



Third Quarter Review

26 / July / 2013

tyco

// Forward-Looking Statements / Safe Harbor

This presentation contains a number of forward-looking statements. Words and variations of words such as “outlook”, “expect”, “intend”, “will”, “anticipate”, “believe”, “propose”, “potential”, “continue”, “opportunity”, “estimate”, “project” and similar expressions are intended to identify forward-looking statements. Examples of forward looking statements include, but are not limited to, revenue, operating income and other financial projections, statements regarding the health and growth prospects of the industries and end markets in which Tyco operates, the leadership, resources, potential, priorities, and opportunities for Tyco in the future, statements regarding Tyco’s credit profile and capital allocation priorities, and statements regarding Tyco’s acquisition, divestiture, restructuring and capital market related activities. The forward-looking statements in this presentation are based on current expectations and assumptions that are subject to risks and uncertainties, many of which are outside of our control, and could cause results to materially differ from expectations. Such risks and uncertainties include, but are not limited to:

- Economic, business competitive, technological or regulatory factors that adversely impact Tyco or the markets and industries in which it competes;
- Changes in tax requirements (including tax rate changes, new tax laws or treaties and revised tax law interpretations);
- Results and consequences of Tyco’s internal investigations and governmental investigations concerning its governance, management, internal controls and operations including its business operations outside the United States;
- The outcome of litigation, arbitrations and governmental proceedings, including the effect of income tax audits, appeals and litigation;
- Economic, legal and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders;
- Changes in capital market conditions, including availability of funding sources, currency exchange rate fluctuations, and interest rate fluctuations and other changes in borrowing cost;
- The possible effects on us of pending and future legislation in the United States that may limit or eliminate potential U.S. tax benefits resulting from Tyco’s jurisdiction of incorporation or deny U.S. government contracts to us based upon Tyco’s jurisdiction of incorporation;
- The ability of the Company to achieve anticipated cost savings and to execute on its portfolio refinement and acquisition strategies, including successfully integrating acquired operations;
- The ability of the Company to realize the expected benefits of the 2012 separation transactions, including the integration of its commercial security and fire protection businesses;
- Availability and fluctuations in the prices of key raw materials, and events that could impact the ability of our suppliers to perform ;
- Natural events such as severe weather, fires, floods and earthquakes.

Actual results could differ materially from anticipated results. More detailed information about these and other factors is set forth on Tyco’s Annual Report on Form 10-K for the fiscal year ended September 28, 2012 and in subsequent filings with the Securities and Exchange Commission.

Tyco is under no obligation (and expressly disclaims any obligation) to update its forward-looking statements.

// Key Priorities

//Accelerating organic growth

- Service revenue, including recurring revenue, represents about 45% of revenue and grew 3% organically
- Growth in Global Products continues to outpace the market

//Executing disciplined bolt-on acquisitions

- Closed previously announced acquisition of National Fire Solutions
- Announced definitive agreement to acquire Exacq Technologies, leader in video management solutions
- YTD \$260M committed to acquisitions, closed and announced

//Driving productivity initiatives

- Significant contributor to margin expansion
- Sourcing
- Branch-in-a-box

Supported By The Tyco Business System

// Q3 2013 Results – Financial Overview

(EPS amounts are attributable to Tyco common shareholders)
(\$ in millions, except per-share amounts)

(\$ in millions)	Q3FY13	Q3FY12	Change
Revenue	\$2,678	\$2,655	1%
Segment Operating Income before special items *	\$375	\$369	2%
Segment Operating Margin before special items*	14.0%	13.9%	10bps
Corporate Expense before special items*	\$62	\$64	(3%)
Tax Rate before special items*	18.4%	9.1%	
EPS from Cont. Ops. before special items*	\$0.50	\$0.47	6%

// Excluding 30bps of estimated dis-synergies, segment operating margin improved 40bps year over year

// Underlying segment operations contributed \$0.03 of earnings per share increase year over year

Record High Segment Operating Margin of 14.0%



* Segment operating income, segment operating margin, corporate expense, tax rate and EPS from continuing operations before special items are non-GAAP measures. For a reconciliation to the most comparable GAAP measures, please see Appendix.

