for the years 2001 through 2004, and its field examination for this period could be completed within the next twelve months.

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Commitments and Contingencies (Continued)**

The Company continues to believe that the amounts recorded in its Condensed Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate resolution is uncertain and could result in a material impact to the Company's results of operations, financial position, or cash flows.

**Environmental Matters**

The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of March 26, 2010, the Company concluded that it was probable that it would incur remedial costs in the range of approximately \$12 million to \$26 million. As of March 26, 2010, the Company concluded that the best estimate within this range is approximately \$15 million, of which \$4 million is included in accrued and other current liabilities and \$11 million is included in other liabilities on the Condensed Consolidated Balance Sheet. In view of the Company's financial position and reserves for environmental matters of \$15 million, the Company believes that any potential payment of such estimated amounts will not have a material adverse effect on its results of operations, financial position, or cash flows.

**Matters Related to the Company's Former Wireless Systems Business**

Certain liabilities and contingencies related to the Company's former Wireless Systems business were retained by the Company when this business was sold in the third quarter of fiscal 2009. These include certain retained liabilities related to the State of New York contract and a contingent purchase price commitment related to the acquisition of Com-Net by the Wireless Systems business in 2001. See additional information below. Also, see Note 4 for additional information regarding the divestiture of the Wireless Systems business.

***State of New York Contract***

On September 19, 2005, the Company was awarded a twenty-year lease contract with the State of New York to construct, operate, and maintain a statewide wireless communications network for use by state and municipal first responders. On August 29, 2008, the Company was served by the State with a default notice related to the first regional network, pursuant to the contract. Under the terms of the contract, the Company had 45 days to rectify the purported deficiencies noted by the State. On October 16, 2008, the Company informed the State that all technical deficiencies had been remediated and the system was operating in accordance with the contract specifications and certified the system ready for testing. The State conducted further testing during November and December 2008. On January 15, 2009, the State notified the Company that, in the State's opinion, the Company had not fully remediated the issues cited by the State and it had determined that the Company was in default of the contract and that it had exercised its right to terminate the contract. The State contends that it has the right under the contract to recoup costs incurred by the State in conjunction with the implementation of the network, and as a result of this contention, on January 16, 2009, the State drew down \$50 million against an irrevocable standby letter of credit funded by the Company. The State has

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. Commitments and Contingencies (Continued)**

the ability to draw up to an additional \$50 million against the standby letter of credit, although the Company disputes that the State has any basis to do so.

On February 13, 2009, the Company filed a claim in the New York Court of Claims, seeking over \$100 million in damages, and alleging a number of causes of action, including breach of contract, unjust enrichment, defamation, conversion, breach of the covenant of good faith and fair dealing, the imposition of a constructive trust, and seeking a declaration that the State terminated the contract "for convenience." On September 25, 2009, the Court granted the State's motion to dismiss all counts of the complaint, with the exception of the breach of contract claims. On November 16, 2009, the State filed an answer to the complaint and counterclaim. The counterclaim asserts a claim for breach of contract and alleges that the State has incurred damages in excess of \$275 million. The Company believes that the counterclaim is without merit and intends to vigorously pursue its claims in this matter. The parties are now proceeding with discovery.

As a result of these actions, in the first quarter of fiscal 2009, the Company recorded pre-tax charges totaling \$111 million associated with this contract. These charges are reflected in income (loss) from discontinued operations on the Condensed Consolidated Statement of Operations as a result of the Company's sale of the Wireless Systems business. See Note 4 for further discussion of discontinued operations and the sale of the Wireless Systems business. The charges included an impairment charge of \$61 million to write-off all costs incurred in constructing the network as well as a charge equal to the amount drawn by the State against the standby letter of credit of \$50 million. The assets related to the impairment charge were previously reflected primarily as inventory on the Condensed Consolidated Balance Sheet.

*Com-Net*

At March 26, 2010, the Company had a contingent purchase price commitment of \$80 million related to its fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida is finished and the State of Florida has approved the system based on the guidelines set forth in the contract. Under the terms of the purchase and sale agreement, the Company does not believe it has any obligation to the sellers. However, the sellers have contested the Company's position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the motion pleading and discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as the Company does not believe that any payment is probable or estimable at this time.

**13. Financial Instruments**

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments. The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximated book value as of March 26, 2010 and September 25, 2009. See Note 9 for disclosure of the fair value of debt and Note 14 for additional information on fair value measurements.

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**13. Financial Instruments (Continued)**

The Company uses derivative and non-derivative financial instruments to manage certain exposures to foreign currency, interest rate, and commodity risks.

The Company accounts for derivative financial instrument contracts on its Condensed Consolidated Balance Sheets at fair value. For instruments not designated as hedges under ASC 815, *Derivatives and Hedging*, the changes in the instruments' fair value are generally recognized as selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations. For instruments designated as cash flow hedges, the effective portion of changes in the fair value of a derivative is recorded in other comprehensive income and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Ineffective portions, including amounts excluded from the hedging relationship, of a cash flow hedge are recognized currently, based on the nature of the ineffectiveness, in cost of sales, selling, general, and administrative expenses, or interest expense on the Condensed Consolidated Statements of Operations. Changes in the fair value of instruments designated as fair value hedges affect the carrying value of the asset or liability hedged, with changes in both the derivative instrument and the hedged asset or liability being recognized in earnings.

The cash flows related to derivative financial instruments are reported in the operating activities section of the Condensed Consolidated Statements of Cash Flows.

The Company's derivative financial instruments present certain market and counterparty risks; however, concentration of counterparty risk is mitigated as the Company deals with financial institutions worldwide, substantially all of which have long-term Standard & Poor's, Moody's, and/or Fitch credit ratings of A/A2 or higher. In addition, only conventional derivative financial instruments are utilized. The Company is exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at March 26, 2010, the Company has assessed the likelihood of counterparty default as remote. At this time, the Company is not required, nor does it require, collateral or other security to be furnished by the counterparties to its derivative financial instruments.

***Foreign Exchange Risks***

As part of managing the exposure to changes in foreign currency exchange rates, the Company utilizes foreign currency forward and swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany transactions, accounts receivable, accounts payable, and other cash transactions.

At March 26, 2010 and September 25, 2009, the Company had net assets of \$1 million and net liabilities of \$1 million, respectively, on the Condensed Consolidated Balance Sheets related to foreign exchange instruments. The Company expects that significantly all of the balance in accumulated other comprehensive income associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Condensed Consolidated Statements of Operations within the next twelve months as adjustments to cost of sales.

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**13. Financial Instruments (Continued)**

***Interest Rate Risk Management***

The Company issues debt, from time to time, in capital and money markets to fund its operations. Such borrowings can result in interest rate exposure. To manage the interest rate exposure and to minimize overall interest cost, the Company uses interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt (via fair value hedge designation) and/or convert a portion of variable-rate debt into fixed-rate debt (via cash flow hedge designation). The Company also uses interest rate swaps and swaptions to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt (via cash flow hedge designation).

During the first quarter of fiscal 2010, the Company entered into swaptions and forward starting interest rate swaps to manage interest rate exposure prior to the probable issuance of fixed-rate debt when the Company's 6.00% senior notes mature in fiscal 2012. The swaptions and forward starting interest rate swaps are based on a total notional amount of \$300 million. These swaptions and forward starting interest rate swaps were designated as cash flow hedges of the probable interest payments. Premiums of \$5 million paid to enter into the swaptions will be recognized as interest expense over the term of the swaptions. As of March 26, 2010, the Company's swaptions and forward starting interest rate swaps were in an asset position of \$5 million and \$1 million, respectively. The effective portion of swaptions and forward starting interest rate swaps is recorded in accumulated other comprehensive income and will be recognized in earnings as interest expense over the term of the anticipated debt issuance. There were no outstanding interest rate swaps designated as cash flow hedges as of September 25, 2009.

Also during the first quarter of fiscal 2010, the Company entered into an interest rate swap designated as a fair value hedge on \$50 million principal amount of the 6.00% senior notes. The maturity date of the interest rate swaps coincides with the maturity date of the underlying debt. Under this agreement, the Company receives fixed rates of interest applicable to the underlying debt and pays floating rates of interest based on the one month U.S. Dollar London interbank offered rate. As of March 26, 2010, this interest rate swap was in an asset position of \$2 million. As of September 25, 2009, the Company had no outstanding interest rate swaps designated as fair value hedges.

During the first quarter of fiscal 2009, the Company terminated interest rate swaps designated as fair value hedges on \$300 million principal amount of the 6.55% senior notes and \$200 million principal amount of the 6.00% senior notes. Prior to the termination, the interest rate swaps were marked to fair value, resulting in premiums of \$49 million and \$14 million associated with the 6.55% senior notes and 6.00% senior notes, respectively. The premiums are recognized as a reduction in interest expense over the life of the respective notes. As a result of the termination of the interest rate swaps, the Company recognized reductions in interest expense of \$1 million and \$2 million during the quarters ended March 26, 2010 and March 27, 2009, respectively, and \$3 million and \$5 million during the six months ended March 26, 2010 and March 27, 2009, respectively, on the Condensed Consolidated Statements of Operations.

During fiscal 2007, in anticipation of issuing fixed-rate debt, the Company entered into and, concurrent with the Company's fixed-rate debt issuance, terminated forward starting interest rate swaps to hedge the variability in interest expense that would result from changes in interest rates between the date of the swap and the Company's anticipated date of issuing fixed-rate debt. These forward starting



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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**13. Financial Instruments (Continued)**

interest rate swaps were designated as effective hedges of the probable interest payments. Upon the issuance of the Company's senior notes in September 2007, these swaps were terminated for a cash payment of \$54 million. The effective portion of these swaps of \$53 million was recorded in accumulated other comprehensive income and is recognized in earnings as interest expense over the remaining term of the related debt instruments. As a result of the termination of the forward starting interest rate swaps, the Company recognized interest expense of \$2 million and \$1 million in the quarters ended March 26, 2010 and March 27, 2009, respectively, and \$3 million and \$3 million during the six months ended March 26, 2010 and March 27, 2009, respectively, on the Condensed Consolidated Statements of Operations.

*Hedges of Net Investment*

The Company hedges its net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was \$1,119 million and \$1,027 million at March 26, 2010 and September 25, 2009, respectively. The Company reclassified foreign exchange gains of \$38 million and \$86 million during the quarters ended March 26, 2010 and March 27, 2009, respectively, and gains of \$54 million and \$21 million during the six months ended March 26, 2010 and March 27, 2009, respectively. These amounts were recorded as currency translation, a component of accumulated other comprehensive income, offsetting foreign exchange gains or losses attributable to the translation of the net investment. See additional information in Note 18.

*Commodity Hedges*

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

At March 26, 2010 and September 25, 2009, the Company's commodity hedges, which related to purchases of gold and silver, were in a gain position of \$2 million and \$1 million, respectively, and had notional values of \$96 million and \$29 million, respectively. The Company expects that significantly all of the balance in accumulated other comprehensive income associated with the commodities hedges will be reclassified into the Condensed Consolidated Statements of Operations within the next twelve months as adjustments to cost of sales.

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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**13. Financial Instruments (Continued)***Derivative Instrument Summary*

The fair value of the Company's derivative instruments as of March 26, 2010 and September 25, 2009 is summarized below.

|   | March 26, 2010                                     |  | September 25, 2009                                 |  |
|---|--|--|--|--|
|   | Fair Value<br>of Asset<br>Positions <sup>(1)</sup> | Fair Value<br>of Liability<br>Positions <sup>(2)</sup> | Fair Value<br>of Asset<br>Positions <sup>(1)</sup> | Fair Value<br>of Liability<br>Positions <sup>(2)</sup> |
|   | (in millions)                                      |  |  |  |
| Derivatives designated as hedging instruments:      |  |  |  |  |
| Foreign currency contracts <sup>(3)</sup>           | \$ 1   | \$   | \$ 4   | \$ 2   |
| Interest rate swaps and swaptions                   | 8  |  |  |  |
| Commodity swap contracts                            | 3  | 1  | 1  |  |
| Total derivatives designated as hedging instruments | 12   | 1  | 5  | 2  |
| Derivatives not designated as hedging instruments:  |  |  |  |  |
| Foreign currency contracts <sup>(3)</sup>           | 2  | 2  | 8  | 11   |
| Total derivatives                                   | \$ 14  | \$ 3   | \$ 13  | \$ 13  |

- (1) All foreign currency and commodity swap derivatives in asset positions are recorded in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets, except where a right of offset against liability positions exists. As disclosed in Note 14, derivative instruments in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets totaled \$5 million and \$4 million at March 26, 2010 and September 25, 2009, respectively. All interest rate swaps and swaption derivatives are recorded in other assets on the Condensed Consolidated Balance Sheets.
- (2) All foreign currency and commodity swap derivatives in liability positions are recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet, except where a right of offset against asset positions exists. As disclosed in Note 14, derivative instruments in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled \$2 million and \$4 million at March 26, 2010 and September 25, 2009, respectively.
- (3) Contracts are presented gross without regard to any right of offset that exists.

The effects of derivative instruments designated as fair value hedges on the Condensed Consolidated Statement of Operations for the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

| Derivatives Designated as Fair Value Hedges | Location | Gain (Loss) Recognized | For the        | For the          |
|---|----------|------------------------|----------------|------------------|
|   |          | For the                | Quarters Ended | Six Months Ended |
|   |          |                        |                |                  |

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|                                    |                  | March 26,<br>2010 | March 27,<br>2009 | March 26,<br>2010 | March 27,<br>2009 |
|------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
|                                    |                  | (in millions)     |                   |                   |                   |
| Interest rate swaps <sup>(1)</sup> | Interest expense | \$ 1              | \$ 2              | \$ 3              | \$ 5              |

- 
- (1) Certain interest rate swaps were terminated in December 2008. See discussion above. Terminated interest rate swaps resulted in a gain of \$1 million and \$3 million in the quarter and six months ended March 26, 2010, respectively. Interest rate swaps in place at March 26, 2010 had no gain or loss recognized in the Condensed Consolidated Statement of Operations during the quarter and six months ended March 26, 2010.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 13. Financial Instruments (Continued)

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statement of Operations for the quarters ended March 26, 2010 and March 27, 2009 were as follows:

| Derivatives Designated<br>as Cash Flow Hedges          | Gain (Loss)<br>Recognized<br>in<br>OCI<br>(Effective<br>Portion) | Gain (Loss) Reclassified<br>from Accumulated<br>OCI into Income<br>(Effective Portion) |        | Gain (Loss) Recognized<br>in Income (Ineffective<br>Portion and Amount<br>Excluded<br>From Effectiveness<br>Testing) |        |
|--|--|--|--------|--|--------|
|  | Amount   | Location   | Amount | Location   | Amount |
| (in millions)  |  |  |        |  |        |
| For the Quarter Ended March 26, 2010:                  |  |  |        |  |        |
| Foreign currency contracts                             | \$ 1   | Cost of sales  | \$ 1   | Cost of sales <sup>(1)</sup>   | \$     |
| Commodity swap contracts                               |  | Cost of sales  | 2      | Cost of sales  |        |
| Interest rate swaps and<br>swaptions <sup>(2)</sup>    | (3)  | Interest expense   | (2)    | Interest expense   | (1)    |
| Total  | \$ (2)   |  | \$     |  | \$ (1) |
| For the Quarter Ended March 27, 2009:                  |  |  |        |  |        |
| Foreign currency contracts                             | \$ (1)   | Cost of sales  | \$ 1   | Cost of sales <sup>(1)</sup>   | \$     |
| Commodity swap contracts                               | 1  | Cost of sales  | 1      | Cost of sales  |        |
| Forward starting interest rate<br>swaps <sup>(2)</sup> |  | Interest expense   | (1)    | Interest expense   |        |
| Total  | \$   |  | \$     |  | \$     |

(1) Depending on the nature of the hedge, ineffectiveness is recorded in cost of sales or selling, general, and administrative expenses.

