

Tyco Electronics Ltd.
Form 10-Q
July 23, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 25, 2010

Or

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

001-33260

(Commission File Number)

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 July 19, 2010 was 446,967,357.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TYCO ELECTRONICS LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions, except per share data)			
Net sales	\$ 3,084	\$ 2,508	\$ 8,933	\$ 7,558
Cost of sales	2,099	1,921	6,149	5,713
Gross margin	985	587	2,784	1,845
Selling, general, and administrative expenses	375	330	1,149	1,070
Research, development, and engineering expenses	147	130	427	405
Pre-separation litigation (credits) charges	(7)		(7)	144
Restructuring and other charges, net	3	63	81	329
Impairment of goodwill				3,547
Operating income (loss)	467	64	1,134	(3,650)
Interest income	4	4	14	13
Interest expense	(38)	(42)	(115)	(125)
Other income, net	42	5	125	7
Income (loss) from continuing operations before income taxes	475	31	1,158	(3,755)
Income tax (expense) benefit	(144)	(6)	(348)	570
Income (loss) from continuing operations	331	25	810	(3,185)
Loss from discontinued operations, net of income taxes		(100)		(166)
Net income (loss)	331	(75)	810	(3,351)
Less: net income attributable to noncontrolling interests	(1)	(2)	(4)	(5)
Net income (loss) attributable to Tyco Electronics Ltd.	\$ 330	\$ (77)	\$ 806	\$ (3,356)
Amounts attributable to Tyco Electronics Ltd.:				
Income (loss) from continuing operations	\$ 330	\$ 23	\$ 806	\$ (3,190)
Loss from discontinued operations		(100)		(166)
Net income (loss)	\$ 330	\$ (77)	\$ 806	\$ (3,356)

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

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Income (loss) from continuing operations	\$ 0.73	\$ 0.05	\$ 1.77	\$ (6.97)
Loss from discontinued operations		(0.22)		(0.36)
Net income (loss)	\$ 0.73	\$ (0.17)	\$ 1.77	\$ (7.33)

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

Income (loss) from continuing operations	\$ 0.72	\$ 0.05	\$ 1.75	\$ (6.97)
Loss from discontinued operations		(0.22)		(0.36)
Net income (loss)	\$ 0.72	\$ (0.17)	\$ 1.75	\$ (7.33)

Weighted-average number of shares outstanding:

Basic	451	458	456	458
Diluted	456	459	460	458

See Notes to Condensed Consolidated Financial Statements.

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

	June 25, 2010	September 25, 2009
	(in millions, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,815	\$ 1,521
Accounts receivable, net of allowance for doubtful accounts of \$39 and \$48, respectively	2,216	1,975
Inventories	1,586	1,435
Prepaid expenses and other current assets	563	487
Deferred income taxes	153	161
Total current assets	6,333	5,579
Property, plant, and equipment, net	2,787	3,111
Goodwill	3,155	3,160
Intangible assets, net	398	407
Deferred income taxes	2,419	2,397
Receivable from Tyco International Ltd. and Covidien plc	1,156	1,130
Other assets	221	234
Total Assets	\$ 16,469	\$ 16,018
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 107	\$ 101
Accounts payable	1,394	1,068
Accrued and other current liabilities	1,671	1,243
Deferred revenue	165	203
Total current liabilities	3,337	2,615
Long-term debt	2,308	2,316
Long-term pension and postretirement liabilities	1,077	1,129
Deferred income taxes	237	188
Income taxes	2,183	2,130
Other liabilities	527	634
Total Liabilities	9,669	9,012
Commitments and contingencies (Note 13)		
Shareholders' Equity:		
Common shares, 468,215,574 shares authorized and issued, CHF 1.91 par value, at June 25, 2010; 468,215,574 shares authorized and issued, CHF 2.43 par value, at September 25, 2009	599	1,049
Contributed surplus	8,090	8,105
Accumulated deficit	(1,459)	(2,264)
Treasury shares, at cost, 21,690,236 and 9,425,172 shares, respectively	(645)	(349)
Accumulated other comprehensive income	207	455
Total Tyco Electronics Ltd. shareholders' equity	6,792	6,996

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Noncontrolling interests	8	10
Total Shareholders' Equity	6,800	7,006
Total Liabilities and Shareholders' Equity	\$ 16,469	\$ 16,018

See Notes to Condensed Consolidated Financial Statements.

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TYCO ELECTRONICS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the	
	Nine Months Ended	
	June 25,	June 26,
	2010	2009
	(in millions)	
Cash Flows From Operating Activities:		
Net income (loss)	\$ 810	\$ (3,351)
Loss from discontinued operations, net of income taxes		166
Income (loss) from continuing operations	810	(3,185)
Adjustments to reconcile net cash provided by operating activities:		
Impairment of goodwill		3,547
Non-cash restructuring and other charges, net	16	31
Depreciation and amortization	395	382
Deferred income taxes	275	(685)
Provision for losses on accounts receivable and inventories	(1)	57
Tax sharing income	(126)	(9)
Other	79	49
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable, net	(374)	779
Inventories	(261)	471
Inventoried costs on long-term contracts	5	(107)
Prepaid expenses and other current assets	(42)	224
Accounts payable	367	(470)
Accrued and other current liabilities	86	(248)
Income taxes		27
Deferred revenue	(35)	(41)
Other	11	7
Net cash provided by continuing operating activities	1,205	829
Net cash used in discontinued operating activities		(42)
Net cash provided by operating activities	1,205	787
Cash Flows From Investing Activities:		
Capital expenditures	(249)	(270)
Proceeds from sale of property, plant, and equipment	5	9
Acquisition of businesses, net of cash acquired	(70)	
Proceeds from divestiture of discontinued operations, net of cash retained by operations sold		694
Proceeds from divestiture of businesses, net of cash retained by businesses sold	12	16
Other	(20)	(2)
Net cash provided by (used in) continuing investing activities	(322)	447
Net cash used in discontinued investing activities		(3)
Net cash provided by (used in) investing activities	(322)	444
Cash Flows From Financing Activities:		
Net decrease in commercial paper		(649)
Proceeds from long-term debt		448
Repayment of long-term debt		(461)