**Normalized third quarter 2012 results adjust pre-separation corporate and interest expense to post-separation estimated levels and dis-synergies associated with the separation of the commercial security operations in North America from ADT. See Non-GAAP reconciliation.

// Q3 Highlights

//Revenue of \$2.7 billion with organic revenue* growth of 1%

- Products +5%, Service +3% and Installation (4%)

//Record-high segment operating margin before special items* of 14.0% - 170bps improvement sequentially; 40bps improvement, year over year, on normalized basis**

- Higher mix of service and product revenue
- Improved installation margins
- Benefits from sourcing, productivity and restructuring initiatives

//Orders growth of 3% year over year, excluding impact of foreign currency

- Products +11%, Service +4% and Installation (2%)

//Record-high backlog of \$5.3 billion increased 3% on a quarter sequential basis, excluding impact of foreign currency



*Organic revenue, segment operating margin and earnings per share before special items are non-GAAP measures. For a reconciliation to the most comparable GAAP measures, please see Appendix.

**Normalized third quarter 2012 results adjust for dis-synergies associated with the separation of the commercial security operations in North America from ADT. See Non-GAAP reconciliation.

// Third Quarter – NA Installation & Services

(\$ in millions)

	Q3FY13	Q3FY12	Change
Revenue	\$966	\$1,005	(4%)
Operating Income*	\$117	\$123	(5%)
Operating Margin*	12.1%	12.2%	(10bps)

// Organic revenue* declined 3% year over year

- Service was up 2%
- Installation declined 8%

// Operating margin increased 120bps sequentially and 80bps year over year on a normalized** basis

- Greater contribution of higher margin service revenue
- Improved margins in installation
- Sourcing and productivity savings

// Order activity in line with expectations, overall decline of 8% year over year, excluding currency

- Service orders were up 2%
- Install orders down 17%, driven by tough compare with 20% growth rate in prior year

// Backlog of \$2.5 billion increased 1% on a quarter sequential basis, excluding the impact of foreign currency

- Nice improvement in security installation backlog margin



*Organic revenue, operating income and operating margin before special items are non-GAAP measures. For a reconciliation to the most comparable GAAP measures, please see Appendix.

**Normalized third quarter 2012 results adjust for dis-synergies associated with the separation of the commercial security operations in North America from ADT. See Non-GAAP reconciliation.

// Third Quarter – ROW Installation & Services

(\$ in millions)

	Q3FY13	Q3FY12	Change
Revenue	\$1,112	\$1,087	2%
Operating Income*	\$139	\$133	5%
Operating Margin*	12.5%	12.2%	30bps

// Organic revenue* increased 2%

- Service grew 4%
- Installation declined 1%

// 2% benefit from acquisitions mostly offset by charges in foreign currency exchange rates

// Orders increased 9% year over year, excluding currency

- Service orders were up 5%
- Installation orders increased 15%

// Record backlog of \$2.6 billion increased 3% on a quarter sequential basis, excluding impact of foreign currency

// Operating margin improved 150bps sequentially and 30bps year over year

- Better mix
- Benefits of productivity and restructuring initiatives, more than offset incremental investments

// Third Quarter – Global Products

(\$ in millions)	Q3FY13	Q3FY12	Change
Revenue	\$600	\$563	7%
Operating Income*	\$119	\$113	5%
Operating Margin*	19.8%	20.1%	(30bps)

// Organic revenue* grew 5% with growth across all three product platforms

// Operating margin better than expected due to productivity gains

// Orders increased 11% year over year, excluding impact of foreign currency

- Three percentage points of order increase resulted from last chance order opportunity in Scott Safety business related to replacement products in anticipation of new NFPA standards