(2) Certain forward starting interest rate swaps were terminated in September 2007. See discussion above. Terminated forward starting interest rate swaps resulted in losses of \$2 million and \$1 million reflected in interest expense in the quarters ended March 26, 2010 and March 27, 2009, respectively. Forward starting interest rate swaps in place at March 26, 2010 resulted in losses of \$2 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at March 26, 2010 resulted in losses of \$1 million in other comprehensive income related to the effective portions of the hedge and losses of \$1 million in interest expense as a result of amounts excluded from the hedging relationship during the period.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 13. Financial Instruments (Continued)

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statement of Operations for the six months ended March 26, 2010 and March 27, 2009 were as follows:

| Derivatives Designated<br>as Cash Flow Hedges          | Gain (Loss)<br>Recognized<br>in<br>OCI<br>(Effective<br>Portion) | Gain (Loss) Reclassified<br>from Accumulated<br>OCI into Income<br>(Effective Portion) | Gain (Loss) Recognized<br>in Income (Ineffective<br>Portion and Amount<br>Excluded<br>From Effectiveness<br>Testing) |                              |               |
|--|--|--|--|------------------------------|---------------|
|  | Amount   |  | Location   | Amount                       | Location      |
| (in millions)  |  |  |  |                              |               |
| For the Six Months Ended March 26, 2010:               |  |  |  |                              |               |
| Foreign currency contracts                             | \$ (1)   | Cost of sales  | \$   | Cost of sales <sup>(1)</sup> | \$            |
| Commodity swap contracts                               | 4  | Cost of sales  | 3  | Cost of sales                |               |
| Interest rate swaps and<br>swaptions <sup>(2)</sup>    | 3  | Interest expense   | (3)  | Interest expense             | (2)           |
| <b>Total</b>   | <b>\$ 6</b>  |  | <b>\$</b>  |                              | <b>\$ (2)</b> |
| For the Six Months Ended March 27, 2009:               |  |  |  |                              |               |
| Foreign currency contracts                             | \$ (1)   | Cost of sales  | \$   | Cost of sales <sup>(1)</sup> | \$            |
| Commodity swap contracts                               | 1  | Cost of sales  | 1  | Cost of sales                |               |
| Forward starting interest rate<br>swaps <sup>(2)</sup> |  | Interest expense   | (3)  | Interest expense             |               |
| <b>Total</b>   | <b>\$</b>  |  | <b>\$ (2)</b>  |                              | <b>\$</b>     |

(1) Depending on the nature of the hedge, ineffectiveness is recorded in cost of sales or selling, general, and administrative expenses.

(2) Certain forward starting interest rate swaps were terminated in September 2007. See discussion above. Terminated forward starting interest rate swaps resulted in losses of \$3 million reflected in interest expense during both the six months ended March 26, 2010 and March 27, 2009, respectively. Forward starting interest rate swaps in place at March 26, 2010 resulted in gains of \$1 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at March 26, 2010 resulted in gains of \$2 million in other comprehensive income related to the effective portions of the hedge and losses of \$2 million in interest expense as a result of amounts excluded from the hedging relationship during the period.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**13. Financial Instruments (Continued)**

The effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statement of Operations for the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

| Derivatives not Designated as Hedging Instruments | Location                                      | Gain (Loss) Recognized |                |                          |                |
|---|---|------------------------|----------------|--------------------------|----------------|
|   |   | For the Quarters Ended |                | For the Six Months Ended |                |
|   |   | March 26, 2010         | March 27, 2009 | March 26, 2010           | March 27, 2009 |
|   |   | (in millions)          |                |                          |                |
| Foreign currency contracts                        | Selling, general, and administrative expenses | \$                     | \$ (5)         | \$ 5                     | \$ (172)       |

During the six months ended March 27, 2009, the Company incurred losses of \$172 million as a result of marking foreign currency derivatives not designated as hedging instruments to fair value, particularly derivatives related to certain Eastern European currencies. These losses were largely offset by the gains realized as a result of re-measuring the underlying assets and liabilities denominated in foreign currencies to primarily the Euro or U.S. Dollar. These gains and losses were reflected in selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations.

**14. Fair Value Measurements**

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

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

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

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

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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**14. Fair Value Measurements (Continued)**

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

| Description                       | Fair Value Measurements<br>Using Inputs Considered as |         |         | Fair Value |
|-----------------------------------|---|---------|---------|------------|
|                                   | Level 1   | Level 2 | Level 3 |            |
| (in millions)                     |   |         |         |            |
| March 26, 2010:                   |   |         |         |            |
| Assets:                           |   |         |         |            |
| Commodity swap contracts          | \$ 3  | \$      | \$      | \$ 3       |
| Interest rate swaps and swaptions |   | 8       |         | 8          |
| Foreign currency contracts        |   | 2       |         | 2          |
| Rabbi trust assets                | 74  |         |         | 74         |
| Total assets at fair value        | \$ 77   | \$ 10   | \$      | \$ 87      |
| Liabilities:                      |   |         |         |            |
| Commodity swap contracts          | \$ 1  | \$      | \$      | \$ 1       |
| Foreign currency contracts        |   | 1       |         | 1          |
| Total liabilities at fair value   | \$ 1  | \$ 1    | \$      | \$ 2       |
| September 25, 2009:               |   |         |         |            |
| Assets:                           |   |         |         |            |
| Commodity swap contracts          | \$ 1  | \$      | \$      | \$ 1       |
| Foreign currency contracts        |   | 3       |         | 3          |
| Rabbi trust assets                | 76  |         |         | 76         |
| Total assets at fair value        | \$ 77   | \$ 3    | \$      | \$ 80      |
| Liabilities:                      |   |         |         |            |
| Foreign currency contracts        | \$  | \$ 4    | \$      | \$ 4       |

The Company did not have significant financial assets or liabilities that are measured at fair value on a non-recurring basis.

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

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

Interest rate swaps and swaptions Fair value of these assets is determined based on observable inputs other than quoted prices. The positions are primarily valued using market approach models that use readily observable interest rates as their basis (level 2).

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Foreign currency contracts Fair value of these assets and liabilities is determined using the market approach. Values are based on observable market transactions of spot currency rates and forward rates (level 2).



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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**14. Fair Value Measurements (Continued)**

Rabbi trust assets Rabbi trust assets are principally comprised of fixed income securities that are marked to fair value based on unadjusted quoted prices in active markets (level 1).

The majority of derivatives entered into by the Company are valued using the over-the-counter quoted market prices for similar instruments. The Company does not believe that fair values of these derivative instruments materially differ from the amounts that could be realized upon settlement or maturity.

The Company adopted fair value recognition, measurement, and disclosure provisions for non-financial assets and liabilities on September 26, 2009. Assets and liabilities subject to this new guidance primarily include goodwill and indefinite-lived intangible assets measured at fair value for impairment assessments, long-lived assets measured at fair value for impairment assessments, and non-financial assets and liabilities measured at fair value in business combinations. Adoption of these provisions did not have a material impact on the Company's results of operations, financial position, or cash flows.

As of March 26, 2010, the Company did not have any non-financial assets or liabilities that are measured at fair value.

During the six months ended March 26, 2010, the Company used significant other observable inputs (level 2) to calculate a \$12 million impairment charge related to the Dulmison connectors and fittings product line sold during the first quarter of fiscal 2010 for \$12 million. See Note 3 for additional information. There were no impairment charges recorded during the second quarter of fiscal 2010.

**15. Income Taxes**

The Company recorded a tax provision of \$135 million, an effective income tax rate of 30.6%, for the quarter ended March 26, 2010 and a tax benefit of \$594 million, an effective income tax rate of 15.5%, for the quarter ended March 27, 2009. For the six months ended March 26, 2010 and March 27, 2009, the Company recorded a tax provision of \$204 million, an effective income tax rate of 29.9%, and a tax benefit of \$580 million, an effective income tax rate of 15.3%, respectively. The effective income tax rate for the quarter and six months ended March 26, 2010 reflects a charge of \$118 million primarily associated with certain proposed adjustments to prior year income tax returns and related accrued interest as well as an income tax benefit of \$72 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations. In addition, the effective income tax rate for the quarter and six months ended March 26, 2010 reflects tax benefits recognized in connection with anticipated increased profitability in fiscal 2010 in certain entities operating in lower tax rate jurisdictions. The effective income tax rate for the quarter and six months ended March 27, 2009 was impacted by a \$3,547 million pre-tax impairment of goodwill for which a tax benefit was not fully recognized, as well as pre-tax charges related to pre-separation securities litigation, for which no tax benefit was recorded.

The Company records accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of March 26, 2010, the Company had recorded \$1,330 million of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheet, of which \$1,248 million was recorded in income taxes and \$82 million was

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**TYCO ELECTRONICS LTD.**

**NOTES TO CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**15. Income Taxes (Continued)**

recorded in accrued and other current liabilities. During the quarter and six months ended March 26, 2010, the Company recognized \$89 million and \$118 million, respectively, of interest and penalties on the Condensed Consolidated Statements of Operations. As of September 25, 2009, the balance of accrued interest and penalties was \$1,215 million, of which \$1,214 million was recorded in income taxes and \$1 million was recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet.

In fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000. Tyco International is in the process of appealing certain tax adjustments proposed by the IRS related to this period. In fiscal 2008, the IRS commenced its field examination of certain Tyco International U.S. federal income tax returns for the years 2001 through 2004. Tyco International's U.S. federal tax filings for years subsequent to 2004 also remain open to examination by the IRS. See Note 12 for additional information regarding the status of IRS examinations.

Although it is difficult to predict the timing or results of certain pending examinations, it is the Company's understanding that Tyco International has made progress during fiscal 2010 towards resolving with the IRS certain disputed tax adjustments related to Tyco International's U.S. federal income tax returns for the years 1997 through 2000. Accordingly, Tyco International and the IRS could reach agreement on these matters within the next twelve months. In addition, the IRS continues to audit certain Tyco International income tax returns for the years 2001 through 2004, and its field examination for this period could be completed within the next twelve months. However, the ultimate resolution is uncertain and it is not possible to estimate the impact of an agreement with respect to the amount of unrecognized tax benefits on the Condensed Consolidated Balance Sheet as of March 26, 2010. The Company is not aware of any other matters that would result in significant changes to the amount of unrecognized tax benefits reflected on the Condensed Consolidated Balance Sheet as of March 26, 2010.

**16. Other Income, Net**

In the quarters ended March 26, 2010 and March 27, 2009, the Company recorded net other income of \$75 million and \$3 million, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The \$75 million of income in the second quarter of fiscal 2010 reflects a net increase to the receivable from Tyco International and Covidien primarily related to certain proposed adjustments to prior period income tax returns and related accrued interest. In the six months ended March 26, 2010, the Company recorded net other income of \$83 million, pursuant to the Tax Sharing Agreement with Tyco International and Covidien. In the six months ended March 27, 2009, the Company recorded net other income of \$2 million, primarily consisting of \$5 million of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien offset by \$3 million of unrealized losses on rabbi trust assets.

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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**17. Shareholders' Equity**

*Common Shares*

Subject to certain conditions specified in the articles of association, the shareholders have authorized the Company's board of directors to increase the Company's share capital (the value, in Swiss Francs ("CHF"), of authorized shares multiplied by the par value), by issuing up to 234 million conditional shares and up to 234 million authorized shares (until June 22, 2011). Although the Company states its par value in Swiss Francs, it continues to use the U.S. Dollar as its reporting currency for preparing its Condensed Consolidated Financial Statements.

*Common Shares Held in Treasury*

At March 26, 2010 and September 25, 2009, all common shares held in treasury were owned by a subsidiary of the Company. Shares held by the subsidiary are presented as treasury shares on the Condensed Consolidated Balance Sheet.

*Contributed Surplus*

Contributed surplus, subject to certain conditions, is a distributable reserve.

*Distributions to Shareholders*

Under current Swiss law, distributions to shareholders made in the form of a reduction of registered share capital are exempt from Swiss withholding tax. Beginning on January 1, 2011, subject to the adoption of implementing regulations and amendments to Swiss tax law, distributions to shareholders made out of contributed surplus will be exempt from Swiss withholding tax. Distributions or dividends on the Company's shares must be approved by the Company's shareholders.

In October 2009, the Company's shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of the Company's common shares of CHF 0.34 (equivalent to \$0.32) per share, payable in two equal installments in each of the first and second quarters of fiscal 2010. The Company paid the first installment of the distribution at a rate of \$0.16 per share during the quarter ended December 25, 2009. During the quarter ended March 26, 2010, the Company paid the second installment of the distribution at a rate of \$0.16 per share. These capital reductions reduced the par value of the Company's common shares from CHF 2.43 (equivalent to \$2.24) to CHF 2.09 (equivalent to \$1.92).

In March 2010, the Company's shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of the Company's common shares of CHF 0.72 (equivalent to \$0.64) per share, payable in four equal installments in each quarter beginning in the third quarter of fiscal 2010 through the second quarter of fiscal 2011.

Upon approval by the shareholders of the cash distribution in the form of a capital reduction, the Company records a liability with a corresponding charge to common shares. The distribution of CHF 0.72 (equivalent to \$0.64) per share is recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet at March 26, 2010. There were no unpaid dividends and distributions to shareholders as of September 25, 2009.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 17. Shareholders' Equity (Continued)

*Share Repurchase Program*

During the second quarter and first six months of fiscal 2010, the Company purchased approximately 6 million and 7 million, respectively, of its common shares for \$147 million and \$165 million, respectively. During the second quarter of fiscal 2009, the Company did not purchase any of its common shares. During the first six months of fiscal 2009, the Company purchased approximately 6 million of its common shares for \$125 million and also settled purchases of \$27 million of its common shares which occurred prior to the end of the fourth quarter of fiscal 2008. Since inception of the share repurchase program, which has a current authorization of \$2,000 million, the Company has purchased approximately 50 million shares for \$1,559 million.

## 18. Comprehensive Income (Loss)

Comprehensive income (loss) consisted of the following:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Net income (loss)  | \$ 306                    | \$ (3,237)        | \$ 479                      | \$ (3,272)        |
| Currency translation <sup>(1)</sup>  | (106)                     | (143)             | (162)                       | (486)             |
| Gain (loss) on cash flow hedges, net of income taxes                                       | (4)                       |                   | 4                           | 2                 |
| Amortization of unrecognized pension and postretirement benefit costs, net of income taxes | 14                        | 5                 | 20                          | 9                 |
|  | 210                       | (3,375)           | 341                         | (3,747)           |
| Less: comprehensive income attributable to noncontrolling interests                        | (2)                       | (1)               | (3)                         | (3)               |
| Comprehensive income (loss) attributable to Tyco Electronics Ltd.                          | \$ 208                    | \$ (3,376)        | \$ 338                      | \$ (3,750)        |

- (1) Includes hedge of net investment foreign exchange gains or losses, offsetting foreign exchange gains or losses attributable to the translation of the net investments.

## 19. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to Tyco Electronics Ltd. by the basic weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to Tyco Electronics Ltd. by the weighted-average number of common shares outstanding adjusted for potentially dilutive unexercised

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**19. Earnings (Loss) Per Share (Continued)**

share options and non-vested restricted share awards. The following table sets forth the denominators of the basic and diluted earnings (loss) per share computations:

|   | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|---|---------------------------|-------------------|-----------------------------|-------------------|
|   | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|   | (in millions)             |                   |                             |                   |
| Weighted-average shares outstanding:      |                           |                   |                             |                   |
| Basic                                     | 457                       | 458               | 458                         | 459               |
| Share options and restricted share awards | 4                         |                   | 3                           |                   |
| Diluted                                   | 461                       | 458               | 461                         | 459               |

Certain share options were not included in the computation of diluted earnings (loss) per share because the instruments' underlying exercise prices were greater than the average market prices of Tyco Electronics' common shares and inclusion would be antidilutive. Such shares not included in the computation were 18 million and 27 million as of March 26, 2010 and March 27, 2009, respectively.

For the quarter and six months ended March 27, 2009, non-vested restricted share awards and unexercised options to purchase Tyco Electronics' common shares with underlying exercise prices less than the average market prices were outstanding, but were excluded from the calculation of diluted loss per share as inclusion of these securities would have been antidilutive. Such shares not included in the computation were 0.2 million and 1 million for the quarter and six months ended March 27, 2009, respectively.

**20. Share Plans**

Total share-based compensation costs included on the Condensed Consolidated Statements of Operations were \$16 million and \$12 million during the quarters ended March 26, 2010 and March 27, 2009, respectively, of which \$1 million was included in income from discontinued operations for the quarter ended March 27, 2009. Total share-based compensation costs were \$31 million and \$28 million during the six months ended March 26, 2010 and March 27, 2009, respectively, of which \$2 million was included in loss from discontinued operations for the six months ended March 27, 2009. All share-based compensation costs in continuing operations are presented in selling, general, and administrative expenses.

On March 10, 2010, the Company's shareholders approved a proposal to increase the number of shares issuable under the Tyco Electronics Ltd. 2007 Stock and Incentive Plan, as amended and restated (the "2007 Plan"), by 15 million shares. As of March 26, 2010, there were approximately 17 million shares available under the 2007 Plan.

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 20. Share Plans (Continued)

*Restricted Share Awards*

A summary of the Company's outstanding restricted share awards as of March 26, 2010 and changes during the six months then ended are presented below:

|                                  | Shares    | Weighted-Average<br>Grant-Date Fair Value |
|----------------------------------|-----------|---|
| Non-vested at September 25, 2009 | 4,252,190 | \$ 23.80                                  |
| Granted                          | 2,322,426 | 24.64                                     |
| Vested                           | (925,789) | 21.50                                     |
| Forfeited                        | (96,174)  | 26.09                                     |
| Non-vested at March 26, 2010     | 5,552,653 | 24.49                                     |

As of March 26, 2010, there were \$87 million of unrecognized compensation costs related to non-vested Tyco Electronics restricted share awards. That cost is expected to be recognized over a weighted-average period of 2.7 years.