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Repurchase of common shares	(373)	(152)
Payment of common share dividends and cash distributions to shareholders	(218)	(221)
Transfer to discontinued operations		(49)
Other	4	(3)
Net cash used in continuing financing activities	(587)	(1,087)
Net cash provided by discontinued financing activities		49
Net cash used in financing activities	(587)	(1,038)
Effect of currency translation on cash	(2)	(21)
Net increase in cash and cash equivalents	294	172
Less: net increase in cash and cash equivalents related to discontinued operations		(4)
Cash and cash equivalents at beginning of period	1,521	1,090
Cash and cash equivalents at end of period	\$ 1,815	\$ 1,258

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

During fiscal 2010, in connection with the adoption of updates to guidance in Accounting Standards Codification ("ASC") 810, *Consolidation*, the Company 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 ASC 810 in Note 3.

2. Correction of Immaterial Errors

During the third quarter of fiscal 2010, the Company identified certain errors in its accounting for income taxes. These errors related to the adoption of the uncertain tax position provisions of ASC 740, *Income Taxes*, in fiscal 2008 and data utilized in the determination of the Company's income tax provision in fiscal 2005 through fiscal 2009.

In connection with the adoption of the uncertain tax position provisions of ASC 740, the Company failed to reflect, in the calculation of interest and penalties, the impact of the interest component of a prepayment made to the Internal Revenue Service ("IRS") in fiscal 2007. As a result of this error, the Company overstated deferred tax assets, receivable from Tyco International Ltd. and Covidien plc, noncurrent income taxes payable, and other income by \$64 million, \$81 million, \$182 million, and \$81 million, respectively, and understated accumulated earnings by \$118 million in fiscal 2008. The impacts to other income and receivable from Tyco International Ltd. and Covidien plc result from the shared nature of the tax liabilities pursuant to the Tax Sharing Agreement entered into upon separation from Tyco International Ltd. ("Tyco International").

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

2. Correction of Immaterial Errors (Continued)

The Company also identified errors in certain reports used, in part, to determine the Company's income tax provision. As a result of these errors, the Company understated income tax expense and overstated deferred tax assets by \$9 million, \$14 million, \$13 million, \$12 million, and \$9 million in fiscal 2009, 2008, 2007, 2006, and 2005, respectively.

The Company has evaluated the effects of these errors individually and in the aggregate and determined that its prior period financial statements are not materially misstated. However, the Company has determined that the cumulative effect of correcting these errors in the third quarter of fiscal 2010 would be material to the fiscal 2010 financial statements. Therefore, the Company has corrected these errors in the affected prior periods and presented the results in this quarterly report.

The following table summarizes the impact of the tax errors discussed above on the Company's Condensed Consolidated Statement of Operations for the quarter and nine months ended June 26, 2009:

	For the Quarter Ended June 26, 2009		For the Nine Months Ended June 26, 2009	
	Amounts Previously Reported ⁽¹⁾	As Corrected	Amounts Previously Reported ⁽¹⁾	As Corrected
	(in millions, except per share data)			
Income tax (expense) benefit	\$ (3)	\$ (6)	\$ 577	\$ 570
Income (loss) from continuing operations	28	25	(3,178)	(3,185)
Net income (loss)	(72)	(75)	(3,344)	(3,351)
Net income (loss) attributable to Tyco Electronics Ltd.	(74)	(77)	(3,349)	(3,356)
Amounts attributable to Tyco Electronics Ltd.:				
Income (loss) from continuing operations	26	23	(3,183)	(3,190)
Net income (loss)	(74)	(77)	(3,349)	(3,356)
Basic earnings (loss) per share attributable to Tyco Electronics Ltd.:				
Income (loss) from continuing operations	\$ 0.06	\$ 0.05	\$ (6.95)	\$ (6.97)
Net income (loss)	(0.16)	(0.17)	(7.31)	(7.33)
Diluted earnings (loss) per share attributable to Tyco Electronics Ltd.:				
Income (loss) from continuing operations	\$ 0.06	\$ 0.05	\$ (6.95)	\$ (6.97)
Net income (loss)	(0.16)	(0.17)	(7.31)	(7.33)

(1) Amounts presented as previously reported reflect reclassifications recorded in connection with the adoption of updates to guidance in ASC 810. See Note 3 for additional information regarding the reclassifications.

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

2. Correction of Immaterial Errors (Continued)

The following table summarizes the impact of the tax errors discussed above on the Company's Condensed Consolidated Balance Sheet at September 25, 2009:

	September 25, 2009	
	Amounts Previously Reported ⁽¹⁾	As Corrected
	(in millions)	
Assets		
Deferred income taxes	\$ 2,518	\$ 2,397
Receivable from Tyco International Ltd. and Covidien plc	1,211	1,130
Total Assets	16,220	16,018
Liabilities and Shareholders' Equity		
Income taxes	2,312	2,130
Total Liabilities	9,194	9,012
Shareholders' Equity:		
Contributed surplus ⁽²⁾	8,135	8,105
Accumulated deficit ⁽²⁾	(2,274)	(2,264)
Total Tyco Electronics Ltd. shareholders' equity	7,016	6,996
Total Shareholders' Equity	7,026	7,006
Total Liabilities and Shareholders' Equity	16,220	16,018

(1) Amounts presented as previously reported reflect reclassifications recorded in connection with the adoption of updates to guidance in ASC 810. See Note 3 for additional information regarding the reclassifications.