// Operating margin year over year declined 30bps

- Prior year included higher mix of high-hazard, high-performance products to mining and oil & gas end markets

// Operating margin improved 300 bps on quarter sequential basis

// Other Items

// Corporate expense before special items was \$62 million in the quarter

- **Outlook:** Expect Corporate expense for Q4 to be ~\$65 million

// Tax rate excluding special items was 18.4% for the quarter

- **Outlook:** Expect Q4 tax rate to be ~20%

// Repurchased 3.1 million shares for \$100 million; YTD repurchased \$300 million of shares

- \$500 million available under existing authorization

// Weighted average share count of 471 million for the quarter

- **Outlook:** Expect Q4 and full year weighted average share count of ~472 million shares

Appendix

TYCO INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(Unaudited)

	Quarters Ended		Nine Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Revenue from product sales	\$ 1,508	\$ 1,512	\$ 4,388	\$ 4,288
Service revenue	1,170	1,143	3,498	3,387
Net revenue	2,678	2,655	7,886	7,675
Cost of product sales	1,023	1,024	3,024	2,926
Cost of services	672	661	2,012	1,972
Selling, general and administrative expenses	737	829	2,209	2,166
Separation costs	4	6	9	10
Restructuring and asset impairment charges, net	53	17	85	69
Operating income	189	118	547	532
Interest income	6	5	14	14
Interest expense	(26)	(59)	(75)	(176)
Other (expense) income, net	(1)	1	(30)	(1)
Income from continuing operations before income taxes	168	65	456	369
Income tax (expense) benefit	(30)	6	(73)	(54)
Equity loss in earnings of unconsolidated subsidiaries	(6)	(7)	(18)	(19)
Income from continuing operations	132	64	365	296
Income from discontinued operations, net of income taxes	3	181	5	594
Net income	135	245	370	890
Less: noncontrolling interest in subsidiaries net income	-	(1)	-	(1)
Net income attributable to Tyco common shareholders	\$ 135	\$ 246	\$ 370	\$ 891
Amounts attributable to Tyco common shareholders:				
Income from continuing operations	\$ 132	\$ 65	\$ 365	\$ 297
Income from discontinued operations	3	181	5	594
Net income attributable to Tyco common shareholders	<u>\$ 135</u>	<u>\$ 246</u>	<u>\$ 370</u>	<u>\$ 891</u>
Basic earnings per share attributable to Tyco common shareholders:				
Income from continuing operations	\$ 0.29	\$ 0.14	\$ 0.79	\$ 0.64
Income from discontinued operations	-	0.39	0.01	1.29
Net income attributable to Tyco common shareholders	<u>\$ 0.29</u>	<u>\$ 0.53</u>	<u>\$ 0.80</u>	<u>\$ 1.93</u>
Diluted earnings per share attributable to Tyco common shareholders:				
Income from continuing operations	\$ 0.28	\$ 0.14	\$ 0.77	\$ 0.63
Income from discontinued operations	-	0.38	0.01	1.27
Net income attributable to Tyco common shareholders	<u>\$ 0.28</u>	<u>\$ 0.52</u>	<u>\$ 0.78</u>	<u>\$ 1.90</u>
Weighted-average number of shares outstanding:				
Basic	463	463	465	463
Diluted	471	470	473	469

Note: These financial statements should be read in conjunction with the Consolidated Financial Statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2012 and Quarterly Report on Form 10-Q for the quarter ended March 29, 2013.