*Share Options*

A summary of the Company's outstanding share option awards as of March 26, 2010 and changes during the six months then ended are presented below:

|  | Shares      | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic Value<br>(in millions) |
|--|-------------|------------------------------------|--|---|
| Outstanding at September 25, 2009                        | 25,635,095  | \$ 38.30                           |  |   |
| Granted  | 4,019,800   | 24.67                              |  |   |
| Exercised  | (193,194)   | 15.18                              |  |   |
| Expired  | (1,924,049) | 48.37                              |  |   |
| Forfeited  | (105,693)   | 24.72                              |  |   |
| Outstanding at March 26, 2010                            | 27,431,959  | 35.81                              | 5.2  | \$ 88   |
| Vested and non-vested expected to vest at March 26, 2010 | 26,427,851  | \$ 36.29                           | 5.2  | \$ 82   |
| Exercisable at March 26, 2010                            | 18,725,200  | \$ 41.38                           | 3.5  | \$ 36   |

As of March 26, 2010, there were \$43 million of total unrecognized compensation costs related to non-vested Tyco Electronics share options granted under Tyco Electronics share option plans. The cost is expected to be recognized over a weighted-average period of 2.4 years.

The grant-date fair value of each share option grant is estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected share price volatility was calculated based on the historical volatility of the stock of a composite of peers of Tyco Electronics and implied volatility derived from exchange traded options on that same composite of peers. The average expected life was based on the

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

**20. Share Plans (Continued)**

contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term which approximates the expected life assumed at the date of grant. The expected annual dividend per share was based on Tyco Electronics' expected dividend rate. The compensation expense recognized is net of estimated forfeitures. Forfeitures are estimated based on voluntary termination behavior, as well as an analysis of actual option forfeitures.

The weighted-average grant-date fair value of options granted during the six months ended March 26, 2010 and the weighted-average assumptions the Company used in the Black-Scholes-Merton option pricing model for the six months then ended were as follows:

|  |         |
|--|---------|
| Weighted-average grant-date fair value | \$ 6.86 |
| Assumptions:                           |         |
| Expected share price volatility        | 37%     |
| Risk free interest rate                | 2.3%    |
| Expected annual dividend per share     | \$ 0.64 |
| Expected life of options (years)       | 5.0     |

**21. Segment Data**

During the second quarter of fiscal 2010, the Undersea Telecommunications segment was renamed Subsea Communications. This segment continues to design, manufacture, install, and maintain undersea communications solutions.

Net sales by segment for the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

|                       | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|-----------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                       | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|                       | (in millions)             |                   |                             |                   |
| Electronic Components | \$ 1,984                  | \$ 1,280          | \$ 3,895                    | \$ 2,905          |
| Network Solutions     | 394                       | 402               | 816                         | 858               |
| Specialty Products    | 371                       | 346               | 729                         | 713               |
| Subsea Communications | 208                       | 309               | 409                         | 574               |
| Total <sup>(1)</sup>  | \$ 2,957                  | \$ 2,337          | \$ 5,849                    | \$ 5,050          |

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

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**TYCO ELECTRONICS LTD.**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**21. Segment Data (Continued)**

Operating income (loss) by segment for the quarters and six months ended March 26, 2010 and March 27, 2009 were as follows:

|  | For the<br>Quarters Ended |                           | For the<br>Six Months Ended |                           |
|--|---------------------------|---------------------------|-----------------------------|---------------------------|
|  | March 26,<br>2010         | March 27,<br>2009         | March 26,<br>2010           | March 27,<br>2009         |
|  | (in millions)             |                           |                             |                           |
| Electronic Components                  | \$ 262                    | \$ (3,654) <sup>(1)</sup> | \$ 425                      | \$ (3,672) <sup>(1)</sup> |
| Network Solutions                      | 42                        | 21                        | 62                          | 65                        |
| Specialty Products                     | 49                        | (83) <sup>(2)</sup>       | 100                         | (55) <sup>(2)</sup>       |
| Subsea Communications                  | 45                        | 54                        | 80                          | 92                        |
| Pre-separation litigation charges, net |                           | (135)                     |                             | (144)                     |
| <b>Total</b>                           | <b>\$ 398</b>             | <b>\$ (3,797)</b>         | <b>\$ 667</b>               | <b>\$ (3,714)</b>         |

(1) Includes charges of \$3,435 million related to the impairment of goodwill.

(2) Includes charges of \$112 million related to the impairment of goodwill.

Segment assets and a reconciliation of segment assets to total assets at March 26, 2010 and September 25, 2009 were as follows:

|   | March 26,<br>2010 | September 25,<br>2009 |
|---|-------------------|-----------------------|
|   | (in millions)     |                       |
| Electronic Components                     | \$ 4,468          | \$ 4,340              |
| Network Solutions                         | 864               | 929                   |
| Specialty Products                        | 615               | 624                   |
| Subsea Communications                     | 541               | 628                   |
| <b>Total segment assets<sup>(1)</sup></b> | <b>6,488</b>      | <b>6,521</b>          |
| Other current assets                      | 2,519             | 2,169                 |
| Other non-current assets                  | 7,545             | 7,530                 |
| <b>Total assets</b>                       | <b>\$ 16,552</b>  | <b>\$ 16,220</b>      |

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



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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

## 22. Tyco Electronics Group S.A.

TEGSA, a Luxembourg company and 100%-owned subsidiary of Tyco Electronics Ltd., is a holding company that owns, directly or indirectly, all of the operating subsidiaries of Tyco Electronics Ltd. TEGSA is the obligor under the Company's senior notes and Credit Facility, which, including profit sharing notes issued by a subsidiary, are fully and unconditionally guaranteed by its parent, Tyco Electronics Ltd. The following tables present condensed consolidating financial information for Tyco Electronics Ltd., TEGSA, and all other subsidiaries that are not providing a guarantee of debt but which represent assets of TEGSA, using the equity method of accounting.

**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Quarter Ended March 26, 2010**

|   | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total    |
|---|--------------------------|-----------------------------------|-----------------------|------------------------------|----------|
|   | (in millions)            |                                   |                       |                              |          |
| Net sales   | \$                       | \$                                | \$ 2,957              | \$                           | \$ 2,957 |
| Cost of sales   |                          |                                   | 1,999                 |                              | 1,999    |
| <b>Gross margin</b>                                       |                          |                                   | 958                   |                              | 958      |
| Selling, general, and administrative expenses             | 38                       | 3                                 | 365                   |                              | 406      |
| Research, development, and engineering expenses           |                          |                                   | 142                   |                              | 142      |
| Restructuring and other charges, net                      |                          |                                   | 12                    |                              | 12       |
| <b>Operating income (loss)</b>                            | (38)                     | (3)                               | 439                   |                              | 398      |
| Interest income   |                          |                                   | 6                     |                              | 6        |
| Interest expense  |                          | (36)                              | (2)                   |                              | (38)     |
| Other income, net   |                          |                                   | 75                    |                              | 75       |
| Equity in net income of subsidiaries                      | 346                      | 359                               |                       | (705)                        |          |
| Intercompany interest and fees                            | (4)                      | 26                                | (22)                  |                              |          |
| <b>Income before income taxes</b>                         | 304                      | 346                               | 496                   | (705)                        | 441      |
| Income tax expense  |                          |                                   | (135)                 |                              | (135)    |
| <b>Net income</b>   | 304                      | 346                               | 361                   | (705)                        | 306      |
| Less: net income attributable to noncontrolling interests |                          |                                   | (2)                   |                              | (2)      |
| <b>Net income attributable to Tyco Electronics Ltd.</b>   | \$ 304                   | \$ 346                            | \$ 359                | \$ (705)                     | \$ 304   |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Quarter Ended March 27, 2009**

|   | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total      |
|---|--------------------------|-----------------------------------|-----------------------|------------------------------|------------|
|   | (in millions)            |                                   |                       |                              |            |
| Net sales   | \$                       | \$                                | \$ 2,337              | \$                           | \$ 2,337   |
| Cost of sales   |                          |                                   | 1,803                 |                              | 1,803      |
| <b>Gross margin</b>   |                          |                                   | 534                   |                              | 534        |
| Selling, general, and administrative expenses                   | 19                       | 3                                 | 307                   |                              | 329        |
| Research, development, and engineering expenses                 |                          |                                   | 131                   |                              | 131        |
| Pre-separation litigation charges, net                          | 135                      |                                   |                       |                              | 135        |
| Restructuring and other charges, net                            |                          |                                   | 189                   |                              | 189        |
| Impairment of goodwill  |                          |                                   | 3,547                 |                              | 3,547      |
| <b>Operating loss</b>   | (154)                    | (3)                               | (3,640)               |                              | (3,797)    |
| Interest income   |                          |                                   | 3                     |                              | 3          |
| Interest expense  |                          | (39)                              | (2)                   |                              | (41)       |
| Other income, net   |                          |                                   | 3                     |                              | 3          |
| Equity in net loss of subsidiaries                              | (3,081)                  | (3,056)                           |                       | 6,137                        |            |
| Equity in net income of subsidiaries of discontinued operations | 1                        | 1                                 |                       | (2)                          |            |
| Intercompany interest and fees                                  | (4)                      | 17                                | (13)                  |                              |            |
| <b>Loss from continuing operations before income taxes</b>      | (3,238)                  | (3,080)                           | (3,649)               | 6,135                        | (3,832)    |
| Income tax benefit  |                          |                                   | 594                   |                              | 594        |
| <b>Loss from continuing operations</b>                          | (3,238)                  | (3,080)                           | (3,055)               | 6,135                        | (3,238)    |
| Income from discontinued operations, net of income taxes        |                          |                                   | 1                     |                              | 1          |
| <b>Net loss</b>   | (3,238)                  | (3,080)                           | (3,054)               | 6,135                        | (3,237)    |
| Less: net income attributable to noncontrolling interests       |                          |                                   | (1)                   |                              | (1)        |
| <b>Net loss attributable to Tyco Electronics Ltd.</b>           | \$ (3,238)               | \$ (3,080)                        | \$ (3,055)            | \$ 6,135                     | \$ (3,238) |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

## CONSOLIDATING STATEMENT OF OPERATIONS

For the Six Months Ended March 26, 2010

|   | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total    |
|---|--------------------------|-----------------------------------|-----------------------|------------------------------|----------|
|   | (in millions)            |                                   |                       |                              |          |
| Net sales   | \$                       | \$                                | \$ 5,849              | \$                           | \$ 5,849 |
| Cost of sales   |                          |                                   | 4,050                 |                              | 4,050    |
| <b>Gross margin</b>                                       |                          |                                   | 1,799                 |                              | 1,799    |
| Selling, general, and administrative expenses             | 70                       | 7                                 | 697                   |                              | 774      |
| Research, development, and engineering expenses           |                          |                                   | 280                   |                              | 280      |
| Restructuring and other charges, net                      |                          |                                   | 78                    |                              | 78       |
| <b>Operating income (loss)</b>                            | (70)                     | (7)                               | 744                   |                              | 667      |
| Interest income   |                          |                                   | 10                    |                              | 10       |
| Interest expense  |                          | (73)                              | (4)                   |                              | (77)     |
| Other income, net   |                          |                                   | 83                    |                              | 83       |
| Equity in net income of subsidiaries                      | 554                      | 582                               |                       | (1,136)                      |          |
| Intercompany interest and fees                            | (8)                      | 52                                | (44)                  |                              |          |
| <b>Income before income taxes</b>                         | 476                      | 554                               | 789                   | (1,136)                      | 683      |
| Income tax expense  |                          |                                   | (204)                 |                              | (204)    |
| <b>Net income</b>   | 476                      | 554                               | 585                   | (1,136)                      | 479      |
| Less: net income attributable to noncontrolling interests |                          |                                   | (3)                   |                              | (3)      |
| <b>Net income attributable to Tyco Electronics Ltd.</b>   | \$ 476                   | \$ 554                            | \$ 582                | \$ (1,136)                   | \$ 476   |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Six Months Ended March 27, 2009**

|   | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total      |
|---|--------------------------|-----------------------------------|-----------------------|------------------------------|------------|
|   | (in millions)            |                                   |                       |                              |            |
| Net sales   | \$                       | \$                                | \$ 5,050              | \$                           | \$ 5,050   |
| Cost of sales   |                          |                                   | 3,792                 |                              | 3,792      |
| <b>Gross margin</b>   |                          |                                   | 1,258                 |                              | 1,258      |
| Selling, general, and administrative expenses                 | 28                       | 4                                 | 708                   |                              | 740        |
| Research, development, and engineering expenses               |                          |                                   | 275                   |                              | 275        |
| Pre-separation litigation charges, net                        | 144                      |                                   |                       |                              | 144        |
| Restructuring and other charges, net                          |                          |                                   | 266                   |                              | 266        |
| Impairment of goodwill  |                          |                                   | 3,547                 |                              | 3,547      |
| <b>Operating loss</b>   | (172)                    | (4)                               | (3,538)               |                              | (3,714)    |
| Interest income   |                          |                                   | 9                     |                              | 9          |
| Interest expense  |                          | (78)                              | (5)                   |                              | (83)       |
| Other income, net   |                          |                                   | 2                     |                              | 2          |
| Equity in net loss of subsidiaries                            | (3,018)                  | (2,964)                           |                       | 5,982                        |            |
| Equity in net loss of subsidiaries of discontinued operations | (66)                     | (66)                              |                       | 132                          |            |
| Intercompany interest and fees                                | (19)                     | 28                                | (9)                   |                              |            |
| <b>Loss from continuing operations before income taxes</b>    | (3,275)                  | (3,084)                           | (3,541)               | 6,114                        | (3,786)    |
| Income tax benefit  |                          |                                   | 580                   |                              | 580        |
| <b>Loss from continuing operations</b>                        | (3,275)                  | (3,084)                           | (2,961)               | 6,114                        | (3,206)    |
| Loss from discontinued operations, net of income taxes        |                          |                                   | (66)                  |                              | (66)       |
| <b>Net loss</b>   | (3,275)                  | (3,084)                           | (3,027)               | 6,114                        | (3,272)    |
| Less: net income attributable to noncontrolling interests     |                          |                                   | (3)                   |                              | (3)        |
| <b>Net loss attributable to Tyco Electronics Ltd.</b>         | \$ (3,275)               | \$ (3,084)                        | \$ (3,030)            | \$ 6,114                     | \$ (3,275) |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING BALANCE SHEET**  
As of March 26, 2010

|  | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total            |
|--|--------------------------|-----------------------------------|-----------------------|------------------------------|------------------|
|  | (in millions)            |                                   |                       |                              |                  |
| <b>Assets</b>  |                          |                                   |                       |                              |                  |
| Current Assets:  |                          |                                   |                       |                              |                  |
| Cash and cash equivalents                                | \$                       | \$                                | \$ 1,839              | \$                           | \$ 1,839         |
| Accounts receivable, net                                 |                          |                                   | 2,042                 |                              | 2,042            |
| Inventories  |                          |                                   | 1,550                 |                              | 1,550            |
| Intercompany receivables                                 | 34                       |                                   | 33                    | (67)                         |                  |
| Prepaid expenses and other current assets                | 74                       | 4                                 | 449                   |                              | 527              |
| Deferred income taxes                                    |                          |                                   | 153                   |                              | 153              |
| <b>Total current assets</b>                              | <b>108</b>               | <b>4</b>                          | <b>6,066</b>          | <b>(67)</b>                  | <b>6,111</b>     |
| Property, plant, and equipment, net                      |                          |                                   | 2,896                 |                              | 2,896            |
| Goodwill   |                          |                                   | 3,175                 |                              | 3,175            |
| Intangible assets, net                                   |                          |                                   | 397                   |                              | 397              |
| Deferred income taxes                                    |                          |                                   | 2,539                 |                              | 2,539            |
| Investment in subsidiaries                               | 7,141                    | 8,773                             |                       | (15,914)                     |                  |
| Intercompany loans receivable                            |                          | 5,690                             | 5,055                 | (10,745)                     |                  |
| Receivable from Tyco International Ltd. and Covidien plc |                          |                                   | 1,210                 |                              | 1,210            |
| Other assets   |                          | 17                                | 207                   |                              | 224              |
| <b>Total Assets</b>                                      | <b>\$ 7,249</b>          | <b>\$ 14,484</b>                  | <b>\$ 21,545</b>      | <b>\$ (26,726)</b>           | <b>\$ 16,552</b> |
| <b>Liabilities and Shareholders' Equity</b>              |                          |                                   |                       |                              |                  |
| Current Liabilities:                                     |                          |                                   |                       |                              |                  |
| Current maturities of long-term debt                     | \$                       | \$                                | \$ 101                | \$                           | \$ 101           |
| Accounts payable   |                          | 1                                 | 1,303                 |                              | 1,304            |
| Accrued and other current liabilities                    | 408                      | 62                                | 1,243                 |                              | 1,713            |
| Deferred revenue   |                          |                                   | 162                   |                              | 162              |
| Intercompany payables                                    | 30                       | 3                                 | 34                    | (67)                         |                  |
| <b>Total current liabilities</b>                         | <b>439</b>               | <b>65</b>                         | <b>2,843</b>          | <b>(67)</b>                  | <b>3,280</b>     |
| Long-term debt   |                          | 2,237                             | 76                    |                              | 2,313            |
| Intercompany loans payable                               | 14                       | 5,041                             | 5,690                 | (10,745)                     |                  |
| Long-term pension and postretirement liabilities         |                          |                                   | 1,089                 |                              | 1,089            |
| Deferred income taxes                                    |                          |                                   | 174                   |                              | 174              |
| Income taxes   |                          |                                   | 2,365                 |                              | 2,365            |
| Other liabilities  |                          |                                   | 535                   |                              | 535              |
| <b>Total Liabilities</b>                                 | <b>453</b>               | <b>7,343</b>                      | <b>12,772</b>         | <b>(10,812)</b>              | <b>9,756</b>     |