(2) The correction of the tax errors discussed above resulted in an increase in accumulated earnings of \$19 million and a decrease in contributed surplus of \$30 million at September 27, 2008. For periods prior to the Company's separation from Tyco International, the impact of the errors was charged to contributed surplus.

The following table summarizes the impact of the tax errors discussed above on the Company's Condensed Consolidated Statement of Cash Flows for the nine months ended June 26, 2009:

	For the Nine Months Ended June 26, 2009	
	Amounts Previously Reported ⁽¹⁾	As Corrected
	(in millions)	
Cash Flows From Operating Activities:		
Net loss	\$ (3,344)	\$ (3,351)
Loss from continuing operations	(3,178)	(3,185)
Adjustments to reconcile net cash provided by operating activities:		
Deferred income taxes	(692)	(685)

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- (1) Amounts presented as previously reported reflect reclassifications recorded in connection with the adoption of updates to guidance in ASC 810. See Note 3 for additional information regarding the reclassifications.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. 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 15 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. 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.

4. Restructuring and Other Charges, Net

Restructuring and other charges, net consisted of the following during the quarters and nine months ended June 25, 2010 and June 26, 2009:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Restructuring and related charges, net	\$ 3	\$ 60	\$ 68	\$ 320
Loss on divestitures and impairment of long-lived assets		3	13	9
	\$ 3	\$ 63	\$ 81	\$ 329

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)**Restructuring and Related Charges, Net**

Charges to operations by segment during the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Electronic Components	\$ 4	\$ 43	\$ 56	\$ 245
Network Solutions	(1)	15	3	42
Specialty Products	1	1	5	27
Subsea Communications	(1)	1	1	5
	3	60	65	319
Less: credits in cost of sales			3	1
Restructuring and related charges, net	\$ 3	\$ 60	\$ 68	\$ 320

Amounts recognized on the Condensed Consolidated Statements of Operations during the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Cash charges	\$ 2	\$ 54	\$ 61	\$ 290
Non-cash charges	1	6	4	29
	3	60	65	319
Less: credits in cost of sales			3	1
Restructuring and related charges, net	\$ 3	\$ 60	\$ 68	\$ 320

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

Cash Charges

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

	Balance at September 25, 2009	Charges	Utilization	Changes in Estimate	Currency Translation and Other	Balance at June 25, 2010
	(in millions)					
Fiscal 2010						
Actions:						
Employee severance	\$	\$ 45	\$ (3)	\$	\$ (6)	\$ 36
Facility exit costs		8	(6)		7 ⁽¹⁾	9
Other		2	(1)			1
Total		55	(10)		1	46
Fiscal 2009						
Actions:						
Employee severance	116		(66)	(8)	(6)	36
Facility exit costs	3	3	(3)			3
Other	1	6	(7)			
Total	120	9	(76)	(8)	(6)	39
Pre-Fiscal 2009						
Actions:						
Employee severance	91		(50)		(9)	32
Facilities exit costs	51	2	(11)		(2)	40
Other	8	4	(5)	(1)	(1)	5
Total	150	6	(66)	(1)	(12)	77
Total Activity	\$ 270	\$ 70	\$ (152)	\$ (9)	\$ (17)	\$ 162

(1)

Reflects reclassification of \$7 million lease obligation from other reserves to restructuring reserves.

Fiscal 2010 Actions

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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 nine months ended June 25, 2010, the Company recorded restructuring charges of \$55 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 \$3 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 nine months ended June 25, 2010 and June 26, 2009, the Company recorded net restructuring charges of \$1 million and \$231 million, respectively, primarily related to employee severance and benefits. The Company expects

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

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 \$14 million relating to these initiated actions by completion.

Pre-Fiscal 2009 Actions

During the nine months ended June 25, 2010 and June 26, 2009, the Company recorded net restructuring charges of \$5 million and \$59 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 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately \$5 million relating to these actions by completion. As of June 25, 2010, the remaining restructuring reserves related to 2002 actions were \$39 million, related to exited lease facilities in the Subsea Communications segment. The Company expects that the remaining reserves will continue to be paid out over the expected terms of the obligations which range from one to fifteen years.

Restructuring and Related Non-Cash Charges

During the nine months ended June 25, 2010 and June 26, 2009, the Company recorded non-cash charges of \$4 million and \$29 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:

	June 25, 2010	September 25, 2009
	(in millions)	
Electronic Components	\$ 103	\$ 186
Network Solutions	12	27
Specialty Products	8	9
Subsea Communications	39	48
Restructuring reserves	\$ 162	\$ 270

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

	June 25, 2010	September 25, 2009
	(in millions)	
Accrued and other current liabilities	\$ 131	\$ 231
Other liabilities	31	39
Restructuring reserves	\$ 162	\$ 270

Loss on Divestitures and Impairment of Long-Lived Assets

In the first quarter of fiscal 2010, the Company completed the sale of the Dulmison connectors and fittings product line which was part of the Company's energy business in the Network Solutions

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****4. Restructuring and Other Charges, Net (Continued)**

segment for net cash proceeds of \$12 million. The divestiture resulted in an impairment charge related to long-lived assets and a pre-tax loss on sale of \$12 million and \$1 million, respectively.

The Company recorded a pre-tax loss on divestiture and impairment of long-lived assets of \$3 million and \$9 million during the quarter and nine months ended June 26, 2009, respectively, primarily related to the sale of the Battery Systems business which occurred during the second quarter of fiscal 2009. The Battery Systems business, which was part of the Electronic Components segment, was sold for net cash proceeds of \$14 million after working capital adjustments.