TYCO INTERNATIONAL LTD.
RESULTS OF SEGMENTS
(in millions)
(Unaudited)

	Quarters Ended		Nine Months Ended		
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012	
Net Revenue					
NA Installation & Services	\$ 966	\$ 1,005	\$ 2,895	\$ 2,920	
ROW Installation & Services	1,112	1,087	3,279	3,213	
Global Products	600	563	1,712	1,542	
Total Net Revenue	<u>\$ 2,678</u>	<u>\$ 2,655</u>	<u>\$ 7,886</u>	<u>\$ 7,675</u>	
Operating Income and Margin					
NA Installation & Services	\$ 88	9.1% \$ 94	9.4% \$ 275	9.5% \$ 265	9.1%
ROW Installation & Services	104	9.4% 118	10.9% 323	9.9% 333	10.4%
Global Products	114	19.0% 98	17.4% 188	11.0% 265	17.2%
Corporate and Other	(117)	N/M (192)	N/M (239)	N/M (331)	N/M
Operating Income and Margin	<u>\$ 189</u>	7.1% <u>\$ 118</u>	4.4% <u>\$ 547</u>	6.9% <u>\$ 532</u>	6.9%

TYCO INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS
(in millions)
(Unaudited)

	<u>June 28, 2013</u>	<u>September 28, 2012</u>
Assets		
Cash and cash equivalents	\$ 455	\$ 844
Accounts receivable, net	1,678	1,696
Inventories	685	634
Prepaid expenses and other current assets	854	884
Deferred income taxes	295	295
Total current assets	<u>3,967</u>	<u>4,353</u>
Property, plant and equipment, net	1,640	1,670
Goodwill	4,322	4,367
Intangible assets, net	716	771
Other assets	1,225	1,204
Total Assets	<u>\$ 11,870</u>	<u>\$ 12,365</u>
Liabilities and Equity		
Loans payable and current maturities of long-term debt	\$ 19	\$ 10
Accounts payable	831	897
Accrued and other current liabilities	1,873	1,788
Deferred revenue	417	402
Total current liabilities	<u>3,140</u>	<u>3,097</u>
Long-term debt	1,462	1,481
Deferred revenue	396	424
Other liabilities	2,138	2,341
Total Liabilities	<u>7,136</u>	<u>7,343</u>
Redeemable noncontrolling interest	12	12
Total Tyco shareholders' equity	4,707	4,994
Nonredeemable noncontrolling interest	15	16
Total Equity	<u>4,722</u>	<u>5,010</u>
Total Liabilities, Redeemable Noncontrolling Interest and Equity	<u>\$ 11,870</u>	<u>\$ 12,365</u>

Note: These financial statements should be read in conjunction with the Consolidated Financial Statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2012 and Quarterly Report on Form 10-Q for the quarter ended March 29, 2013.