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|   |          |           |           |             |           |
|---|----------|-----------|-----------|-------------|-----------|
| <b>Total Shareholders' Equity</b>                 | 6,796    | 7,141     | 8,773     | (15,914)    | 6,796     |
| <b>Total Liabilities and Shareholders' Equity</b> | \$ 7,249 | \$ 14,484 | \$ 21,545 | \$ (26,726) | \$ 16,552 |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING BALANCE SHEET**  
As of September 25, 2009

|  | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total            |
|--|--------------------------|-----------------------------------|-----------------------|------------------------------|------------------|
|  | (in millions)            |                                   |                       |                              |                  |
| <b>Assets</b>  |                          |                                   |                       |                              |                  |
| Current Assets:  |                          |                                   |                       |                              |                  |
| Cash and cash equivalents                                | \$                       | \$                                | \$ 1,521              | \$                           | \$ 1,521         |
| Accounts receivable, net                                 |                          |                                   | 1,975                 |                              | 1,975            |
| Inventories  |                          |                                   | 1,435                 |                              | 1,435            |
| Intercompany receivables                                 | 2                        |                                   |                       | (2)                          |                  |
| Prepaid expenses and other current assets                | 75                       | 1                                 | 411                   |                              | 487              |
| Deferred income taxes                                    |                          |                                   | 161                   |                              | 161              |
| <b>Total current assets</b>                              | <b>77</b>                | <b>1</b>                          | <b>5,503</b>          | <b>(2)</b>                   | <b>5,579</b>     |
| Property, plant, and equipment, net                      |                          |                                   | 3,111                 |                              | 3,111            |
| Goodwill   |                          |                                   | 3,160                 |                              | 3,160            |
| Intangible assets, net                                   |                          |                                   | 407                   |                              | 407              |
| Deferred income taxes                                    |                          |                                   | 2,518                 |                              | 2,518            |
| Investment in subsidiaries                               | 7,065                    | 8,679                             |                       | (15,744)                     |                  |
| Intercompany loans receivable                            | 10                       | 6,128                             | 5,468                 | (11,606)                     |                  |
| Receivable from Tyco International Ltd. and Covidien plc |                          |                                   | 1,211                 |                              | 1,211            |
| Other assets   |                          | 12                                | 222                   |                              | 234              |
| <b>Total Assets</b>                                      | <b>\$ 7,152</b>          | <b>\$ 14,820</b>                  | <b>\$ 21,600</b>      | <b>\$ (27,352)</b>           | <b>\$ 16,220</b> |
| <b>Liabilities and Shareholders' Equity</b>              |                          |                                   |                       |                              |                  |
| Current Liabilities:                                     |                          |                                   |                       |                              |                  |
| Current maturities of long-term debt                     | \$                       | \$                                | \$ 101                | \$                           | \$ 101           |
| Accounts payable   |                          | 2                                 | 1,066                 |                              | 1,068            |
| Accrued and other current liabilities                    | 109                      | 63                                | 1,071                 |                              | 1,243            |
| Deferred revenue   |                          |                                   | 203                   |                              | 203              |
| Intercompany payables                                    |                          |                                   | 2                     | (2)                          |                  |
| <b>Total current liabilities</b>                         | <b>111</b>               | <b>63</b>                         | <b>2,443</b>          | <b>(2)</b>                   | <b>2,615</b>     |
| Long-term debt   |                          | 2,239                             | 77                    |                              | 2,316            |
| Intercompany loans payable                               | 15                       | 5,453                             | 6,138                 | (11,606)                     |                  |
| Long-term pension and postretirement liabilities         |                          |                                   | 1,129                 |                              | 1,129            |
| Deferred income taxes                                    |                          |                                   | 188                   |                              | 188              |
| Income taxes   |                          |                                   | 2,312                 |                              | 2,312            |
| Other liabilities  |                          |                                   | 634                   |                              | 634              |

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|   |          |           |           |             |           |
|---|----------|-----------|-----------|-------------|-----------|
| <b>Total Liabilities</b>                          | 126      | 7,755     | 12,921    | (11,608)    | 9,194     |
| <b>Total Shareholders' Equity</b>                 | 7,026    | 7,065     | 8,679     | (15,744)    | 7,026     |
| <b>Total Liabilities and Shareholders' Equity</b> | \$ 7,152 | \$ 14,820 | \$ 21,600 | \$ (27,352) | \$ 16,220 |



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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Six Months Ended March 26, 2010**

|  | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total    |
|--|--------------------------|-----------------------------------|-----------------------|------------------------------|----------|
|  | (in millions)            |                                   |                       |                              |          |
| <b>Cash Flows From Operating Activities:</b>                                 |                          |                                   |                       |                              |          |
| Net cash provided by (used in) operating activities                          | \$ (64)                  | \$ (29)                           | \$ 923                | \$                           | \$ 830   |
| <b>Cash Flows From Investing Activities:</b>                                 |                          |                                   |                       |                              |          |
| Capital expenditures   |                          |                                   | (157)                 |                              | (157)    |
| Proceeds from sale of property, plant, and equipment                         |                          |                                   | 5                     |                              | 5        |
| Acquisition of business, net of cash acquired                                |                          |                                   | (55)                  |                              | (55)     |
| Proceeds from divestiture of business, net of cash retained by business sold |                          |                                   | 12                    |                              | 12       |
| Change in intercompany loans   | (8)                      | 29                                |                       | (21)                         |          |
| Other  |                          |                                   | (4)                   |                              | (4)      |
| Net cash provided by (used in) investing activities                          | (8)                      | 29                                | (199)                 | (21)                         | (199)    |
| <b>Cash Flows From Financing Activities:</b>                                 |                          |                                   |                       |                              |          |
| Changes in parent company equity   | 222                      |                                   | (222)                 |                              |          |
| Repurchase of common shares  |                          |                                   | (165)                 |                              | (165)    |
| Payment of cash distributions to shareholders                                | (150)                    |                                   | 4                     |                              | (146)    |
| Loan borrowing from parent   |                          |                                   | (21)                  | 21                           |          |
| Other  |                          |                                   | (2)                   |                              | (2)      |
| Net cash provided by (used in) financing activities                          | 72                       |                                   | (406)                 | 21                           | (313)    |
| <b>Net increase in cash and cash equivalents</b>                             |                          |                                   | 318                   |                              | 318      |
| <b>Cash and cash equivalents at beginning of period</b>                      |                          |                                   | 1,521                 |                              | 1,521    |
| <b>Cash and cash equivalents at end of period</b>                            | \$                       | \$                                | \$ 1,839              | \$                           | \$ 1,839 |

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## TYCO ELECTRONICS LTD.

## NOTES TO CONDENSED CONSOLIDATED

## FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Six Months Ended March 27, 2009**

|  | Tyco<br>Electronics Ltd. | Tyco<br>Electronics<br>Group S.A. | Other<br>Subsidiaries | Consolidating<br>Adjustments | Total  |
|--|--------------------------|-----------------------------------|-----------------------|------------------------------|--------|
|  | (in millions)            |                                   |                       |                              |        |
| <b>Cash Flows From Operating Activities:</b>   |                          |                                   |                       |                              |        |
| Net cash provided by (used in) continuing operating activities                               | \$ (47)                  | \$ 85                             | \$ 455                | \$                           | \$ 493 |
| Net cash used in discontinued operating activities   |                          |                                   | (36)                  |                              | (36)   |
| Net cash provided by (used in) operating activities  | (47)                     | 85                                | 419                   |                              | 457    |
| <b>Cash Flows From Investing Activities:</b>   |                          |                                   |                       |                              |        |
| Capital expenditures   |                          |                                   | (209)                 |                              | (209)  |
| Proceeds from sale of property, plant, and equipment   |                          |                                   | 7                     |                              | 7      |
| Proceeds from divestiture of discontinued operation, net of cash retained by operations sold |                          |                                   | 29                    |                              | 29     |
| Proceeds from divestiture of business, net of cash retained by businesses sold               |                          |                                   | 6                     |                              | 6      |
| Change in intercompany loans   | (65)                     | 222                               |                       | (157)                        |        |
| Other  |                          |                                   | (3)                   |                              | (3)    |
| Net cash provided by (used in) continuing investing activities                               | (65)                     | 222                               | (170)                 | (157)                        | (170)  |
| Net cash used in discontinued investing activities   |                          |                                   | (2)                   |                              | (2)    |
| Net cash provided by (used in) investing activities  | (65)                     | 222                               | (172)                 | (157)                        | (172)  |
| <b>Cash Flows From Financing Activities:</b>   |                          |                                   |                       |                              |        |
| Net decrease in commercial paper   |                          | (649)                             |                       |                              | (649)  |
| Proceeds from long-term debt   |                          | 442                               |                       |                              | 442    |
| Repayment of long-term debt  |                          | (100)                             | (19)                  |                              | (119)  |
| Changes in parent company equity   | 411                      | 2                                 | (413)                 |                              |        |
| Repurchase of common shares  | (152)                    |                                   |                       |                              | (152)  |
| Payment of common share dividends  | (147)                    |                                   |                       |                              | (147)  |
| Loan borrowing from parent   |                          |                                   | (157)                 | 157                          |        |
| Transfer to discontinued operations  |                          |                                   | (32)                  |                              | (32)   |
| Other  |                          |                                   | (3)                   |                              | (3)    |
| Net cash provided by (used in) continuing financing activities                               | 112                      | (305)                             | (624)                 | 157                          | (660)  |
| Net cash provided by discontinued financing activities                                       |                          |                                   | 37                    |                              | 37     |
| Net cash provided by (used in) financing activities  | 112                      | (305)                             | (587)                 | 157                          | (623)  |

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|   |           |           |          |               |           |               |
|---|-----------|-----------|----------|---------------|-----------|---------------|
| Effect of currency translation on cash  |           |           |          | (26)          |           | (26)          |
| <b>Net (decrease) increase in cash and cash equivalents</b>                               | <b>2</b>  |           |          | <b>(366)</b>  |           | <b>(364)</b>  |
| <b>Less: net decrease in cash and cash equivalents related to discontinued operations</b> |           |           |          | <b>1</b>      |           | <b>1</b>      |
| <b>Cash and cash equivalents at beginning of period</b>                                   |           |           |          | <b>1,090</b>  |           | <b>1,090</b>  |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$</b> | <b>\$</b> | <b>2</b> | <b>\$ 725</b> | <b>\$</b> | <b>\$ 727</b> |

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes included elsewhere in this Quarterly Report. The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Forward-Looking Information" and "Part II. Item 1A. Risk Factors."

Our Condensed Consolidated Financial Statements have been prepared in United States Dollars, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Overview**

Tyco Electronics Ltd. ("Tyco Electronics" or the "Company", which may be referred to as "we," "us," or "our") is a leading global provider of engineered electronic components, network solutions, specialty products, and subsea communication systems. We operate through four reporting segments: Electronic Components, Network Solutions, Specialty Products, and Subsea Communications. We design, manufacture, and market products for customers in a broad array of industries including automotive; data communication systems and consumer electronics; telecommunications; aerospace, defense, and marine; medical; energy; and lighting. Our Electronic Components segment serves both consumer and industrial and infrastructure markets with 70% of sales occurring in the consumer based markets. Our Network Solutions, Specialty Products, and Subsea Communications segments serve primarily industrial and infrastructure based markets.

Our business and operating results have been and will continue to be affected by worldwide economic conditions. Our sales are dependent on certain industry end markets that are impacted by consumer as well as industrial and infrastructure spending, and our operating results can be adversely affected by reduced demand in those markets. Overall, our net sales increased 26.5% and 15.8% in the second quarter and first six months of fiscal 2010, respectively, as compared to the same periods of fiscal 2009. Our sales into consumer based markets, particularly in the automotive, appliance, and consumer devices end markets, as well as the industrial and infrastructure based markets in our Electronic Components segment have improved relative to last year but still remain below fiscal 2008 levels. Sales in the industrial and infrastructure end markets served by our Network Solutions and Specialty Products segments were below fiscal 2009 levels on a year to date basis but improved in the second quarter of fiscal 2010 to levels approximating the second quarter of 2009. Revenues and operating income in our Subsea Communications segment remain below fiscal 2009 levels due to lower levels of project activity. In the second half of fiscal 2010, we expects sales in the consumer based markets to be comparable to current levels, modest growth in the industrial and infrastructure based markets, and lower project revenue in our Subsea Communications segment. On a company-wide basis, assuming current foreign exchange rates, net sales are expected to be in the range of \$11.8 to \$12.0 billion in fiscal 2010, an increase of 15 to 17 percent over the prior year.

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

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Other key business factors that influenced our results of operations for the periods discussed in this report include:

**Raw material prices.** We expect to purchase approximately 160 million pounds of copper and approximately 200,000 troy ounces of gold in fiscal 2010. During the periods shown, gold prices, as well as the prices of certain other raw materials, have been volatile. Current year copper and gold prices have increased from prior year levels. The following table sets forth the average prices incurred related to copper and gold during the periods presented:

|        | Measure  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--------|----------|---------------------------|-------------------|-----------------------------|-------------------|
|        |          | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|        |          |                           |                   |                             |                   |
| Copper | Lb.      | \$ 3.17                   | \$ 3.03           | \$ 3.09                     | \$ 2.82           |
| Gold   | Troy oz. | \$ 1,077                  | \$ 843            | \$ 1,072                    | \$ 821            |

**Foreign exchange.** Approximately 55% of our net sales are invoiced in currencies other than the U.S. Dollar. Our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. Dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. Dollars at the end of each fiscal period. The percentage of net sales in the six months ended March 26, 2010 by major currencies invoiced was as follows:

|                        |             |
|------------------------|-------------|
| U.S. Dollar            | 45%         |
| Euro                   | 30          |
| Japanese Yen           | 8           |
| Chinese Renminbi       | 5           |
| Korean Won             | 3           |
| Brazilian Real         | 2           |
| British Pound Sterling | 2           |
| All others             | 5           |
| <b>Total</b>           | <b>100%</b> |

### **Divestitures**

In the first quarter of fiscal 2010, in connection with the anticipated sale of the Dulmison connectors and fittings product line, we recorded an impairment charge of \$12 million related to long-lived assets. In December 2009, we completed the sale of this product line which was part of our energy business in the Network Solutions segment for net cash proceeds of \$12 million. The divestiture resulted in a pre-tax loss on sale of \$1 million. The Dulmison connectors and fittings product line generated sales of approximately \$50 million in fiscal 2009.

During the second quarter of fiscal 2009, we completed the sale of the Battery Systems business which was part of the Electronic Components segment and recorded a pre-tax loss on the sale of \$6 million. After working capital adjustments, total cash proceeds were \$14 million, of which \$6 million was received in the second quarter of fiscal 2009.

The loss on divestitures and the impairment charge are reflected in restructuring and other charges, net on the Condensed Consolidated Statement of Operations. We have presented the loss on divestitures, related long-lived asset impairments, and the operations of the Dulmison connectors and fittings product line and the Battery Systems business in continuing operations due to immateriality.

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**Acquisition**

On January 20, 2010, we acquired 100% of the outstanding shares of capital stock of Sensitive Object, an early-stage software company engaged in developing touch-enabling technology focused on computers, mobile devices, and consumer electronics, for a purchase price of approximately \$67 million in cash, including contingent consideration of \$6 million to be paid in 2011 upon completion of certain service requirements by key Sensitive Object managers. The acquisition complements our existing Touch Systems business, which is primarily focused on commercial and industrial markets. Sensitive Object is reported as part of our Touch Systems business within the Specialty Products segment.

**Manufacturing Simplification**

We plan to continue to simplify our global manufacturing footprint, by migrating facilities from higher-cost to lower-cost countries, consolidating within countries, and transferring product lines to lower-cost countries. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for profitability growth in the years ahead.