The loss on divestitures and impairment charges are reflected in restructuring and other charges, net on the Condensed Consolidated Statements 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.

5. Discontinued Operations

In May 2009, the Company completed the sale of its Wireless Systems business for \$665 million in net cash proceeds and recognized a pre-tax gain of \$55 million on the transaction. 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.

The following table reflects net sales, pre-tax loss from discontinued operations, pre-tax gain on sale of discontinued operations, and income taxes for the quarter and nine months ended June 26, 2009; there were no such amounts during the quarter and nine months ended June 25, 2010:

	For the Quarter Ended June 26, 2009	For the Nine Months Ended June 26, 2009
	(in millions)	
Net sales	\$ 47	\$ 262
Pre-tax loss from discontinued operations	\$ (22)	\$ (130)
Pre-tax gain on sale of discontinued operations	55	59
Income tax provision	(133)	(95)
Loss from discontinued operations, net of income taxes	\$ (100)	\$ (166)

Pre-tax loss from discontinued operations for the nine months ended June 26, 2009 included pre-tax charges of \$111 million related to the Wireless Systems business' contract with the State of New York. See Note 13 for additional information regarding the State of New York contract.

6. Acquisitions

On May 14, 2010, the Company acquired certain assets of the Optical Products Group of Zarlink Semiconductor Inc. for \$15 million in cash. The assets acquired, primarily definite-lived intangible assets, inventory, and property, plant, and equipment, are reported as part of the Communications and Industrial Solutions business within the Electronic Components segment. The acquisition was not material to the Company's Condensed Consolidated Financial Statements.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

6. Acquisitions (Continued)

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 Sensitive Object 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.

The Sensitive Object 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
 Total assets acquired	 73
Liabilities assumed	(6)
 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 recognized goodwill are low revenue levels in the years immediately following the acquisition reflecting the early-stage status of Sensitive Object's technology 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 of the Sensitive Object acquisition on the Company's Condensed Consolidated Statements of Operations is not material.

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

7. Inventories

Inventories consisted of the following:

	June 25, 2010	September 25, 2009
	(in millions)	
Raw materials	\$ 256	\$ 253
Work in progress	509	439
Finished goods	708	624
Inventoried costs on long-term contracts	113	119
Inventories	\$ 1,586	\$ 1,435

8. Goodwill

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

	Electronic Components	Network Solutions	Specialty Products	Total
	(in millions)			
Balance at September 25, 2009	\$ 1,413	\$ 847	\$ 900	\$ 3,160
Acquisition			51	51
Currency translation	(25)	(15)	(16)	(56)
Balance at June 25, 2010	\$ 1,388	\$ 832	\$ 935	\$ 3,155

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 6 for additional information on the acquisition of Sensitive Object.

9. Intangible Assets, Net

The Company's intangible assets were as follows:

	June 25, 2010			September 25, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Intellectual property	\$ 728	\$ (347)	\$ 381	\$ 724	\$ (330)	\$ 394
Other	21	(4)	17	17	(4)	13
Total	\$ 749	\$ (351)	\$ 398	\$ 741	\$ (334)	\$ 407

Intangible asset amortization expense was \$8 million and \$7 million for the quarters ended June 25, 2010 and June 26, 2009, respectively, and \$23 million for each of the nine months ended June 25, 2010 and June 26, 2009.

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

9. Intangible Assets, Net (Continued)

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	\$ 8
Fiscal 2011	31
Fiscal 2012	31
Fiscal 2013	31
Fiscal 2014	31
Fiscal 2015	30
Thereafter	236
	\$ 398

10. Debt

Debt was as follows:

	June 25, 2010	September 25, 2009
	(in millions)	
6.00% senior notes due 2012 ⁽¹⁾	\$ 720	\$ 720
5.95% senior notes due 2014 ⁽¹⁾	300	300
6.55% senior notes due 2017 ⁽¹⁾	741	744
7.125% senior notes due 2037 ⁽¹⁾	475	475
Other	179	178
Total debt	2,415	2,417
Less current portion ⁽²⁾	107	101
Long-term debt	\$ 2,308	\$ 2,316

(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 June 25, 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 June 25, 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.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Debt (Continued)

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 nine months of fiscal 2010, the Company purchased options to enter into interest rate swaps ("swaptions") and entered into 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 \$400 million. Also, during the first nine months 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.

See Note 14 for additional information on swaptions, forward starting interest rate swaps, and interest rate swaps.

The fair value of the Company's debt was approximately \$2,641 million and \$2,420 million at June 25, 2010 and September 25, 2009, respectively.

11. Guarantees

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, upon separation from 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 June 25, 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.

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****11. Guarantees (Continued)**

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 June 25, 2010, the Company had outstanding letters of credit and letters of guarantee in the amount of \$377 million, of which \$50 million was related to its contract with the State of New York. See Note 13 for additional information regarding the State of New York contract.