TYCO INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	For the Quarters Ended		For the Nine Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Cash Flows From Operating Activities:				
Net income attributable to Tyco common shareholders	\$ 135	\$ 246	\$ 370	\$ 891
Noncontrolling interest in subsidiaries net income	-	(1)	-	(1)
Income from discontinued operations, net of income taxes	(3)	(181)	(5)	(594)
Income from continuing operations	132	64	365	296
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	106	107	318	313
Non-cash compensation expense	16	23	47	65
Deferred income taxes	(7)	(47)	(52)	(60)
Provision for losses on accounts receivable and inventory	16	14	54	38
Loss on divestitures	4	9	10	12
Other non-cash items	53	22	104	85
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:				
Accounts receivable, net	(47)	(78)	(44)	(66)
Contracts in progress	-	(38)	(13)	(54)
Inventories	(41)	(16)	(74)	(74)
Prepaid expenses and other current assets	38	(114)	69	(137)
Accounts payable	50	51	(56)	23
Accrued and other liabilities	(28)	181	(220)	(49)
Deferred revenue	(6)	(1)	1	23
Other	(21)	93	(37)	61
Net cash provided by operating activities	265	270	472	476
Net cash provided by discontinued operating activities	3	506	5	1,354
Cash Flows From Investing Activities:				
Capital expenditures	(92)	(111)	(284)	(296)
Proceeds from disposal of assets	-	2	4	4
Acquisition of businesses, net of cash acquired	(37)	(12)	(75)	(217)
Acquisition of dealer generated customer accounts and bulk account purchases	(5)	(5)	(17)	(18)
Sales and maturities of investments	64	32	103	115
Purchases of investments	(63)	(27)	(182)	(70)
Other	12	(2)	6	16
Net cash used in investing activities	(121)	(123)	(445)	(466)
Net cash used in discontinued investing activities	-	(327)	-	(893)
Cash Flows From Financing Activities:				
Proceeds from issuance of short-term debt	280	344	380	1,224
Repayment of debt	(290)	(345)	(391)	(1,225)
Proceeds from exercise of share options	31	52	125	140
Dividends paid	(74)	(115)	(214)	(346)
Repurchase of common shares by treasury	(100)	(200)	(300)	(500)
Transfer from discontinued operations	65	228	35	422
Other	(18)	(3)	(35)	(22)
Net cash used in financing activities	(106)	(39)	(400)	(307)
Net cash used in discontinued financing activities	(65)	(229)	(35)	(425)
Effect of currency translation on cash	(13)	(20)	(16)	(10)
Effect of currency translation on cash related to discontinued operations	-	(6)	-	(1)
Net (decrease) increase in cash and cash equivalents	(37)	32	(419)	(272)
Less: Net (decrease) increase in cash and cash equivalents related to discontinued operations	(62)	(56)	(30)	35
Cash and cash equivalents at beginning of period	430	834	844	1,229
Cash and cash equivalents at end of period	455	922	455	922
Reconciliation to "Free Cash Flow":				
Net cash provided by operating activities	\$ 265	\$ 270	\$ 472	\$ 476
Capital expenditures, net	(92)	(109)	(280)	(292)
Acquisition of dealer generated customer accounts and bulk account purchases	(5)	(5)	(17)	(18)
Purchase accounting and holdback liabilities	(1)	(1)	(7)	(2)
Free Cash Flow	\$ 167	\$ 155	\$ 168	\$ 164
Reconciliation to "Adjusted Free Cash Flow":				
Free Cash Flow	\$ 167	\$ 155	\$ 168	\$ 164
Cash restructuring and repositioning costs	20	20	64	65
Cash payment / (receipt) from Covidien/TE Connectivity	16	(4)	11	13
Cash acquisition / integration Costs	-	-	-	2
Legal settlements	13	-	26	-
Separation costs, including capital expenditures and taxes	20	5	168	5
Net asbestos (recoveries) / payments	26	-	(24)	-
Environmental remediation payments	11	1	24	3
Adjusted Free Cash Flow	\$ 273	\$ 177	\$ 437	\$ 252

NOTE: Free cash flow is a non-GAAP measure. See description of non-GAAP measures contained in this release.

Tyco International Ltd.
Organic Growth Reconciliation - Revenue
(in millions)

Quarter Ended June 28, 2013

	Net Revenue for the Quarter Ended June 29, 2012	Base Year Adjustments		Adjusted 2012 Base Revenue	Foreign Currency	Acquisitions	Other (2)	Organic Revenue (1)		Net Revenue for the Quarter Ended June 28, 2013
		Divestitures / Other (3)								
NA Installation and Services	\$ 1,005	\$ (11) -1.1%		\$ 994	\$ (2) -0.2%	\$ 1 0.1%	\$ - 0.0%	\$ (27) -2.7%		\$ 966 -3.9%
ROW Installation and Services	1,087	- 0.0%		1,087	(13) -1.2%	20 1.8%	- 0.0%	18 1.7%		1,112 2.3%
Global Products	563	1 0.2%		564	(1) -0.2%	- 0.0%	11 2.0%	26 4.6%		600 6.6%
Total Net Revenue	\$ 2,655	\$ (10) -0.4%		\$ 2,645	\$ (16) -0.6%	\$ 21 0.8%	\$ 11 0.4%	\$ 17 0.6%		\$ 2,678 0.9%

(1) Organic revenue growth percentage based on adjusted 2012 base revenue.