In connection with our manufacturing simplification plan, we expect to incur restructuring charges of approximately \$200 million during fiscal 2010 through 2012. In the first six months of fiscal 2010, cash spending related to restructuring was \$122 million, and we expect total restructuring spending to be approximately \$200 million in fiscal 2010, relating to both manufacturing simplification and prior year business resizing. Annualized cost savings related to the manufacturing simplification plan are expected to be approximately \$70 million.

**Non-GAAP Financial Measures**

Organic net sales growth, which is included in the discussion below, is a non-GAAP financial measure. The difference between reported net sales growth (the most comparable GAAP measure) and organic net sales growth (the non-GAAP measure) consists of the impact from foreign currency exchange rates, acquisitions, and divestitures. Organic net sales growth is a useful measure of the underlying results and trends in our business. It excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity.

We believe organic net sales growth provides useful information to investors because it reflects the underlying growth from the ongoing activities of our business. Furthermore, it provides investors with a view of our operations from management's perspective. We use organic net sales growth to monitor and evaluate performance, as it is an important measure of the underlying results of our operations. Management uses organic net sales growth together with GAAP measures such as net sales growth and operating income in its decision making processes related to the operations of our reporting segments and our overall company. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The discussion and analysis of organic net sales growth in Results of Operations below utilizes organic net sales growth as management does internally. Because organic net sales growth calculations may vary among other companies, organic net sales growth amounts presented below may not be comparable with similarly titled measures of other companies. Organic net sales growth is a non-GAAP financial measure that is not meant to be considered in isolation or as a substitute for GAAP measures. The primary limitation of this measure is that it excludes items that have an impact on our net sales. This limitation is best addressed by evaluating organic net sales growth in combination with our GAAP net sales. The tables presented in Results of Operations below provide reconciliations of organic net sales growth to net sales growth calculated under GAAP.

Table of Contents**Results of Operations****Consolidated Operations**

The following table sets forth results of operations, including percentage of net sales, for the periods shown.

|   | For the Quarters Ended |              |                   |                 | For the Six Months Ended |             |                   |                |
|---|------------------------|--------------|-------------------|-----------------|--------------------------|-------------|-------------------|----------------|
|   | March 26,<br>2010      |              | March 27,<br>2009 |                 | March 26,<br>2010        |             | March 27,<br>2009 |                |
|   | (\$ in millions)       |              |                   |                 |                          |             |                   |                |
| Net sales   | \$ 2,957               | 100.0%       | \$ 2,337          | 100.0%          | \$ 5,849                 | 100.0%      | \$ 5,050          | 100.0%         |
| Cost of sales   | 1,999                  | 67.6         | 1,803             | 77.2            | 4,050                    | 69.2        | 3,792             | 75.1           |
| <b>Gross margin</b>   | <b>958</b>             | <b>32.4</b>  | <b>534</b>        | <b>22.8</b>     | <b>1,799</b>             | <b>30.8</b> | <b>1,258</b>      | <b>24.9</b>    |
| Selling, general, and administrative expenses                       | 406                    | 13.7         | 329               | 14.1            | 774                      | 13.2        | 740               | 14.7           |
| Research, development, and engineering expenses                     | 142                    | 4.8          | 131               | 5.6             | 280                      | 4.8         | 275               | 5.4            |
| Pre-separation litigation charges, net                              |                        |              | 135               | 5.8             |                          |             | 144               | 2.9            |
| Restructuring and other charges, net                                | 12                     | 0.4          | 189               | 8.1             | 78                       | 1.3         | 266               | 5.3            |
| Impairment of goodwill  |                        |              | 3,547             | 151.8           |                          |             | 3,547             | 70.2           |
| <b>Operating income (loss)</b>                                      | <b>398</b>             | <b>13.5</b>  | <b>(3,797)</b>    | <b>(162.5)</b>  | <b>667</b>               | <b>11.4</b> | <b>(3,714)</b>    | <b>(73.5)</b>  |
| Interest income   | 6                      | 0.2          | 3                 | 0.1             | 10                       | 0.2         | 9                 | 0.2            |
| Interest expense  | (38)                   | (1.3)        | (41)              | (1.8)           | (77)                     | (1.3)       | (83)              | (1.6)          |
| Other income, net   | 75                     | 2.5          | 3                 | 0.1             | 83                       | 1.4         | 2                 |                |
| <b>Income (loss) from continuing operations before income taxes</b> | <b>441</b>             | <b>14.9</b>  | <b>(3,832)</b>    | <b>(164.0)</b>  | <b>683</b>               | <b>11.7</b> | <b>(3,786)</b>    | <b>(75.0)</b>  |
| Income tax (expense) benefit  | (135)                  | (4.6)        | 594               | 25.4            | (204)                    | (3.5)       | 580               | 11.5           |
| <b>Income (loss) from continuing operations</b>                     | <b>306</b>             | <b>10.3</b>  | <b>(3,238)</b>    | <b>(138.6)</b>  | <b>479</b>               | <b>8.2</b>  | <b>(3,206)</b>    | <b>(63.5)</b>  |
| Income (loss) from discontinued operations, net of income taxes     |                        |              | 1                 |                 |                          |             | (66)              | (1.3)          |
| <b>Net income (loss)</b>  | <b>306</b>             | <b>10.3</b>  | <b>(3,237)</b>    | <b>(138.5)</b>  | <b>479</b>               | <b>8.2</b>  | <b>(3,272)</b>    | <b>(64.8)</b>  |
| Less: net income attributable to noncontrolling interests           | (2)                    | (0.1)        | (1)               |                 | (3)                      | (0.1)       | (3)               | (0.1)          |
| <b>Net income (loss) attributable to Tyco Electronics Ltd.</b>      | <b>\$ 304</b>          | <b>10.3%</b> | <b>\$ (3,238)</b> | <b>(138.6)%</b> | <b>\$ 476</b>            | <b>8.1%</b> | <b>\$ (3,275)</b> | <b>(64.9)%</b> |

**Net Sales.** Net sales increased \$620 million, or 26.5%, to \$2,957 million in the second quarter of fiscal 2010 from \$2,337 million in the second quarter of fiscal 2009. In the first six months of fiscal 2010, net sales increased \$799 million, or 15.8%, to \$5,849 million, from \$5,050 million. On an organic basis, net sales increased \$537 million, or 23.0%, in the second quarter of fiscal 2010 and \$586 million, or 11.6%, in the first six months of fiscal 2010. The increase primarily resulted from growth in our Electronic Components segment partially offset by declines in our Subsea Communications segment. Foreign currency exchange rates, primarily the Euro, favorably impacted net sales by \$111 million, or 4.7%, in the second quarter of fiscal 2010 and \$269 million, or 5.3%, in the first six months of fiscal 2010. Price erosion adversely affected net sales by \$35 million and \$89 million in the second quarter and first six months of fiscal 2010, respectively. See further discussion below under Results of Operations by Segment.

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

|                                  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|----------------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                                  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
| Europe/Middle East/Africa (EMEA) | 35%                       | 34%               | 36%                         | 34%               |
| Asia-Pacific                     | 33                        | 26                | 33                          | 28                |
| Americas <sup>(1)</sup>          | 32                        | 40                | 31                          | 38                |
| Total                            | 100%                      | 100%              | 100%                        | 100%              |

(1) The Americas includes our Subsea Communications segment.

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

|                         | Change in Net Sales for the Quarter Ended<br>March 26, 2010 versus Net Sales for the<br>Quarter Ended March 27, 2009 |                            |             |             | Change in Net Sales for the Six Months Ended<br>March 26, 2010 versus Net Sales for the<br>Six Months Ended March 27, 2009 |                            |             |        |             |       |
|-------------------------|--|----------------------------|-------------|-------------|--|----------------------------|-------------|--------|-------------|-------|
|                         | Organic <sup>(1)</sup>   | Translation <sup>(2)</sup> | Divestiture | Total       | Organic <sup>(1)</sup>   | Translation <sup>(2)</sup> | Divestiture | Total  |             |       |
|                         | (\$ in millions)   |                            |             |             |  |                            |             |        |             |       |
| EMEA                    | \$ 175   | 22.0%                      | \$ 63       | (2) \$ 236  | 29.3%  | \$ 174                     | 10.1%       | \$ 169 | (3) \$ 340  | 19.5% |
| Asia-Pacific            | 351  | 59.4                       | 35          | (8) 378     | 63.6   | 491                        | 35.7        | 72     | (9) 554     | 40.1  |
| Americas <sup>(3)</sup> | 11   | 1.4                        | 13          | (18) 6      | 0.6  | (79)                       | (4.0)       | 28     | (44) (95)   | (4.9) |
| Total                   | \$ 537   | 23.0%                      | \$ 111      | (28) \$ 620 | 26.5%  | \$ 586                     | 11.6%       | \$ 269 | (56) \$ 799 | 15.8% |

- (1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (2) Represents the change in net sales resulting from changes in foreign currency exchange rates.
- (3) The Americas includes our Subsea Communications segment.

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

|                       | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|-----------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                       | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
| Electronic Components | 67%                       | 55%               | 67%                         | 58%               |
| Network Solutions     | 13                        | 17                | 14                          | 17                |
| Specialty Products    | 13                        | 15                | 12                          | 14                |
| Subsea Communications | 7                         | 13                | 7                           | 11                |
| Total                 | 100%                      | 100%              | 100%                        | 100%              |



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

|                       | Change in Net Sales for the Quarter Ended<br>March 26, 2010 versus Net Sales for the<br>Quarter Ended March 27, 2009 |                            |               |                |                        |                            | Change in Net Sales for the Six Months Ended<br>March 26, 2010 versus Net Sales for the<br>Six Months Ended March 27, 2009 |              |               |                |               |              |
|-----------------------|--|----------------------------|---------------|----------------|------------------------|----------------------------|--|--------------|---------------|----------------|---------------|--------------|
|                       | Organic <sup>(1)</sup>   | Translation <sup>(2)</sup> | Divestiture   | Total          | Organic <sup>(1)</sup> | Translation <sup>(2)</sup> | Divestiture  | Total        |               |                |               |              |
| (\$ in millions)      |  |                            |               |                |                        |                            |  |              |               |                |               |              |
| Electronic Components | \$ 643   | 50.2%                      | \$ 77         | (\$ 16)        | \$ 704                 | 55.0%                      | \$ 847   | 29.1%        | \$ 187        | (\$ 44)        | \$ 990        | 34.1%        |
| Network Solutions     | (22)   | (5.7)                      | 26            | (12)           | (8)                    | (2.0)                      | (88)   | (10.5)       | 58            | (12)           | (42)          | (4.9)        |
| Specialty Products    | 15   | 4.1                        | 10            |                | 25                     | 7.2                        | (8)  | (1.4)        | 24            |                | 16            | 2.2          |
| Subsea Communications | (99)   | (32.8)                     | (2)           |                | (101)                  | (32.7)                     | (165)  | (28.8)       |               |                | (165)         | (28.7)       |
| <b>Total</b>          | <b>\$ 537</b>  | <b>23.0%</b>               | <b>\$ 111</b> | <b>(\$ 28)</b> | <b>\$ 620</b>          | <b>26.5%</b>               | <b>\$ 586</b>  | <b>11.6%</b> | <b>\$ 269</b> | <b>(\$ 56)</b> | <b>\$ 799</b> | <b>15.8%</b> |

- (1) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

**Gross Margin.** Gross margin as a percentage of net sales increased to 32.4% in the second quarter of fiscal 2010 as compared to 22.8% in the same period of fiscal 2009. In the first six months of fiscal 2010, gross margin as a percentage of sales increased to 30.8% from 24.9% in the first six months of fiscal 2009. The increases were due to sales increases and cost reductions achieved from restructuring actions implemented during fiscal 2009.

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expenses as a percentage of net sales decreased to 13.7% in the second quarter of fiscal 2010 as compared to 14.1% in the same period of fiscal 2009. In the first six months of fiscal 2010, selling, general, and administrative expenses as a percentage of net sales decreased to 13.2% from 14.7% in the first six months of fiscal 2009. First quarter fiscal 2009 results included a net loss of approximately \$50 million primarily associated with the termination of economic hedges of certain anticipated future transactions and resulting primarily from the devaluation of certain eastern European currencies. Excluding this item, selling, general, and administrative expenses in both the second quarter and first six months of fiscal 2010 decreased as a percentage of net sales as compared to the same periods of fiscal 2009 as a result of increased sales and cost reductions achieved from restructuring actions implemented during fiscal 2009.

**Research, Development, and Engineering Expenses.** Research, development, and engineering expenses as a percentage of net sales were 4.8% in the second quarter of fiscal 2010 as compared to 5.6% in the second quarter of fiscal 2009. In the first six months of fiscal 2010, research, development, and engineering expenses as a percentage of net sales decreased to 4.8% from 5.4% in the first six months of fiscal 2009. The decreases as a percentage of net sales were attributable to higher net sales in the first six months of fiscal 2010.

**Pre-separation Litigation Charges, Net.** In the second quarter of fiscal 2009, we recorded reserves totaling \$375 million representing the best estimate of probable loss for the then remaining securities litigation claims subject to the Separation and Distribution Agreement. As a result, we recorded a pre-tax charge, for which no tax benefit was available, of \$116 million for our share of the reserves in the second quarter of fiscal 2009.

During the prior periods covered by this Quarterly Report, we, Tyco International, and Covidien plc ("Covidien") entered into definitive agreements to settle actions captioned *Hess v. Tyco International Ltd., et al.* and *Sciallo v. Tyco International Ltd., et al.* and opt-out cases brought by Franklin Mutual Advisors, LLC and related plaintiffs, the Public Employees' Retirement Association of Colorado, and the Commonwealth of Massachusetts Pension Reserves Investment Management Board. During the second quarter and first six months of fiscal 2009, pursuant to the sharing formula in the

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Separation and Distribution Agreement, we recorded charges of \$19 million and \$28 million, respectively, for which no tax benefit was available.

See Note 12 to the Condensed Consolidated Financial Statements for additional information regarding pre-separation securities proceedings and settlements.

**Restructuring and Other Charges, Net.** Net restructuring and other charges were \$12 million in the second quarter of fiscal 2010 as compared to \$189 million in the same period of fiscal 2009. In the first six months of fiscal 2010, net restructuring and other charges were \$78 million as compared to \$266 million in the first six months of fiscal 2009. Total charges, including amounts reflected in cost of sales, decreased \$175 million to \$12 million in the second quarter of fiscal 2010 from \$187 million in the second quarter of fiscal 2009. In the first six months of fiscal 2010, total charges, including amounts reflected in cost of sales, decreased \$190 million to \$75 million from \$265 million in the first six months of fiscal 2009. Fiscal 2010 actions primarily relate to headcount reductions in the Electronic Component and Specialty Products segments. Fiscal 2009 actions reduced costs in response to market conditions and primarily related to headcount reductions and manufacturing site closures in the Electronic Components, Network Solutions, and Specialty Products segments. As discussed above, charges in the first six months of fiscal 2010 included a long-lived asset impairment of \$12 million and a loss on divestiture of \$1 million related to the divestiture of the Dulmison connectors and fittings product line which was part of the energy business in our Network Solutions segment. Charges in the first six months of fiscal 2009 included a loss on divestiture of \$6 million related to the sale of the Battery Systems business which was part of the Electronic Components segment. See Note 3 to the Condensed Consolidated Financial Statements for further information regarding net restructuring and other charges.

**Impairment of Goodwill.** During the second quarter of fiscal 2009, we recorded a goodwill impairment charge of \$3,435 million in our Electronic Components segment, of which \$2,088 million and \$1,347 million related to the Automotive and Communications and Industrial Solutions reporting units, respectively. Also, during the second quarter of fiscal 2009, we recorded a goodwill impairment charge of \$112 million in our Specialty Products segment related to the Circuit Protection reporting unit.

**Operating Income (Loss).** Operating income was \$398 million in the second quarter of fiscal 2010 as compared to an operating loss of \$3,797 million in the same period of fiscal 2009. As discussed above, second quarter fiscal 2010 results included net restructuring and other charges of \$12 million; whereas, second quarter fiscal 2009 results included goodwill impairment charges, net restructuring and other charges, and net pre-separation litigation charges of \$3,547 million, \$187 million, and \$135 million, respectively. Excluding these items, the increase in operating income resulted from increased sales levels and related gross margin and cost reduction benefits from restructuring actions implemented in fiscal 2009.

Operating income was \$667 million in the first six months of fiscal 2010 as compared to an operating loss of \$3,714 million in the first six months of fiscal 2009. Included in operating income for the first six months of fiscal 2010 were net restructuring and other charges of \$75 million. In the first six months of fiscal 2009, results included goodwill impairment charges, restructuring and other charges, and pre-separation litigation charges of \$3,547 million, \$265 million, and \$144 million, respectively. Also, fiscal 2009 results included a net loss of approximately \$50 million primarily associated with the termination of economic hedges of certain anticipated future transactions and resulting primarily from the devaluation of certain eastern European currencies. Excluding these items, the increase in operating income was attributable to increased sales levels and related gross margin and cost reduction benefits from restructuring actions implemented in fiscal 2009.