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 13, 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. Although the Company disputes that the State has any basis to do so, 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 nine months ended June 25, 2010 and June 26, 2009 were as follows:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Balance at beginning of period	\$ 46	\$ 34	\$ 43	\$ 27
Warranties issued	2	5	5	8
Warranty expirations and changes in estimate, net	4	1	9	7
Settlements	(3)	(5)	(7)	(7)
Currency translation	(1)		(2)	
Balance at end of period	\$ 48	\$ 35	\$ 48	\$ 35

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Retirement Plans

The net periodic benefit cost for all U.S. and non-U.S. defined benefit pension plans in the quarters ended June 25, 2010 and June 26, 2009 was as follows:

	Defined Benefit Pension Plans			
	U.S. Plans		Non-U.S. Plans	
	For the		For the	
	Quarters Ended		Quarters Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Service cost	\$ 1	\$ 2	\$ 15	\$ 15
Interest cost	14	15	21	23
Expected return on plan assets	(15)	(15)	(14)	(16)
Amortization of prior service costs			(1)	(1)
Amortization of net actuarial loss	9	3	8	3
Settlement/curtailment gain			(1)	
Net periodic benefit cost	\$ 9	\$ 5	\$ 28	\$ 24

The net periodic benefit cost for all U.S. and non-U.S. defined benefit pension plans in the nine months ended June 25, 2010 and June 26, 2009 was as follows:

	Defined Benefit Pension Plans			
	U.S. Plans		Non-U.S. Plans	
	For the		For the	
	Nine Months Ended		Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Service cost	\$ 4	\$ 5	\$ 44	\$ 44
Interest cost	41	44	64	67
Expected return on plan assets	(44)	(46)	(41)	(48)
Amortization of prior service costs			(1)	(1)
Amortization of net actuarial loss	25	11	23	10
Settlement/curtailment loss (gain)	2		(2)	
Net periodic benefit cost	\$ 28	\$ 14	\$ 87	\$ 72

The net periodic benefit cost for postretirement benefit plans was immaterial for the quarters and nine months ended June 25, 2010 and June 26, 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 nine months ended June 25, 2010, the Company contributed \$2 million to its U.S. plans and \$73 million to its non-U.S. plans.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Retirement Plans (Continued)

The Company expects to make contributions to its postretirement benefit plans of \$2 million in fiscal 2010. During the nine months ended June 25, 2010, the Company contributed \$1 million to its postretirement benefit plans.

13. 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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

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% 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. In the third quarter of fiscal 2010, Tyco International settled the remaining significant securities lawsuit, a class action captioned *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 agreement provides that a portion of the settlement fund will be set aside for potential opt-out claims. The Company cannot predict presently if any opt-out claims will be made and whether opt-out claims will exceed the amount allocated for such claims, requiring the Company to fund any portion under the sharing formula in the Separation and Distribution Agreement. During the second quarter of fiscal 2009, the Company recorded reserves totaling \$375 million representing the best estimate of probable loss for the then remaining securities litigation claims, including the *Stumpf* case, subject to the Separation and Distribution Agreement. As of June 25, 2010, there were no remaining significant securities lawsuits outstanding and the Company concluded that reserves of \$22 million could be released. Accordingly, pursuant to the sharing formula, the Company recorded income of \$7 million during the third quarter of fiscal 2010.

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 Securities and Exchange Commission ("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 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.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

Income Taxes

In prior years, in connection with the 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 in 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.

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

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 June 25, 2010, the Company concluded that it was probable that it would incur remedial costs in the range of \$12 million to \$24 million. As of June 25, 2010, the Company concluded that the best estimate within this range is \$14 million, of which \$3 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 \$14 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 5 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 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.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

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 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 5 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 June 25, 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.

14. 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 June 25, 2010 and September 25, 2009. See Note 10 for disclosure of the fair value of debt and Note 15 for additional information on fair value measurements.

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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 currently in earnings. 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 in earnings. 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 June 25, 2010, the Company has assessed the likelihood of counterparty default as remote. The Company currently provides guarantees from a wholly-owned subsidiary to the counterparties to its commodity swap derivatives. The likelihood of performance on those guarantees has been assessed as remote. For all other derivative instruments, 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.

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.

Interest Rate Risk Management

The Company issues debt, from time to time, in capital 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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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 nine months of fiscal 2010, the Company purchased swaptions and entered into 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. These swaptions and forward starting interest rate swaps are based on a total notional amount of \$400 million. These swaptions and forward starting interest rate swaps were designated as cash flow hedges of the probable interest payments. Premiums of \$6 million paid to enter into the swaptions will be recognized as interest expense over the term of the swaptions. As of June 25, 2010, the Company's swaptions were in an asset position of \$3 million and the forward starting interest rate swaps were in a liability position of \$5 million. 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 nine months 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 June 25, 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 \$2 million during the quarters ended June 25, 2010 and June 26, 2009 and \$5 million and \$7 million during the nine months ended June 25, 2010 and June 26, 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 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. The Company recognized interest expense of \$1 million and \$2 million in the quarters ended June 25, 2010 and June 26, 2009, respectively, and \$4 million and \$5 million during the nine months ended June 25, 2010 and June 26, 2009, respectively, on the Condensed Consolidated Statements of Operations, related to the terminated forward starting interest rate swaps.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

The Company also utilizes interest rate swap and swaption contracts, a portion of which are designated as cash flow hedges, to manage interest rate exposure on cash and cash equivalents. Premiums received related to swaptions are recognized as interest income over the term of the swaptions. Ineffectiveness that may arise is recognized prospectively in interest income. The effective portion of the derivatives designated as cash flow hedges is recorded in accumulated other comprehensive income and will be recognized in earnings as interest income over the term of the instrument. Premiums received, ineffective amounts recognized in earnings, and amounts recorded in accumulated other comprehensive income were not material during the quarter and nine months ended June 25, 2010. The fair value of the contracts was not material as of June 25, 2010; no such contracts existed as of September 25, 2009.

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 \$1,426 million and \$1,027 million at June 25, 2010 and September 25, 2009, respectively. The Company reclassified foreign exchange gains of \$28 million and losses of \$38 million during the quarters ended June 25, 2010 and June 26, 2009, respectively, and gains of \$82 million and losses of \$17 million during the nine months ended June 25, 2010 and June 26, 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 19.