(2) Amount represents contractual revenue from ADT under the 2012 Separation and Distribution Agreement which is excluded from the organic revenue calculation.

(3) Amounts include the transfer of a business from NA Installation and Services to Global Products.

Nine Months Ended June 28, 2013

	Net Revenue for the Nine Months Ended June 29, 2012	Base Year Adjustments		Adjusted 2012 Base Revenue	Foreign Currency	Acquisitions	Other (2)	Organic Revenue (1)		Net Revenue for the Nine Months Ended June 28, 2013
		Divestitures / Other (3)								
NA Installation and Services	\$ 2,920	\$ (11) -0.4%		\$ 2,909	\$ 2 0.1%	\$ 5 0.2%	\$ - 0.0%	\$ (21) -0.7%		\$ 2,895 -0.9%
ROW Installation and Services	3,213	(10) -0.3%		3,203	(20) -0.6%	66 2.1%	- 0.0%	30 0.9%		3,279 2.1%
Global Products	1,542	1 0.1%		1,543	1 0.1%	54 3.5%	28 1.8%	86 5.6%		1,712 11.0%
Total Net Revenue	\$ 7,675	\$ (20) -0.3%		\$ 7,655	\$ (17) -0.2%	\$ 125 1.6%	\$ 28 0.4%	\$ 95 1.2%		\$ 7,886 2.7%

(1) Organic revenue growth percentage based on adjusted 2012 base revenue.

(2) Amount represents contractual revenue from ADT under the 2012 Separation and Distribution Agreement which is excluded from the organic revenue calculation.

(3) Amounts include the transfer of a business from NA Installation and Services to Global Products.

Earnings Per Share Summary (Unaudited)

	<u>June 28, 2013</u>	<u>June 29, 2012</u>
Diluted EPS from Continuing Operations Attributable to Tyco Shareholders (GAAP)	\$0.28	\$0.14
<i>expense / (benefit)</i>		
Restructuring and repositioning activities	0.10	0.03
Separation costs included in SG&A	0.04	-
(Gains) / losses on divestitures, net	-	0.02
Acquisition / integration costs	-	0.01
Change in valuation methodology for asbestos	0.03	0.14
Environmental remediation	-	0.01
Legacy legal items	0.04	0.04
Separation costs	0.01	0.01
Tax items	-	0.07
Total Before Special Items	\$0.50	\$0.47

Anticipated dis-synergies in NA I&S segment	(0.01)
Corporate expense from \$64M to expected \$56M	0.01
Net interest expense from \$54M to expected \$25M	0.05
Effective tax rate from 9.1% to expected 19.5%	(0.05)
Q3 FY12 "Normalized" EPS	\$0.47

Represents
forecast
amounts for

Tyco International Ltd.
For the Quarter Ended June 28, 2013
(In millions, except per share data)
(Unaudited)
expense / (benefit)

Segments	NA Installation & Service	ROW Installation & Service	Global Products	Segment Revenue	Corporate and Other	Total Revenue
Revenue (GAAP)	\$966	\$1,112	\$600	\$2,678	-	\$2,678