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**Results of Operations by Segment**

**Electronic Components**

|                         | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|-------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                         | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|                         | (\$ in millions)          |                   |                             |                   |
| Net sales               | \$ 1,984                  | \$ 1,280          | \$ 3,895                    | \$ 2,905          |
| Operating income (loss) | \$ 262                    | \$ (3,654)        | \$ 425                      | \$ (3,672)        |
| Operating margin        | 13.2%                     | NM <sup>(1)</sup> | 10.9%                       | NM <sup>(1)</sup> |

(1) Not meaningful.

The following table sets forth Electronic Components' percentage of total net sales by primary industry end market<sup>(1)</sup>:

|                  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
| Automotive       | 52%                       | 42%               | 52%                         | 43%               |
| DataComm         | 12                        | 17                | 11                          | 16                |
| Industrial       | 11                        | 13                | 10                          | 12                |
| Appliance        | 7                         | 7                 | 8                           | 7                 |
| Computer         | 6                         | 8                 | 6                           | 8                 |
| Consumer Devices | 5                         | 6                 | 5                           | 6                 |
| Other            | 7                         | 7                 | 8                           | 8                 |
| Total            | 100%                      | 100%              | 100%                        | 100%              |

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

The following table provides an analysis of the change in Electronic Components' net sales by primary industry end market<sup>(1)</sup>:

|                     | Change in Net Sales for the Quarter Ended<br>March 26, 2010 versus Net Sales for the<br>Quarter Ended March 27, 2009 |             |             |        | Change in Net Sales for the Six Months Ended<br>March 26, 2010 versus Net Sales for the<br>Six Months Ended March 27, 2009 |             |             |        |        |       |        |       |
|---------------------|--|-------------|-------------|--------|--|-------------|-------------|--------|--------|-------|--------|-------|
|                     | Organic <sup>(2)</sup>   | Translation | Divestiture | Total  | Organic <sup>(2)</sup>   | Translation | Divestiture | Total  |        |       |        |       |
|                     | (\$ in millions)   |             |             |        |  |             |             |        |        |       |        |       |
| Automotive          | \$ 433   | 77.8%       | \$ 55       | \$ 488 | 90.4%  | \$ 663      | 50.8%       | \$ 127 | \$ 790 | 63.0% |        |       |
| DataComm            | 18   | 8.2         | 4           | (7)    | 15   | 7.0         | (19)        | (4.0)  | 14     | (18)  | (23)   | (4.9) |
| Industrial          | 47   | 29.4        | 9           | 56     | 35.0   | 33          | 9.5         | 20     | 53     | 15.1  |        |       |
| Appliance           | 51   | 56.1        | 4           | 55     | 60.4   | 67          | 33.2        | 7      | 74     | 36.8  |        |       |
| Computer            | 18   | 18.6        | 2           | (1)    | 19   | 19.2        | 11          | 5.2    | 5      | (3)   | 13     | 5.9   |
| Consumer<br>Devices | 30   | 39.2        | (1)         | (7)    | 22   | 28.9        | 40          | 21.2   | (20)   | 20    | 10.7   |       |
| Other               | 46   | 45.8        | 4           | (1)    | 49   | 49.0        | 52          | 23.5   | 14     | (3)   | 63     | 28.3  |
| Total               | \$ 643   | 50.2%       | \$ 77       | (16)   | \$ 704   | 55.0%       | \$ 847      | 29.1%  | \$ 187 | (44)  | \$ 990 | 34.1% |

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- (1) Industry end market information about net sales is presented consistently with our internal management reporting and may be periodically revised as management deems necessary.
- (2) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (3) Represents the change in net sales resulting from changes in foreign currency exchange rates.

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***Quarter Ended March 26, 2010 Compared to Quarter Ended March 27, 2009***

In the second quarter of fiscal 2010, Electronic Components' net sales increased \$704 million, or 55.0%, to \$1,984 million from \$1,280 million in the same period of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by \$77 million, or 6.1%, in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales increased by \$643 million, or 50.2%, in the second quarter of fiscal 2010 over the same period of fiscal 2009 due to growth in all end markets with the automotive end market increasing \$433 million.

Electronic Components' organic net sales growth was 77.8% in the automotive market in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009. The increase was broad-based and resulted from growth of 155% in the Asia-Pacific region, 65% in the Americas region, and 53% in the EMEA region driven by increases in vehicle production and replenishment of inventory in the supply chain across all regions. We do not expect the replenishment of inventory in the supply chain to be a significant benefit in future periods. In the DataComm market, our organic net sales increased 8.2% in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009 due to an increase in sales of our interconnect components to communication equipment manufacturers. In the second quarter of fiscal 2010, our organic net sales increased 29.4% in the industrial market as compared to the second quarter of fiscal 2009 primarily as a result of increased demand for factory automation and other industrial equipment due to increases in capital investments in emerging markets. In the appliance market, our organic net sales growth of 56.1% in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009 was due to improved consumer demand across all regions. Our organic net sales growth of 18.6% in the computer market in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009 was attributable to rising demand for notebook computers. In the consumer devices market, our organic net sales growth of 39.2% in the second quarter of fiscal 2010 as compared to the second quarter of fiscal 2009 was due to an increase in sales to mobile phone manufacturers as well as improving demand for consumer electronics.

Electronic Components had operating income of \$262 million in the second quarter of fiscal 2010 as compared to an operating loss of \$3,654 million in the second quarter of fiscal 2009. Segment results included restructuring charges of \$8 million and \$166 million in the second quarter of fiscal 2010 and 2009, respectively. Also, as discussed above, second quarter fiscal 2009 segment results included goodwill impairment charges of \$3,435 million relating to the Automotive and Communications and Industrial Solutions reporting units. Excluding these items, the remaining increase in operating income resulted from the 55.0% increase in sales and related gross margin and cost reduction benefits from restructuring actions implemented in fiscal 2009.

***Six Months Ended March 26, 2010 Compared to Six Months Ended March 27, 2009***

Electronic Components' net sales increased \$990 million, or 34.1%, to \$3,895 million in the first six months of fiscal 2010 from \$2,905 million in the same period of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by \$187 million, or 6.5%, in the first six months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales growth of \$847 million, or 29.1%, in the first six months of fiscal 2010 over the first six months of fiscal 2009 was primarily due to growth in the automotive market of \$663 million and, to a lesser degree, growth in the appliance, consumer devices, and industrial end markets.

Our organic net sales growth was 50.8% in the automotive market in the first six months of fiscal 2010 as compared to the same period of fiscal 2009. The increase was broad-based and resulted from growth of 93% in the Asia-Pacific region, 36% in the Americas region, and 37% in the EMEA region driven by increases in vehicle production and replenishment of inventory in the supply chain across all regions. Our organic net sales decreased 4.0% in the DataComm market in the first six months of fiscal 2010 as compared to the same period of fiscal 2009 as a result of a decline in sales of our interconnect

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components to communication equipment manufacturers. In the industrial market, our organic net sales increased 9.5% in the first six months of fiscal 2010, as compared to the first six months of fiscal 2009 primarily due to increased demand for factory automation and other industrial equipment in emerging markets. Our organic net sales growth of 33.2% in the appliance market in the first six months of fiscal 2010 as compared to the same period of fiscal 2009 was attributable to improved consumer demand across all regions. In the first six months of fiscal 2010, our organic net sales growth of 5.2% in the computer market as compared to the same period of fiscal 2009 resulted from rising demand for notebook computers. Our organic net sales growth of 21.2% in the consumer devices market in the first six months of fiscal 2010 as compared to the first six months of fiscal 2009 was due primarily to an increase in sales to mobile phone manufacturers.

Electronic Components had operating income of \$425 million in the first six months of fiscal 2010 as compared to an operating loss of \$3,672 million in the first six months of fiscal 2009. Segment results included restructuring charges of \$52 million and \$208 million in the first six months of fiscal 2010 and 2009, respectively. As discussed above, during the first six months of fiscal 2009, segment results included approximately \$3,435 million of goodwill impairment charges. Excluding these items, the remaining increase resulted from the 34.1% increase in sales and related gross margin and cost reduction benefits from restructuring actions implemented in fiscal 2009.

**Network Solutions**

|                  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|                  | (\$ in millions)          |                   |                             |                   |
| Net sales        | \$ 394                    | \$ 402            | \$ 816                      | \$ 858            |
| Operating income | \$ 42                     | \$ 21             | \$ 62                       | \$ 65             |
| Operating margin | 10.7%                     | 5.2%              | 7.6%                        | 7.6%              |

The following table sets forth Network Solutions' percentage of total net sales by primary industry end market<sup>(1)</sup>:

|                     | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|---------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                     | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
| Energy              | 45%                       | 47%               | 47%                         | 47%               |
| Enterprise Networks | 27                        | 23                | 26                          | 23                |
| Service Providers   | 27                        | 29                | 26                          | 29                |
| Other               | 1                         | 1                 | 1                           | 1                 |
| Total               | 100%                      | 100%              | 100%                        | 100%              |

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

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The following table provides an analysis of the change in Network Solutions' net sales by primary industry end market<sup>(1)</sup>:

|                        | Change in Net Sales for the Quarter Ended<br>March 26, 2010 versus Net Sales for the<br>Quarter Ended March 27, 2009 |               |              |                |               | Change in Net Sales for the Six Months Ended<br>March 26, 2010 versus Net Sales for the<br>Six Months Ended March 27, 2009 |                |                |              |                |                |               |
|------------------------|--|---------------|--------------|----------------|---------------|--|----------------|----------------|--------------|----------------|----------------|---------------|
|                        | Organic <sup>(2)</sup>   | Translation   | Investiture  | Total          |               | Organic <sup>(2)</sup>   | Translation    | Investiture    | Total        |                |                |               |
|                        | (\$ in millions)   |               |              |                |               |  |                |                |              |                |                |               |
| Energy                 | \$ (12)  | (6.7)%        | \$ 12        | \$ (12)        | \$ (12)       | (6.4)%   | \$ (40)        | (10.1)%        | \$ 30        | \$ (12)        | \$ (22)        | (5.5)%        |
| Enterprise<br>Networks | 7  | 7.9           | 7            | 14             | 15.2          | 2  | 0.7            | 12             | 14           | 7.1            |                |               |
| Service<br>Providers   | (17)   | (15.1)        | 6            | (11)           | (9.4)         | (50)   | (20.5)         | 14             | (36)         | (14.6)         |                |               |
| Other                  |  | 5.9           | 1            | 1              | 20.0          |  | 3.1            | 2              | 2            | 18.2           |                |               |
| <b>Total</b>           | <b>\$ (22)</b>   | <b>(5.7)%</b> | <b>\$ 26</b> | <b>\$ (12)</b> | <b>\$ (8)</b> | <b>(2.0)%</b>  | <b>\$ (88)</b> | <b>(10.5)%</b> | <b>\$ 58</b> | <b>\$ (12)</b> | <b>\$ (42)</b> | <b>(4.9)%</b> |

- (1) Industry end market information about net sales is presented consistently with our internal management reporting and may be periodically revised as management deems necessary.
- (2) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (3) Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

#### ***Quarter Ended March 26, 2010 Compared to Quarter Ended March 27, 2009***

Network Solutions' net sales decreased \$8 million, or 2.0%, to \$394 million in the second quarter of fiscal 2010 from \$402 million in the second quarter of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by \$26 million, or 6.7%, in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales decreased \$22 million, or 5.7%, in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009.

In the second quarter of fiscal 2010, our organic net sales decreased 6.7% in the energy market as compared to the second quarter of fiscal 2009 as a result of lower investment levels by utilities and reduced customer inventory levels. Our organic sales in the enterprise networks market increased 7.9% in the second quarter of fiscal 2010 from fiscal 2009 levels as a result of improving demand, primarily in the U.S. and Europe. In the service providers market, our organic net sales decrease of 15.1% in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009 was largely due to reduced wireline capital spending by telecommunications companies.

Network Solutions' operating income increased \$21 million to \$42 million in the second quarter of fiscal 2010 from \$21 million in the same period of fiscal 2009. The increase was primarily the result of the absence of restructuring charges in the second quarter of fiscal 2010 as compared to restructuring charges of \$8 million in the second quarter of fiscal 2009 and cost reduction benefits from restructuring actions implemented in fiscal 2009.

#### ***Six Months Ended March 26, 2010 Compared to Six Months Ended March 27, 2009***

In the first six months of fiscal 2010, Network Solutions' net sales decreased \$42 million, or 4.9%, to \$816 million from \$858 million in the first six months of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by \$58 million, or 7.0%, in the first six months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales decreased \$88 million, or 10.5%, in the first six months of fiscal 2010 as compared to the same period of fiscal 2009.

In the energy market, our organic net sales decrease of 10.1% in the first six months of fiscal 2010 as compared to the first six months of fiscal 2009 was due to lower investment levels by utilities and reduced customer inventory levels. In the enterprise networks market, organic sales in the first six months of fiscal 2010 were relatively flat as compared to the same period of fiscal 2009. In the service





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providers market, our organic net sales decrease of 20.5% in the first six months of fiscal 2010 from fiscal 2009 levels was primarily attributable to reduced wireline capital spending by telecommunications companies.

In the first six months of fiscal 2010, Network Solutions' operating income decreased \$3 million to \$62 million from \$65 million in the same period of fiscal 2009. The decrease was attributable to unfavorable absorption of manufacturing costs associated with reduced production levels and inventory reductions and lower sales, partially offset by a decrease in restructuring and other charges of \$10 million in the first six months of fiscal 2010 as compared to the first six months of fiscal 2009.

**Specialty Products**

|                         | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|-------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                         | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|                         | (\$ in millions)          |                   |                             |                   |
| Net sales               | \$ 371                    | \$ 346            | \$ 729                      | \$ 713            |
| Operating income (loss) | \$ 49                     | \$ (83)           | \$ 100                      | \$ (55)           |
| Operating margin        | 13.2%                     | NM <sup>(1)</sup> | 13.7%                       | NM <sup>(1)</sup> |

(1) Not meaningful.

The following table sets forth Specialty Products' percentage of total net sales by primary industry end market<sup>(1)</sup>:

|                                | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--------------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                                | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
| Aerospace, Defense, and Marine | 42%                       | 47%               | 40%                         | 45%               |
| Touch Systems                  | 24                        | 24                | 24                          | 23                |
| Circuit Protection             | 18                        | 11                | 19                          | 14                |
| Medical                        | 16                        | 18                | 17                          | 18                |
| Total                          | 100%                      | 100%              | 100%                        | 100%              |

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

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The following table provides an analysis of the change in Specialty Products' net sales by primary industry end market<sup>(1)</sup>:

|                                | Change in Net Sales for the Quarter Ended March 26, 2010 versus Net Sales for the Quarter Ended March 27, 2009 |                            |              |                        |                            | Change in Net Sales for the Six Months Ended March 26, 2010 versus Net Sales for the Six Months Ended March 27, 2009 |                        |                            |              |             |
|--------------------------------|--|----------------------------|--------------|------------------------|----------------------------|--|------------------------|----------------------------|--------------|-------------|
|                                | Organic <sup>(2)</sup>   | Translation <sup>(3)</sup> | Total        | Organic <sup>(2)</sup> | Translation <sup>(3)</sup> | Total  | Organic <sup>(2)</sup> | Translation <sup>(3)</sup> | Total        |             |
|                                | (\$ in millions)   |                            |              |                        |                            |  |                        |                            |              |             |
| Aerospace, Defense, and Marine | \$ (13)  | (8.0)%                     | \$ 4         | \$ (9)                 | (5.6)%                     | \$ (39)  | (11.9)%                | \$ 10                      | \$ (29)      | (9.0)%      |
| Touch Systems                  | 5  | 6.4                        | 3            | 8                      | 9.8                        | 6  | 3.4                    | 6                          | 12           | 7.3         |
| Circuit Protection             | 26   | 67.2                       | 3            | 29                     | 74.4                       | 35   | 35.4                   | 5                          | 40           | 40.8        |
| Medical                        | (3)  | (5.2)                      | (3)          | (4.7)                  | (10)                       | (7.8)  | 3                      | (7)                        | (5.5)        |             |
| <b>Total</b>                   | <b>\$ 15</b>   | <b>4.1%</b>                | <b>\$ 10</b> | <b>\$ 25</b>           | <b>7.2%</b>                | <b>\$ (8)</b>  | <b>(1.4)%</b>          | <b>\$ 24</b>               | <b>\$ 16</b> | <b>2.2%</b> |

- (1) Industry end market information about net sales is presented consistently with our internal management reporting and may be periodically revised as management deems necessary.
- (2) Represents the change in net sales resulting from volume and price changes, before consideration of acquisitions, divestitures, and the impact of changes in foreign currency exchange rates.
- (3) Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

### ***Quarter Ended March 26, 2010 Compared to Quarter Ended March 27, 2009***

In the second quarter of fiscal 2010, Specialty Products' net sales increased \$25 million, or 7.2%, to \$371 million from \$346 million in the same period of fiscal 2009. The strengthening of certain foreign currencies positively affected net sales by \$10 million, or 3.1%, in the second quarter of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales increased \$15 million, or 4.1%, during the second quarter of fiscal 2010 as compared to the second quarter of fiscal 2009.