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 June 25, 2010 and September 25, 2009, the Company's commodity hedges had notional values of \$102 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.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

Derivative Instrument Summary

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

	June 25, 2010		September 25, 2009	
	Fair Value of Asset Positions ⁽¹⁾	Fair Value of Liability Positions ⁽²⁾	Fair Value of Asset Positions ⁽¹⁾	Fair Value of Liability Positions ⁽²⁾
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign currency contracts ⁽³⁾	\$ 1	\$	\$ 4	\$ 2
Interest rate swaps and swaptions	5	5		
Commodity swap contracts ⁽³⁾	11		1	
Total derivatives designated as hedging instruments	17	5	5	2
Derivatives not designated as hedging instruments:				
Foreign currency contracts ⁽³⁾	2	1	8	11
Total derivatives	\$ 19	\$ 6	\$ 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 15, derivative instruments in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets totaled \$13 million and \$4 million at June 25, 2010 and September 25, 2009, respectively. Interest rate swap and swaption derivatives in asset positions totaled \$5 million at June 25, 2010 and 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 15, derivative instruments in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled \$4 million at September 25, 2009. Derivative instruments in accrued and other current liabilities at June 25, 2010 were not material. All interest rate swap derivatives in liability positions totaled \$5 million at June 25, 2010 and are recorded in other liabilities on the Condensed Consolidated Balance Sheets.
- (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 nine months ended June 25, 2010 and June 26, 2009 were as follows:

	Gain (Loss) Recognized For the Quarters Ended	For the Nine Months Ended
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Derivatives Designated as Fair Value Hedges	Location	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
(in millions)					
Interest rate swaps ⁽¹⁾	Interest expense	\$ 2	\$ 2	\$ 5	\$ 7

(1) Certain interest rate swaps were terminated in December 2008. See discussion above. Terminated interest rate swaps resulted in all gains presented in this table. Interest rate swaps in place at June 25, 2010 had no gain or loss recognized in the Condensed Consolidated Statement of Operations during the quarter and nine months ended June 25, 2010.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statement of Operations for the quarters ended June 25, 2010 and June 26, 2009 were as follows:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing)		
	Amount	Location	Amount		
(in millions)					
For the Quarter Ended June 25, 2010:					
Foreign currency contracts	\$	Cost of sales	\$ 1	Cost of sales ⁽¹⁾	\$
Commodity swap contracts	13	Cost of sales	4	Cost of sales	
Interest rate swaps and swaptions ⁽²⁾	(8)	Interest expense	(1)	Interest expense	(1)
Total	\$ 5		\$ 4		\$ (1)
For the Quarter Ended June 26, 2009:					
Foreign currency contracts	\$	Cost of sales	\$ (2)	Cost of sales ⁽¹⁾	\$
Commodity swap contracts		Cost of sales	1	Cost of sales	
Forward starting interest rate swaps ⁽²⁾		Interest expense	(2)	Interest expense	
Total	\$		\$ (3)		\$

(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 \$1 million and \$2 million reflected in interest expense in the quarters ended June 25, 2010 and June 26, 2009, respectively. Forward starting interest rate swaps in place at June 25, 2010 resulted in losses of \$6 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at June 25, 2010 resulted in losses of \$2 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)

14. Financial Instruments (Continued)

The effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statement of Operations for the nine months ended June 25, 2010 and June 26, 2009 were as follows:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded From Effectiveness Testing)
	Amount	Location	Amount
(in millions)			
For the Nine Months Ended June 25, 2010:			
Foreign currency contracts	\$ (1)	Cost of sales	\$ 1
Commodity swap contracts	17	Cost of sales	7
Interest rate swaps and swaptions ⁽²⁾	(5)	Interest expense	(4)
Total	\$ 11		\$ (3)
For the Nine Months Ended June 26, 2009:			
Foreign currency contracts	\$ (1)	Cost of sales	\$ (2)
Commodity swap contracts	1	Cost of sales	2
Forward starting interest rate swaps ⁽²⁾		Interest expense	(5)
Total	\$		\$ (5)

(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 \$4 million and \$5 million reflected in interest expense during the nine months ended June 25, 2010 and June 26, 2009, respectively. Forward starting interest rate swaps in place at June 25, 2010 resulted in losses of \$5 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at June 25, 2010 resulted in no gains or losses in other comprehensive income related to the effective portions of the hedge and losses of \$3 million in interest expense as a result of amounts excluded from the hedging relationship during the period.

The effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statement of Operations for the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

Derivatives not Designated as Hedging Instruments	Location	Gain (Loss) Recognized			
		For the Quarters Ended		For the Nine Months Ended	
		June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
(in millions)					
Foreign currency contracts		\$ 7	\$ (4)	\$ 12	\$ (176)

Selling, general, and
administrative expenses

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Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****14. Financial Instruments (Continued)**

During the nine months ended June 26, 2009, the Company incurred losses of \$176 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.

15. 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.

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

Description	Fair Value Measurements Using Inputs Considered as			Fair Value
	Level 1	Level 2	Level 3	
(in millions)				
June 25, 2010:				
Assets:				
Commodity swap contracts	\$ 11	\$	\$	\$ 11
Interest rate swaps and swaptions		5		5
Foreign currency contracts		2		2
Rabbi trust assets	7	77		84
Total assets at fair value	\$ 18	\$ 84	\$	\$ 102
Liabilities:				
Interest rate swaps and swaptions	\$	\$ 5	\$	\$ 5
September 25, 2009:				
Assets:				
Commodity swap contracts	\$ 1	\$	\$	\$ 1
Foreign currency contracts		3		3

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Rabbi trust assets	7	69	76
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Total assets at fair value	\$ 8	\$ 72	\$ 80
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Liabilities:

Foreign currency contracts	\$	\$ 4	\$ 4
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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

15. Fair Value Measurements (Continued)

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 prices on 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).

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).