	Operating Income									Total Operating Income	Margin	Interest (Expense), net	Other (Expense), net	Income Tax (Expense)	Equity in earnings of unconsolidated subsidiaries	Income from Continuing Operations Attributable to Tyco Shareholders	Diluted EPS from Continuing Operations Attributable to Tyco Shareholders	
	NA Installation & Service	Margin	ROW Installation & Service	Margin	Global Products	Margin	Segment Operating Income	Margin	Corporate and Other									Margin
Operating Income (GAAP)	\$88	9.1%	\$104	9.4%	\$114	19.0%	\$306	11.4%	(\$117)	N/M	\$189	7.1%	(\$20)	(\$1)	(\$30)	(\$6)	\$132	\$0.28
Restructuring and repositioning activities	16		34		5		55		3		58				(11)		47	0.10
Separation costs included in SG&A	12						12		6		18				(3)		15	0.04
(Gains) / losses on divestitures, net	1						1		3		4				(2)		2	-
Acquisition / integration costs			1				1				1						1	-
Asbestos									12		12				(1)		11	0.03
Legacy legal items									27		27				(9)		18	0.04
Separation costs									4		4						4	0.01
Tax items															2		2	-
2012 Tax Sharing Agreement														1			1	-
Total Before Special Items	\$117	12.1%	\$139	12.5%	\$119	19.8%	\$375	14.0%	(\$62)	N/M	\$313	11.7%	(\$20)	-	(\$54)	(\$6)	\$233	\$0.50

Diluted Shares Outstanding	471
Diluted Shares Outstanding - Before Special Items	471

Tyco International Ltd.

For the Quarter Ended June 29, 2012

(in millions, except per share data)

(Unaudited)
expense / (benefit)

Segments																			
	NA Installation & Service		ROW Installation & Service		Global Products		Segment Revenue	Corporate and Other			Total Revenue								
Revenue (GAAP)	\$1,005		\$1,087		\$563		\$2,655				\$2,655								
Operating Income																			
	NA Installation & Service	Margin	ROW Installation & Service	Margin	Global Products	Margin	Segment Operating Income	Margin	Corporate and Other	Margin	Total Operating Income	Margin	Interest (Expense), net	Other (Expense), net	Income Tax (Expense)	Equity loss in earnings of unconsolidated subsidiary	Noncontrolling Interest (Expense)	Income from Continuing Operations Attributable to Tyco Shareholders	Diluted EPS from Continuing Operations Attributable to Tyco Shareholders
Operating Income (GAAP)	\$94	9.4%	\$118	10.9%	\$98	17.4%	\$310	11.7%	(\$192)	N/M	\$118	4.4%	(\$54)	\$1	\$6	(\$7)	\$1	\$65	\$0.14
Restructuring, net			12		1		13		4		17				(4)			13	0.03
Separation costs included in SG&A									1		1				(1)			-	-
(Gains) / losses on divestitures, net									9		9							9	0.02
Acquisition / integration costs			3		1		4				4				(1)			3	0.01
Change in valuation methodology for asbestos									108		108				(41)			67	0.14
Environmental remediation					13		13				13				(5)			8	0.01
Legacy legal items	29						29				29				(12)			17	0.04
Tax items															35			35	0.07
Separation costs									6		6							6	0.01
Total Before Special Items	\$123	12.2%	\$133	12.2%	\$113	20.1%	\$369	13.9%	(\$64)	N/M	\$305	11.5%	(\$54)	\$1	(\$23)	(\$7)	\$1	\$23	\$0.47
Anticipated dis-synergies in NA I&S segment	(9)						(9)												
Q3FY12 Normalized	\$114	11.3%	\$133	12.2%	\$113	20.1%	\$360	13.6%											

Note: This period has been recast to present environmental remediation charges as a special item.

Diluted Shares Outstanding	470
Diluted Shares Outstanding - Before Special Items	470

// Non-GAAP Measures

Organic revenue, free cash flow (outflow) (FCF), and income from continuing operations, earnings per share (EPS) from continuing operations, operating income and segment operating income, and normalized EPS, in each case “before special items,” are non-GAAP measures and should not be considered replacements for GAAP results.

Organic revenue is a useful measure used by the company to measure the underlying results and trends in the business. The difference between reported net revenue (the most comparable GAAP measure) and organic revenue (the non-GAAP measure) consists of the impact from foreign currency, acquisitions and divestitures, and other changes that either do not reflect the underlying results and trends of the Company’s businesses or are not completely under management’s control. There are limitations associated with organic revenue, such as the fact that, as presented herein, the metric may not be comparable to similarly titled measures reported by other companies. These limitations are best addressed by using organic revenue in combination with the GAAP numbers. Organic revenue may be used as a component in the company’s incentive compensation plans.