Our organic net sales declined 8.0% in the aerospace, defense, and marine market in the second quarter of fiscal 2010 as compared to the same period in fiscal 2009 primarily as a result of weak demand in the marine and commercial aircraft markets. In the touch systems market, our organic net sales growth was 6.4% in the second quarter of fiscal 2010 as compared to the second quarter of fiscal 2009 reflecting improved demand in the retail sector particularly in Asia, partially offset by continued weakness in global demand in the gaming sector. On an organic basis, our net sales growth of 67.2% in the circuit protection market during the second quarter of fiscal 2010 as compared to the same period in fiscal 2009 was due primarily to increased demand in the computer, consumer electronics, and automotive sectors. In the medical market, our organic net sales decreased by 5.2% in the second quarter of fiscal 2010 as compared to the second quarter of fiscal 2009 due primarily to lower capital spending by healthcare providers.

Specialty Products' operating income increased \$132 million to \$49 million in the second quarter of fiscal 2010 from an operating loss of \$83 million in the second quarter of fiscal 2009. Second quarter fiscal 2009 results included approximately \$112 million of goodwill impairment charges related to the Circuit Protection reporting unit, as discussed above. Excluding this item, the remaining increase in operating income in the second quarter of fiscal 2010 was driven primarily by a decrease in restructuring and other charges of \$8 million as compared to the second quarter of fiscal 2009 and an increase in gross margin as a result of the increase in sales and cost reduction benefits from restructuring actions implemented in fiscal 2009.

### ***Six Months Ended March 26, 2010 Compared to Six Months Ended March 27, 2009***

Specialty Products' net sales increased \$16 million, or 2.2%, to \$729 million from \$713 million. The continued strength of certain foreign currencies positively affected net sales by \$24 million, or 3.6%, in

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the first six months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales decreased \$8 million, or 1.4%.

In the aerospace, defense, and marine market, our organic net sales decline of 11.9% in the first six months of fiscal 2010 as compared to the first six months of fiscal 2009 was due to weak demand in the marine and commercial aircraft markets. Our organic net sales growth of 3.4% in the touch systems market in the first six months of fiscal 2010 over the same period of fiscal 2009 was due to improved demand in the retail sector particularly in Asia, partially offset by continued weakness in global demand in the gaming markets. During the first six months of fiscal 2010, our organic net sales growth of 35.4% in the circuit protection market as compared to the same period in fiscal 2009 resulted from increased demand in the computer, consumer electronics, and automotive sectors. In the medical market, our organic net sales decreased by 7.8% in the first six months of fiscal 2010 as compared to the first six months of fiscal 2009 as a result of lower capital spending by healthcare providers.

Specialty Products' operating income increased \$155 million to \$100 million in the first six months of fiscal 2010 from an operating loss of \$55 million in the same period of fiscal 2009. In the first six months of fiscal 2009, segment results were negatively impacted by \$112 million of goodwill impairment charges, as discussed above. Excluding this item, the remaining increase in operating income was due primarily to a decrease in restructuring and other charges of \$22 million as compared to the first six months of fiscal 2009 and an increase in gross margin as a result of the increase in sales and cost reduction benefits from restructuring actions implemented in fiscal 2009.

**Subsea Communications**

|                  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|                  | (\$ in millions)          |                   |                             |                   |
| Net sales        | \$ 208                    | \$ 309            | \$ 409                      | \$ 574            |
| Operating income | \$ 45                     | \$ 54             | \$ 80                       | \$ 92             |
| Operating margin | 21.6%                     | 17.5%             | 19.6%                       | 16.0%             |

During the second quarter of fiscal 2010, we renamed the Undersea Telecommunications segment Subsea Communications. This segment continues to design, manufacture, install, and maintain undersea communications solutions.

***Quarter Ended March 26, 2010 Compared to Quarter Ended March 27, 2009***

In the second quarter of fiscal 2010, Subsea Communications' net sales decreased \$101 million, or 32.7%, to \$208 million from \$309 million in the same period of fiscal 2009. This decrease resulted from the completion of certain large projects during fiscal 2009 and lower levels of project activity in fiscal 2010.

Subsea Communications' operating income decreased \$9 million in the second quarter of fiscal 2010 to \$45 million from \$54 million in the second quarter of fiscal 2009. This decrease was primarily attributable to lower sales in the current year partially offset by an increase in operating margin from favorable execution on projects and recognition of revenue previously deferred as a result of cash collections.

***Six Months Ended March 26, 2010 Compared to Six Months Ended March 27, 2009***

Subsea Communications' net sales decreased \$165 million, or 28.7%, to \$409 million in the first six months of fiscal 2010 from \$574 million in the first six months of fiscal 2009. This decrease resulted

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from the completion of certain large projects during fiscal 2009 and lower levels of project activity in fiscal 2010.

In the first six months of fiscal 2010, Subsea Communications' operating income decreased \$12 million to \$80 million from \$92 million in the same period of fiscal 2009. The decrease resulted from lower sales in the current year partially offset by an increase in operating margin from project mix, favorable execution on projects, and recognition of revenue previously deferred as a result of cash collections.

**Non-Operating Items**

**Interest Expense, Net**

Net interest expense was \$32 million in the second quarter of fiscal 2010 as compared to \$38 million in the second quarter of fiscal 2009. In the first six months of fiscal 2010, net interest expense was \$67 million as compared to \$74 million in the first six months of fiscal 2009. The decreases were primarily due to lower average debt levels resulting in lower interest expense.

**Other Income, Net**

In the quarters ended March 26, 2010 and March 27, 2009, we recorded net other income of \$75 million and \$3 million, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The \$75 million of income in the second quarter of fiscal 2010 reflects a net increase to the receivable from Tyco International and Covidien primarily related to certain proposed adjustments to prior period income tax returns and related accrued interest. In the six months ended March 26, 2010, we recorded net other income of \$83 million, pursuant to the Tax Sharing Agreement with Tyco International and Covidien. In the six months ended March 27, 2009, we recorded net other income of \$2 million, primarily consisting of \$5 million of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien offset by \$3 million of unrealized losses on rabbi trust assets.

**Income Taxes**

We recorded a tax provision of \$135 million, an effective income tax rate of 30.6%, for the quarter ended March 26, 2010 and a tax benefit of \$594 million, an effective income tax rate of 15.5%, for the quarter ended March 27, 2009. For the six months ended March 26, 2010 and March 27, 2009, we recorded a tax provision of \$204 million, an effective income tax rate of 29.9%, and a tax benefit of \$580 million, an effective income tax rate of 15.3%, respectively. The effective income tax rate for the quarter and six months ended March 26, 2010 reflects a charge of \$118 million primarily associated with certain proposed adjustments to prior year income tax returns and related accrued interest as well as an income tax benefit of \$72 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations. In addition, the effective income tax rate for the quarter and six months ended March 26, 2010 reflects tax benefits recognized in connection with anticipated increased profitability in fiscal 2010 in certain entities operating in lower tax rate jurisdictions. The effective income tax rate for the quarter and six months ended March 27, 2009 was impacted by a \$3,547 million pre-tax impairment of goodwill for which a tax benefit was not fully recognized, as well as pre-tax charges related to pre-separation securities litigation, for which no tax benefit was recorded.

**Income (Loss) from Discontinued Operations, Net of Income Taxes**

In the second quarter of fiscal 2009, income from discontinued operations was \$1 million. Loss from discontinued operations was \$66 million in the first six months of fiscal 2009 and included pre-tax charges of \$111 million related to the Wireless Systems business' contract with the State of New York.

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See Notes 12 and 4 to the Condensed Consolidated Financial Statements for additional information regarding the State of New York contract and discontinued operations.

**Liquidity and Capital Resources**

The following table summarizes our cash flows from operating, investing, and financing activities, as reflected on the Condensed Consolidated Statements of Cash Flows:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Net cash provided by operating activities            | \$ 500                    | \$ 424            | \$ 830                      | \$ 457            |
| Net cash used in investing activities                | (135)                     | (79)              | (199)                       | (172)             |
| Net cash used in financing activities                | (220)                     | (166)             | (313)                       | (623)             |
| Effect of currency translation on cash               | (1)                       | (2)               |                             | (26)              |
| Net increase (decrease) in cash and cash equivalents | \$ 144                    | \$ 177            | \$ 318                      | \$ (364)          |

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future. We may use excess cash to reduce our outstanding debt levels, including through the possible repurchase of our public debt in accordance with applicable law, and to purchase a portion of our common shares pursuant to our authorized share repurchase program. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets, to respond as necessary to changing conditions.

Table of Contents**Cash Flows from Operating Activities**

The following table summarizes the sources and uses of our cash flows from operating activities:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Operating income (loss)  | \$ 398                    | \$ (3,797)        | \$ 667                      | \$ (3,714)        |
| Impairment of goodwill   |                           | 3,547             |                             | 3,547             |
| Depreciation and amortization                                      | 128                       | 125               | 266                         | 252               |
| Deferred income taxes  | 102                       | (609)             | 155                         | (679)             |
| Provisions for losses on<br>accounts receivable and<br>inventories | 5                         | 11                |                             | 38                |
| Other, net   | 15                        | 29                | 54                          | 54                |
| Changes in assets and<br>liabilities, net:                         |                           |                   |                             |                   |
| Accounts receivable, net   | (70)                      | 337               | (146)                       | 832               |
| Inventories  | (109)                     | 323               | (129)                       | 207               |
| Accounts payable   | 98                        | (345)             | 260                         | (544)             |
| Other  | 100                       | 284               | (26)                        | (6)               |
| Interest income  | 6                         | 3                 | 10                          | 9                 |
| Interest expense   | (38)                      | (41)              | (77)                        | (83)              |
| Income tax expense   | (135)                     | 594               | (204)                       | 580               |
| Net cash provided by<br>continuing operating activities            | 500                       | 461               | 830                         | 493               |
| Net cash used in discontinued<br>operating activities              |                           | (37)              |                             | (36)              |
| Net cash provided by operating<br>activities                       | \$ 500                    | \$ 424            | \$ 830                      | \$ 457            |

Net cash provided by continuing operating activities increased \$39 million to \$500 million in the second quarter of fiscal 2010 as compared to \$461 million in the second quarter of fiscal 2009. In the first six months of fiscal 2010, net cash provided by continuing operations increased \$337 million to \$830 million from \$493 million in the same period of fiscal 2009. The increases primarily resulted from increases in income levels. The amount of income taxes paid, net of refunds, was \$32 million and \$10 million, for the second quarter of fiscal 2010 and 2009, respectively, and \$48 million and \$72 million for the first six months of fiscal 2010 and 2009, respectively.

Table of Contents**Cash Flows from Investing Activities**

The following table summarizes the sources and uses of our cash flows from investing activities:

|   | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|---|---------------------------|-------------------|-----------------------------|-------------------|
|   | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|   | (in millions)             |                   |                             |                   |
| Capital expenditures  | \$ (81)                   | \$ (94)           | \$ (157)                    | \$ (209)          |
| Proceeds from sale of property, plant, and equipment  | 3                         | 3                 | 5                           | 7                 |
| Acquisition of business, net of cash acquired   | (55)                      |                   | (55)                        |                   |
| Proceeds from divestiture of discontinued operations, net of cash retained by operations sold |                           | 6                 |                             | 29                |
| Proceeds from divestiture of businesses, net of cash retained by businesses sold              |                           | 6                 | 12                          | 6                 |
| Other   | (2)                       | 1                 | (4)                         | (3)               |
| Net cash used in continuing investing activities  | (135)                     | (78)              | (199)                       | (170)             |
| Net cash used in discontinued investing activities  |                           | (1)               |                             | (2)               |
| Net cash used in investing activities   | \$ (135)                  | \$ (79)           | \$ (199)                    | \$ (172)          |

We continue to fund capital expenditures to support new programs and to invest in machinery and our manufacturing facilities to further enhance productivity and manufacturing capabilities. Capital spending decreased \$13 million in the second quarter of fiscal 2010 to \$81 million as compared to \$94 million in the second quarter of fiscal 2009. In the first six months of fiscal 2010, capital spending decreased \$52 million to \$157 million as compared to \$209 million in the same period of fiscal 2009. We expect fiscal 2010 capital spending levels to be approximately \$400 million.

During the second quarter of fiscal 2010, we acquired Sensitive Object for a purchase price of \$61 million, net of cash acquired, which includes \$6 million of contingent consideration to be paid in fiscal 2011.

In the first quarter of fiscal 2010, we received cash proceeds of \$12 million related to the sale of the Dulmison connectors and fittings product line. In the second quarter and first six months of fiscal 2009, we received additional cash proceeds related to working capital of \$6 million and \$29 million, respectively, in connection with the sale of the Radio Frequency Components and Subsystems and Automotive Radar Sensors businesses which occurred in fiscal 2008. Also, in the second quarter of fiscal 2009, we received cash proceeds of \$6 million related to the divestiture of the Battery Systems business.

Table of Contents**Cash Flows from Financing Activities and Capitalization**

The following table summarizes the sources and uses of our cash flows from financing activities:

|  | For the<br>Quarters Ended |                   | For the<br>Six Months Ended |                   |
|--|---------------------------|-------------------|-----------------------------|-------------------|
|  | March 26,<br>2010         | March 27,<br>2009 | March 26,<br>2010           | March 27,<br>2009 |
|  | (in millions)             |                   |                             |                   |
| Net decrease in commercial paper   | \$                        | \$ (249)          | \$                          | \$ (649)          |
| Proceeds from long-term debt   |                           | 251               |                             | 442               |
| Repayment of long-term debt  |                           | (100)             |                             | (119)             |
| Repurchase of common shares  | (147)                     |                   | (165)                       | (152)             |
| Payment of common share dividends and cash distributions to shareholders | (72)                      | (73)              | (146)                       | (147)             |
| Transfer to discontinued operations                                      |                           | (32)              |                             | (32)              |
| Other  | (1)                       |                   | (2)                         | (3)               |
| Net cash used in continuing financing activities                         | (220)                     | (203)             | (313)                       | (660)             |
| Net cash provided by discontinued financing activities                   |                           | 37                |                             | 37                |
| Net cash used in financing activities                                    | \$ (220)                  | \$ (166)          | \$ (313)                    | \$ (623)          |

Total debt at March 26, 2010 and September 25, 2009 was \$2,414 million and \$2,417 million, respectively. See Note 9 to the Condensed Consolidated Financial Statements for further information regarding debt.

In April 2007, Tyco Electronics Group S.A. ("TEGSA"), our wholly-owned subsidiary, entered into a five-year unsecured senior revolving credit facility ("Credit Facility"). In fiscal 2009, \$75 million of the commitment was assigned by Lehman Brothers Bank, FSB to TEGSA, reducing the total effective commitment to \$1,425 million. At March 26, 2010 and September 25, 2009, TEGSA had no borrowings under the Credit Facility.

Our Credit Facility contains a financial ratio covenant providing that if our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered under the Credit Facility. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of March 26, 2010, we were in compliance with all of our Credit Facility and debt covenants and believe that we will continue to be in compliance with these covenants for the foreseeable future.

TEGSA's payment obligations under its senior notes and Credit Facility and the payment obligation of the profit sharing notes issued by a subsidiary are fully and unconditionally guaranteed by Tyco Electronics Ltd.

Payments of common share dividends and cash distributions to shareholders were \$72 million and \$73 million in the second quarter of fiscal 2010 and 2009, respectively. In the first six months of fiscal 2010 and 2009, payments of common share dividends and cash distributions to shareholders were \$146 million and \$147 million, respectively. In October 2009, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of 0.34 Swiss Francs ("CHF") (equivalent to \$0.32) per share, payable in two equal installments in each of the first and second quarters of fiscal 2010. We paid the first installment of the distribution at a rate of \$0.16 per share during the quarter ended December 25, 2009. During the quarter ended March 26, 2010, we paid the second installment of the distribution at a rate of \$0.16 per share. These capital reductions reduced the par value of our common shares from CHF 2.43 (equivalent to \$2.24) to



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CHF 2.09 (equivalent to \$1.92). In March 2010, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of CHF 0.72 (equivalent to \$0.64) per share, payable in four equal installments in each quarter beginning in the third quarter of fiscal 2010 through the second quarter of fiscal 2011.

Future distributions or dividends on our common shares, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such distributions or dividends be approved, our board of directors will consider our results of operations, cash requirements and surplus, financial condition, statutory requirements of applicable law, contractual restrictions, and other factors that they may deem relevant.