Rabbi trust assets Rabbi trust assets are principally comprised of equity securities that are marked to fair value based on unadjusted quoted prices in active markets (level 1) and fixed income securities that are marked to fair value based on quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2). During the third quarter of fiscal 2010, the Company concluded that fixed income securities reflect level 2 valuations and corrected amounts presented in fiscal 2009 to conform to the current year presentation.

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, indefinite-lived intangible assets, and 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 June 25, 2010, the Company did not have any non-financial assets or liabilities that are measured at fair value.

During the nine months ended June 25, 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 4 for additional information. There were no impairment charges recorded during the third quarter of fiscal 2010.

16. Income Taxes

The Company recorded a tax provision of \$144 million and \$6 million, an effective income tax rate of 30.3% and 19.4%, for the quarters ended June 25, 2010 and June 26, 2009, respectively. The

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Income Taxes (Continued)

effective income tax rate for the quarter ended June 25, 2010 reflects a charge of \$124 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 \$98 million recognized in connection with the completion of certain non-U.S. audits of prior year income tax returns. In addition, the effective income tax rate for the quarter ended June 25, 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 ended June 26, 2009 reflects the tax benefits recognized in connection with fiscal 2009 profitability in certain entities operating in lower tax rate jurisdictions partially offset by accruals of interest and taxes related to uncertain tax positions.

For the nine months ended June 25, 2010 and June 26, 2009, the Company recorded a tax provision of \$348 million, an effective income tax rate of 30.1%, and a tax benefit of \$570 million, an effective income tax rate of 15.2%, respectively. The effective income tax rate for the nine months ended June 25, 2010 reflects a charge of \$242 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 \$98 million recognized in connection with the completion of certain non-U.S. audits of prior year income tax returns. In addition, the effective income tax rate for the nine months ended June 25, 2010 reflects 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 and 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 nine months ended June 26, 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 a \$144 million pre-tax charge 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 June 25, 2010, the Company had recorded \$1,202 million of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheet, of which \$1,114 million was recorded in income taxes and \$88 million was recorded in accrued and other current liabilities. During the quarter and nine months ended June 25, 2010, the Company recognized \$57 million and \$175 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 \$1,033 million, of which \$1,032 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 13 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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Income Taxes (Continued)

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 June 25, 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 June 25, 2010.

17. Other Income, Net

In the quarters ended June 25, 2010 and June 26, 2009, the Company recorded net other income of \$42 million and \$5 million, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The income in the third 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, partially offset by a decrease related to the completion of certain non-U.S. audits of prior year income tax returns.

In the nine months ended June 25, 2010, the Company recorded net other income of \$125 million, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The income in the first nine months 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, partially offset by a decrease related to the completion of certain non-U.S. audits of prior year income tax returns. In the nine months ended June 26, 2009, the Company recorded net other income of \$7 million, primarily consisting of \$9 million of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien offset by \$2 million of unrealized losses on rabbi trust assets.

18. 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 June 25, 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.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

18. Shareholders' Equity (Continued)

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 and second installments of the distribution at a rate of \$0.16 per share each during the quarters ended December 25, 2009 and March 26, 2010. 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. During the quarter ended June 25, 2010, the Company paid the first installment of this distribution at a rate of \$0.16 per share. This capital reduction reduced the par value of the Company's common shares from CHF 2.09 (equivalent to \$1.92) to CHF 1.91 (equivalent to \$1.76).

Upon approval by the shareholders of a cash distribution in the form of a capital reduction, the Company records a liability with a corresponding charge to common shares. The unpaid portion of the distribution, CHF 0.54 (equivalent to \$0.48) per share, is recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet at June 25, 2010. There were no unpaid dividends and distributions to shareholders as of September 25, 2009.

Share Repurchase Program

During the third quarter and first nine months of fiscal 2010, the Company purchased approximately 8 million and 14 million, respectively, of its common shares for \$225 million and \$390 million, respectively, of which \$208 million and \$373 million, respectively, was paid as of June 25, 2010. During the third quarter of fiscal 2009, the Company did not purchase any of its common shares. During the first nine 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 \$2.0 billion, the Company has purchased approximately 57 million shares for \$1,784 million.

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

19. Comprehensive Income (Loss)

Comprehensive income (loss) consisted of the following:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Net income (loss)	\$ 331	\$ (75)	\$ 810	\$ (3,351)
Currency translation ⁽¹⁾	(123)	137	(285)	(349)
Gain on cash flow hedges, net of income taxes	2	3	6	5
Amortization of unrecognized pension and postretirement benefit costs, net of income taxes	11	4	31	13
	221	69	562	(3,682)
Less: comprehensive income attributable to noncontrolling interests	(1)	(2)	(4)	(5)
Comprehensive income (loss) attributable to Tyco Electronics Ltd.	\$ 220	\$ 67	\$ 558	\$ (3,687)

(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.

20. 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 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 Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Weighted-average shares outstanding:				
Basic	451	458	456	458
Share options and restricted share awards	5	1	4	
Diluted	456	459	460	458

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 17 million and 21 million as of June 25, 2010 and June 26, 2009, respectively.

Table of Contents**TYCO ELECTRONICS LTD.****NOTES TO CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (UNAUDITED) (Continued)****20. Earnings (Loss) Per Share (Continued)**

As a result of the Company's loss for the nine months ended June 26, 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 excluded from the calculation of diluted loss per share as inclusion of these share awards and options would have been antidilutive. Share awards and options not included in the computation were 1 million as of June 26, 2009.

21. 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 June 25, 2010 and June 26, 2009, respectively. Total share-based compensation costs were \$47 million and \$40 million during the nine months ended June 25, 2010 and June 26, 2009, respectively, of which \$2 million was included in loss from discontinued operations for the nine months ended June 26, 2009. All share-based compensation costs in continuing operations are included 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 June 25, 2010, there were approximately 17 million shares available under the 2007 Plan.