FCF is a useful measure of the company’s cash that permits management and investors to gain insight into the number that management employs to measure cash that is free from any significant existing obligation and is available to service debt and make investments. The difference between Cash Flows from Operating Activities (the most comparable GAAP measure) and FCF (the non-GAAP measure) consists mainly of significant cash flows that the company believes are useful to identify. It, or a measure that is based on it, may be used as a component in the company’s incentive compensation plans. The difference reflects the impact from:

- *net capital expenditures,*
- *dealer generated accounts and bulk accounts purchased,*
- *cash paid for purchase accounting and holdback liabilities, and*
- *voluntary pension contributions.*

Capital expenditures and dealer generated and bulk accounts purchased are subtracted because they represent long-term investments that are required for normal business activities. Cash paid for purchase accounting and holdback liabilities is subtracted because these cash outflows are not available for general corporate uses. Voluntary pension contributions are added because this activity is driven by economic financing decisions rather than operating activity. In addition, from time to time the company may present adjusted free cash flow, which is free cash flow, adjusted to exclude the cash impact of the special items highlighted below. This number provides information to investors regarding the cash impact of certain items management believes are useful to identify, as described below.

// Non-GAAP Measures Continued

The limitation associated with using these cash flow metrics is that they adjust for cash items that are ultimately within management's and the Board of Directors' discretion to direct and therefore may imply that there is less or more cash that is available for the company's programs than the most comparable GAAP measure. Furthermore, these non-GAAP metrics may not be comparable to similarly titled measures reported by other companies. These limitations are best addressed by using FCF in combination with the GAAP cash flow numbers.

The company has presented its income and EPS from continuing operations, operating income and segment operating income before special items. Special items include charges and gains related to divestitures, acquisitions, restructurings, impairments, certain changes to accounting methodologies, legacy legal and tax charges and other income or charges that may mask the underlying operating results and/or business trends of the company or business segment, as applicable. The company utilizes these measures to assess overall operating performance and segment level core operating performance, as well as to provide insight to management in evaluating overall and segment operating plan execution and underlying market conditions. The Company also presents its effective tax rate as adjusted for special items for consistency, and presents corporate expense excluding special items. One or more of these measures may be used as components in the company's incentive compensation plans. These measures are useful for investors because they may permit more meaningful comparisons of the company's underlying operating results and business trends between periods. The difference between income and EPS from continuing operations before special items and income and EPS from continuing operations (the most comparable GAAP measures) consists of the impact of the special items noted above on the applicable GAAP measure. The limitation of these measures is that they exclude the impact (which may be material) of items that increase or decrease the company's reported GAAP metrics, and these non-GAAP metrics may not be comparable to similarly titled measures reported by other companies. These limitations are best addressed by using the non-GAAP measures in combination with the most comparable GAAP measures in order to better understand the amounts, character and impact of any increase or decrease on reported results.

The company provides general corporate services to its segments and those costs are reported in the "Corporate and Other" segment. This segment's operating income (loss) is presented as "Corporate Expense." Segment Operating Income represents Tyco's operating income excluding the Corporate and Other segment, and reflects the results of Tyco's three operating segments. Segment Operating Income before special items reflects GAAP operating income adjusted for the special items noted in the paragraph above.

In order to provide a more meaningful comparison of fiscal 2013 results to fiscal 2012 results, normalized EPS before special items is presented. Normalized EPS adjusts fiscal 2012 GAAP results by replacing the GAAP interest and corporate expenses reported for fiscal 2012 (on a pre-separation basis) with the interest and corporate expenses expected to be incurred in fiscal 2013 (on a post-separation basis). Normalized EPS before special items further adjusts normalized EPS for the special items described above.

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