During the second quarter and first six months of fiscal 2010, we purchased approximately 6 million and 7 million, respectively, of our common shares for \$147 million and \$165 million, respectively. During the second quarter of fiscal 2009, we did not purchase any of our common shares. During the first six months of fiscal 2009, we purchased approximately 6 million of our common shares for \$125 million and also settled purchases of \$27 million of our common shares which occurred prior to the end of the fourth quarter of fiscal 2008. Since inception of the share repurchase program, which has a current authorization of \$2,000 million, we have purchased approximately 50 million shares for \$1,559 million.

**Backlog**

At March 26, 2010, we had a backlog of unfilled orders of \$2,896 million compared to a backlog of \$2,809 million at September 25, 2009. Backlog by reportable segment was as follows:

|                       | March 26,<br>2010 | September 25,<br>2009 |
|-----------------------|-------------------|-----------------------|
|                       | (in millions)     |                       |
| Electronic Components | \$ 1,612          | \$ 1,265              |
| Network Solutions     | 294               | 290                   |
| Specialty Products    | 374               | 334                   |
| Subsea Communications | 616               | 920                   |
| <b>Total</b>          | <b>\$ 2,896</b>   | <b>\$ 2,809</b>       |

**Commitments and Contingencies**

**Income Tax Matters**

In prior years, in connection with the Internal Revenue Service ("IRS") audit of various fiscal years, Tyco International submitted to the IRS proposed adjustments to prior period U.S. federal income tax returns resulting in a reduction in the taxable income previously filed. The IRS accepted substantially all of the proposed adjustments for fiscal 1997 through 2000 for which the IRS had completed its field work. On the basis of previously accepted amendments, we have determined that acceptance of adjustments presented for additional periods through fiscal 2005 is probable and, accordingly, have recorded them, as well as the impacts of the adjustments accepted by the IRS, on the Condensed Consolidated Financial Statements.

Tyco International continues to complete proposed adjustments to the remainder of its U.S. federal income tax returns and in fiscal 2009 and 2008, proposed certain adjustments to the returns. In addition, in fiscal 2008, Tyco International, Covidien, and we completed and filed certain fiscal 2007 U.S. consolidated federal and state income tax returns which included a combination of Tyco International, Covidien, and our subsidiaries.

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As our tax return positions continue to be updated for periods prior to the separation, additional adjustments may be identified and recorded on the Condensed Consolidated Financial Statements. While the final adjustments cannot be determined until the income tax return amendment process is completed, we believe that any resulting adjustments will not have a material impact on our results of operations, financial position, or cash flows. Additionally, adjustments may be recorded to shareholders' equity in the future for the impact of filing final or amended income tax returns in certain jurisdictions where those returns include a combination of Tyco International, Covidien, and/or our subsidiaries for the periods prior to the separation.

During fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and issued anticipated Revenue Agent Reports which reflect the IRS' determination of proposed tax adjustments for the periods under audit. Tyco International has agreed with the IRS on adjustments totaling \$498 million. It is our understanding that Tyco International has appealed other proposed adjustments totaling approximately \$1 billion and is vigorously defending its prior filed tax return positions. Additionally, the IRS proposed civil fraud penalties against Tyco International arising from alleged actions of former executives in connection with certain intercompany transfers of stock in 1998 and 1999. Any penalty imposed would be subject to sharing with Tyco International and Covidien under the Tax Sharing Agreement. It is our understanding that Tyco International is vigorously opposing the assertion of any such penalties.

It is our understanding that Tyco International has made progress during fiscal 2010 towards resolving several of the disputed tax issues for the years 1997 through 2000 and it could reach agreement with the IRS on these matters within the next twelve months. In addition, the IRS continues to audit certain Tyco International income tax returns for the years 2001 through 2004, and its field examination for this period could be completed within the next twelve months.

We continue to believe that the amounts recorded in our Condensed Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate resolution is uncertain and could result in a material impact to our results of operations, financial position, or cash flows.

**Legal Matters**

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, antitrust claims, product liability matters, environmental matters, employment disputes, disputes on agreements, and other commercial disputes. Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that these proceedings will have a material adverse effect on our results of operations, financial position, or cash flows. However, one or more of the proceedings could have a material adverse effect on our results of operations, financial position, or cash flows for a future period. See Note 12 to the Condensed Consolidated Financial Statements for further information regarding legal proceedings.

***Securities Proceedings and Settlements***

As previously reported in our periodic filings, prior to the separation, Tyco International and certain of its former directors and officers were named as defendants in over 40 purported securities class action lawsuits. As a part of the Separation and Distribution Agreement among us, Tyco International, and Covidien, any existing or potential liabilities related to this outstanding litigation have been allocated among Tyco International, Covidien, and us. We are responsible for 31% of potential liabilities that may arise upon the settlement of the pending litigation. If Tyco International or Covidien were to default on their obligation to pay their allocated share of these liabilities, however, we

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would be required to pay additional amounts. Subject to the terms and conditions of the Separation and Distribution Agreement, Tyco International manages and controls all the legal matters related to the shared contingent liabilities, including the defense or settlement thereof, subject to certain limitations. The liability sharing provisions regarding these class actions are set forth in the Separation and Distribution Agreement.

In 2007, Tyco International settled 32 of the purported securities class action lawsuits arising from the actions alleged to have been taken by its prior management in a class action settlement, for which we were responsible for 31% of the settlement amount. A number of individuals and entities who opted out of the class action settlement filed actions against Tyco International and/or Tyco International, Covidien, and us, all of which actions have been settled subsequently. Nearly all of the remaining securities lawsuits were subsequently settled, and in the second quarter of fiscal 2010, Tyco International reached an agreement in principle to settle the remaining significant lawsuit, *Stumpf v. Tyco International Ltd., et al.*, for \$79 million, with Tyco Electronics being responsible for \$24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement will be subject to court approval and may be subject to opt-out claims. As we had previously established reserves for this case during the second quarter of fiscal 2009, the agreement in principle did not impact our Condensed Consolidated Statement of Operations.

**Matters Related to the Our Former Wireless Systems Business**

Certain liabilities and contingencies related to our former Wireless Systems business were retained by us when this business was sold in the third quarter of fiscal 2009. These include certain retained liabilities related to the State of New York contract and a contingent purchase price commitment related to the acquisition of Com-Net by the Wireless Systems business in 2001. See additional information below. Also, see Note 4 to the Condensed Consolidated Financial Statements for additional information regarding the divestiture of the Wireless Systems business.

***State of New York Contract***

On September 19, 2005, we were awarded a twenty-year lease contract with the State of New York (the "State") to construct, operate, and maintain a statewide wireless communications network for use by state and municipal first responders. On August 29, 2008, we were served by the State with a default notice related to the first regional network, pursuant to the contract. Under the terms of the contract, we had 45 days to rectify the purported deficiencies noted by the State. On October 16, 2008, we informed the State that all technical deficiencies had been remediated and the system was operating in accordance with the contract specifications and certified the system ready for testing. The State conducted further testing during November and December 2008. On January 15, 2009, the State notified us that, in the State's opinion, we had not fully remediated the issues cited by the State and it had determined that we were in default of the contract and that it had exercised its right to terminate the contract. The State contends that it has the right under the contract to recoup costs incurred by the State in conjunction with the implementation of the network, and as a result of this contention, on January 16, 2009, the State drew down \$50 million against an irrevocable standby letter of credit funded by us. The State has the ability to draw up to an additional \$50 million against the standby letter of credit, although we dispute that the State has any basis to do so.

On February 13, 2009, we filed a claim in the New York Court of Claims, seeking over \$100 million in damages, and alleging a number of causes of action, including breach of contract, unjust enrichment, defamation, conversion, breach of the covenant of good faith and fair dealing, the imposition of a constructive trust, and seeking a declaration that the State terminated the contract "for convenience." On September 25, 2009, the Court granted the State's motion to dismiss all counts of the complaint, with the exception of the breach of contract claims. On November 16, 2009, the State filed an answer to the complaint and counterclaim. The counterclaim asserts a claim for breach of contract

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and alleges that the State has incurred damages in excess of \$275 million. We believe that the counterclaim is without merit and intend to vigorously pursue its claims in this matter. The parties are now proceeding with discovery.

As a result of these actions, in the first quarter of fiscal 2009, we recorded pre-tax charges totaling \$111 million associated with this contract. These charges are reflected in income (loss) from discontinued operations on the Condensed Consolidated Statement of Operations as a result of our sale of the Wireless Systems business. See Note 4 to the Condensed Consolidated Financial Statements for further discussion of discontinued operations and the sale of the Wireless Systems business. The charges included an impairment charge of \$61 million to write-off all costs incurred in constructing the network as well as a charge equal to the amount drawn by the State against the standby letter of credit of \$50 million. The assets related to the impairment charge were previously reflected primarily as inventory on the Condensed Consolidated Balance Sheet.

*Com-Net*

At March 26, 2010, we had a contingent purchase price commitment of \$80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida is finished and the State of Florida has approved the system based on the guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the motion pleading and discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as we do not believe that any payment is probable or estimable at this time.

**Off-Balance Sheet Arrangements**

Certain of our segments have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2010 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to the assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that these uncertainties would have a material adverse effect on our results of operations, financial position, or cash flows.

As of March 26, 2010, we had outstanding letters of credit and letters of guarantee in the amount of \$390 million, of which \$50 million was related to our contract with the State of New York.

We have recorded liabilities for known indemnifications included as part of environmental liabilities. See Note 12 to the Condensed Consolidated Financial Statements for a discussion of these liabilities.

In the normal course of business, we are liable for contract completion and product performance. In the opinion of management, except for the charges related to the contract with the State of

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New York discussed below, such obligations will not significantly affect our results of operations, financial position, or cash flows.

In January 2009, the State of New York drew down \$50 million against an irrevocable standby letter of credit funded by us. As a result, we recorded a pre-tax charge equal to the draw. The State has the ability to draw up to an additional \$50 million against the standby letter of credit which could result in additional charges and could have a material adverse effect on our results of operations, financial position, and cash flows.

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under these agreements, principally the Tax Sharing Agreement, Tyco International, Covidien, and Tyco Electronics share 27%, 42%, and 31%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies with respect to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. These arrangements have been valued upon our separation from Tyco International in accordance with Accounting Standards Codification ("ASC") 460, *Guarantees*, and, accordingly, liabilities amounting to \$339 million were recorded on the Condensed Consolidated Balance Sheets at March 26, 2010 and September 25, 2009. See Notes 10 and 12 to the Condensed Consolidated Financial Statements for additional information.

We generally record estimated product warranty costs at the time of sale. See Note 10 to the Condensed Consolidated Financial Statements for further information regarding estimated product warranty.

### **Critical Accounting Policies and Estimates**

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

Our accounting policies for revenue recognition, inventories, goodwill and other intangible assets, income taxes, pension and postretirement benefits, and share-based compensation are based on, among other things, judgments and assumptions made by management. During the six months ended March 26, 2010, there were no significant changes to these policies or to the underlying accounting assumptions and estimates used in these policies from those disclosed in the Consolidated and Combined Financial Statements and accompanying notes contained in our Annual Report on Form 10-K for the fiscal year ended September 25, 2009.

### **Accounting Pronouncements**

#### ***Recently Adopted Accounting Pronouncements***

In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance in ASC 820, *Fair Value Measurements and Disclosures*, that defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements, and introduces the fair value option for certain financial assets and liabilities. We adopted the fair value provisions of ASC 820 in the first quarter of fiscal 2009. Prior to adoption, the fair value measurement and disclosure

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requirements for non-financial assets and liabilities were deferred by one year. We adopted the fair value provisions of ASC 820 for non-financial assets and liabilities on September 26, 2009. See Note 14 to the Condensed Consolidated Financial Statements for additional information related to fair value measurements.

In April 2009 and December 2007, the FASB issued guidance in ASC 805, *Business Combinations*, addressing the recognition and accounting for identifiable assets acquired, liabilities assumed, and noncontrolling interests in business combinations. We adopted the business combination provisions on September 26, 2009. Adoption did not have a material impact on our results of operations, financial position, or cash flows.

In December 2007, the FASB issued updates to guidance in ASC 810, *Consolidation*, that address the accounting and reporting framework for noncontrolling interests by a parent company. We adopted the updates on September 26, 2009. As a result of adopting the presentation requirements related to noncontrolling interests, we have retrospectively adjusted our Condensed Consolidated Financial Statements. Adoption of the accounting requirements for noncontrolling interests did not have a material impact on our results of operations, financial position, or cash flows.

### **Forward-Looking Information**

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

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

The following risks, which are described in greater detail in "Part I. Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 25, 2009, could also cause our results to differ materially from those expressed in forward-looking statements:

Current and future conditions in the global economy and global capital and credit markets, and cyclical industry conditions;

Conditions affecting demand for products in the industries we serve, particularly the automotive industry and the telecommunications, computer, and consumer electronics industries;

Competition and pricing pressure;

Risk of future goodwill impairment;

Market acceptance of new product introductions and product innovations and product life cycles;

Financial condition and consolidation of customers and vendors;

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Raw material availability, quality, and cost;

Fluctuations in foreign currency exchange rates;

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Declines in the market value of our pension plans' investment portfolios;

Reliance on third party suppliers;

Our ability to attract and retain highly qualified personnel;

Risks associated with future acquisitions and divestitures;

Global risks of political, economic, and military instability;

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

Our ability to protect our intellectual property rights;

Risks of litigation;

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

Risks relating to our separation on June 29, 2007 from Tyco International Ltd.;

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

Various risks associated with being a Swiss corporation;

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

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

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

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no significant changes in our exposures to market risk during the first six months of fiscal 2010, except for the items discussed below. For further discussion of our exposures to market risk, refer to "Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended September 25, 2009.

**Interest Rate Exposures**



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During the first six months of fiscal 2010, we entered into options to enter into interest rate swaps ("swaptions") and forward starting interest rate swaps designated as cash flow hedges to manage interest rate exposure prior to the probable issuance of fixed-rate debt when our 6.00% senior notes mature in fiscal 2012. The swaptions and forward starting interest rate swaps are based on a total notional amount of \$300 million. Also, during the first six months of fiscal 2010, we entered into an interest rate swap designated as a fair value hedge on \$50 million principal amount of the 6.00% senior notes.

See Note 13 to the Condensed Consolidated Financial Statements for further discussion of our exposures to market risk.

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**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 26, 2010. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 26, 2010.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended March 26, 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Except as discussed below, there have been no material developments in our legal proceedings since we filed our Annual Report on Form 10-K for the fiscal year ended September 25, 2009. For a description of our previously reported legal proceedings, refer to "Part I. Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended September 25, 2009.

In the second quarter of fiscal 2010, Tyco International reached an agreement in principle to settle the remaining significant lawsuit of its pre-separation securities litigation, *Stumpf v. Tyco International Ltd., et al.*, for \$79 million, with Tyco Electronics being responsible for \$24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement will be subject to court approval and may be subject to opt-out claims.

**ITEM 1A. RISK FACTORS**

There have been no material changes in our risk factors from those disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 25, 2009. The risk factors disclosed in our Annual Report on Form 10-K in addition to other information set forth in this report could materially affect our business operations, financial condition, and liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business operations, financial condition, and liquidity.

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

None.

**Issuer Purchases of Equity Securities**

The following table presents information about our purchases of our common shares during the fiscal quarter ended March 26, 2010:

| Period                               | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid Per Share <sup>(1)</sup> | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup> | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup> |
|--------------------------------------|---|---|---|---|
| December 26, 2009 - January 22, 2010 | 3,557   | \$  |   | \$ 588,381,540  |
| January 23 - February 26, 2010       | 4,327,694                                       | 25.46                                       | 4,325,800   | 478,259,608   |
| February 27 - March 26, 2010         | 1,419,901                                       | 25.98                                       | 1,419,850   | 441,365,330   |
| Total                                | 5,751,152                                       | 25.59                                       | 5,745,650   |   |

(1) This column includes the following transactions which occurred during the fiscal quarter ended March 26, 2010:

- (i) the acquisition of 5,502 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans; and
- (ii) the purchase of 5,745,650 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007, which transactions occurred in open market purchases.

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(2)

Our \$2.0 billion share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

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**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. RESERVED**

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The following exhibits are filed as part of this report:

| <b>Exhibit<br/>Number</b> | <b>Exhibit</b>   |
|---------------------------|--|
| 10.1                      | Tyco Electronics Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of March 10, 2010) (Incorporated by reference to Exhibit 10.1 to Tyco Electronics Ltd.'s Current Report on Form 8-K, filed March 16, 2010)  |
| 31.1                      | Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*   |
| 31.2                      | Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*   |
| 32.1                      | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  |
| 101                       | Financial statements from the Quarterly Report on Form 10-Q of Tyco Electronics Ltd. for the quarterly period ended March 26, 2010, filed on April 29, 2010, formatted in XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text** |

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\*  
Filed herewith

\*\*  
Furnished herewith