Restricted Share Awards

A summary of the Company's outstanding restricted share awards as of June 25, 2010 and changes during the nine months then ended are presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 25, 2009	4,252,190	\$ 23.80
Granted	2,404,750	24.82
Vested	(957,249)	21.62
Forfeited	(121,203)	25.47
Non-vested at June 25, 2010	5,578,488	24.58

As of June 25, 2010, there were \$78 million of unrecognized compensation costs related to non-vested Tyco Electronics restricted share awards. The cost is expected to be recognized over a weighted-average period of 2.4 years.

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

21. Share Plans (Continued)*Share Options*

A summary of the Company's outstanding share option awards as of June 25, 2010 and changes during the nine months then ended are presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at September 25, 2009	25,635,095	\$ 38.30		
Granted	4,047,500	24.72		
Exercised	(865,605)	13.49		
Expired	(2,317,011)	49.49		
Forfeited	(106,623)	24.80		
Outstanding at June 25, 2010	26,393,356	36.11	5.1	\$ 77
Vested and non-vested expected to vest at June 25, 2010	25,487,583	\$ 36.56	5.1	\$ 71
Exercisable at June 25, 2010	17,690,542	\$ 42.12	3.3	\$ 26

As of June 25, 2010, there were \$39 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 2.1 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 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 nine months ended June 25, 2010 and the weighted-average assumptions the Company used in the Black-Scholes-Merton option pricing model for the nine months then ended were as follows:

Weighted-average grant-date fair value	\$ 6.88
Assumptions:	
Expected share price volatility	37%
Risk free interest rate	2.3%
Expected annual dividend per share	\$ 0.64
Expected life of options (in years)	5.0

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

22. 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 nine months ended June 25, 2010 and June 26, 2009 were as follows:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Electronic Components	\$ 2,074	\$ 1,424	\$ 5,969	\$ 4,329
Network Solutions	442	425	1,258	1,283
Specialty Products	398	340	1,127	1,053
Subsea Communications	170	319	579	893
Total ⁽¹⁾	\$ 3,084	\$ 2,508	\$ 8,933	\$ 7,558

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

Operating income (loss) by segment for the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Electronic Components	\$ 298	\$ (82)	\$ 723	\$ (3,754) ⁽¹⁾
Network Solutions	60	31	122	96
Specialty Products	66	42	166	(13) ⁽²⁾
Subsea Communications	36	73	116	165
Pre-separation litigation credits (charges)	7		7	(144)
Total	\$ 467	\$ 64	\$ 1,134	\$ (3,650)

(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.

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

	June 25, 2010	September 25, 2009
	(in millions)	
Electronic Components	\$ 4,511	\$ 4,340
Network Solutions	872	929
Specialty Products	643	624
Subsea Communications	563	628
Total segment assets ⁽¹⁾	6,589	6,521
Other current assets	2,531	2,169
Other non-current assets	7,349	7,328
Total assets	\$ 16,469	\$ 16,018

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

23. Subsequent Event

On July 12, 2010, the Company and a wholly-owned subsidiary (the "Purchaser") entered into an Agreement and Plan of Merger (the "Merger Agreement") with ADC Telecommunications, Inc. ("ADC") under which the Company agreed to acquire ADC for a total purchase price of approximately \$1.25 billion. Pursuant to the Merger Agreement, the Company and the Purchaser will commence a tender offer to purchase all of the issued and outstanding shares of ADC common stock at a purchase price of \$12.75 per share in cash followed by a merger of the Purchaser with and into ADC.

The transaction is expected to be completed during the first quarter of fiscal 2011. The consummation of the transaction is subject to various closing conditions including the tender of a majority of ADC's shares, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or other applicable antitrust laws, and other customary conditions. The Merger Agreement also includes customary termination provisions for both ADC and the Company and provides that, in connection with the termination of the Merger Agreement under specified circumstances, ADC will be required to pay the Company a termination fee of \$38 million.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

24. 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 June 25, 2010

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
	(in millions)				
Net sales	\$	\$	\$ 3,084	\$	\$ 3,084
Cost of sales			2,099		2,099
Gross margin			985		985
Selling, general, and administrative expenses	15	3	357		375
Research, development, and engineering expenses			147		147
Pre-separation litigation credits	(7)				(7)
Restructuring and other charges, net			3		3
Operating income (loss)	(8)	(3)	478		467
Interest income			4		4
Interest expense		(36)	(2)		(38)
Other income, net			42		42
Equity in net income of subsidiaries	344	358		(702)	
Intercompany interest and fees	(6)	25	(19)		
Income before income taxes	330	344	503	(702)	475
Income tax expense			(144)		(144)
Net income	330	344	359	(702)	331
Less: net income attributable to noncontrolling interests			(1)		(1)
Net income attributable to Tyco Electronics Ltd.	\$ 330	\$ 344	\$ 358	\$ (702)	\$ 330

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended June 26, 2009

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
	(in millions)				
Net sales	\$	\$	\$ 2,508	\$	\$ 2,508
Cost of sales			1,921		1,921
Gross margin			587		587
Selling, general, and administrative expenses	48	3	279		330
Research, development, and engineering expenses			130		130
Restructuring and other charges, net			63		63
Operating income (loss)	(48)	(3)	115		64
Interest income			4		4
Interest expense		(38)	(4)		(42)
Other income, net			5		5
Equity in net income of subsidiaries	75	93		(168)	
Equity in net loss of subsidiaries of discontinued operations	(100)	(100)		200	
Intercompany interest and fees	(4)	23	(19)		
Income (loss) from continuing operations before income taxes					