



Second Quarter Review

25 / April / 2014

tyco

// Forward-Looking Statements / Safe Harbor

This presentation contains a number of forward-looking statements. In many cases forward-looking statements are identified by words, and variations of words, such as "anticipate", "estimate", "believe", "commit", "continue", "could", "intend", "may", "plan", "potential", "predict", "positioned", "should", "will", "expect", "objective", "projection", "forecast", "goal", "guidance", "outlook", "effort", "target", and other similar words. However, the absence of these words does not mean the statements are not forward-looking. 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 other projections, earnings and Tyco's credit profile, capital allocation priorities and other capital market related activities, and statements regarding Tyco's acquisition, divestiture, restructuring and other productivity initiatives. 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. Tyco is under no obligation (and expressly disclaims any obligation) to update its forward-looking statements. More detailed information about these and other factors is set forth in Tyco's Annual Report on Form 10-K for the fiscal year ended Sept. 27, 2013 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.

// Continuing To Make Progress Towards Our 2015 Goals

// Strong quarter of earnings per share growth

- Starting to see a modest uplift in the top line – installation revenue turned positive for the first time in 6 quarters
- Segment operating margin continues to expand nicely

// Announced divestiture of ADT Korea on track to close in the fiscal third quarter

- Transaction valued at \$1.93 billion
- ADT Korea financial results reflected as discontinued operations for all periods

// Closed previously announced sale of remaining interest in Atkore International, for \$250 million

// Board of Directors approved additional share repurchase authorization of \$1.75 billion, for a total authorization of \$2.0 billion

Committed To Three Year 15% EPS CAGR Through 2015

// Second Quarter Highlights

// Revenue of \$2.5 billion increases 0.5% year over year

- Organic revenue* growth of 2% - Products +2%, Service +1.5% and Installation +1%
- Acquisition growth of 2% was more than offset by the impact of divestitures and changes in foreign currency exchange rates

// Segment operating margin before special items* improved 170 basis points, year over year to 13.5%

- Includes \$21 million insurance recovery in ROW I&S related to improper recording of revenue in China, disclosed in Q4 2012
- Adjusting for insurance recovery, segment operating margin increased 80 basis points

// Earnings per share before special items* increased 8 cents or 22%, year over year

- Consisted of \$0.05 contribution from operations and \$0.04 contribution from the insurance recovery, partially offset by \$0.01 headwind related to changes in foreign currency exchange rates



* 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.

// Second Quarter Highlights Continued

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

- Products +9% , Service +3% and Installation remained flat
- Lumpiness of large orders impacted install order growth by 4 percentage points year over year

// Backlog of \$5.0 billion increased 6% year over year, and 3% on a quarter sequential basis, excluding impact of foreign currency

// Q2 2014 Results – Financial Overview

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

(\$ in millions)	Q2FY14	Q2FY13	Change
Revenue	\$2,487	\$2,474	0.5%
Segment Operating Income before special items *	\$335	\$292	15%
Segment Operating Margin before special items*	13.5%	11.8%	+170bps
Corporate Expense before special items*	\$54	\$53	+2%
Tax Rate before special items*	16.9%	17.5%	
EPS from Cont. Ops. before special items*	\$0.45	\$0.37	22%

Strong Operational Quarter



* 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.

// Second Quarter – NA Installation & Services

(\$ in millions)	Q2FY14	Q2FY13	Change
Revenue	\$939	\$953	(1%)
Operating Income*	\$117	\$104	13%
Operating Margin*	12.5%	10.9%	160bps

// Orders consistent year over year, excluding currency

- Service orders were up 3%
- Install orders declined 3%
- Install orders increased on a quarter sequential basis

// Backlog of \$2.4 billion increased 2% on a quarter sequential basis, excluding the impact of foreign currency

- Flat year over year
- Security installation backlog margin up about 120 bps over last year

// Organic revenue* up 1% year over year

- Service grew 2%
- Installation declined 1%

// Operating margin* increased 160 bps year over year

- Greater mix of service revenue
- Improved installation margin
- Productivity savings

// Second Quarter – ROW Installation & Services

(\$ in millions)	Q2FY14	Q2FY13	Change
Revenue	\$943	\$943	-
Operating Income*	\$109	\$91	20%
Operating Margin*	11.6%	9.7%	190bps

// Orders increased 3.5% year over year, excluding currency

- Service orders were up 4%
- Installation orders were up 3%

// Backlog of \$2.3 billion increased 4% on a quarter sequential basis, excluding impact of foreign currency

- Up 11% year over year

// Organic revenue* increased 2%

- Service grew 1%
- Installation grew 3%

// A 4% benefit from acquisitions was more than offset by divestitures and changes in foreign currency exchange rates

// Operating margin* increased 190 bps year over year

- \$21 million insurance recovery
- Softness in Australia
- Incremental investments in our Growth Markets

// Second Quarter – Global Products

(\$ in millions)	Q2FY14	Q2FY13	Change
Revenue	\$605	\$578	5%
Operating Income*	\$109	\$97	12%
Operating Margin*	18.0%	16.8%	120bps

// Scott Safety business received notification in late March of approval for Air-Pak X3

- Existing backlog of X3 inventory expected to ship in the fiscal third quarter

// Orders increased 9% year over year, excluding impact of foreign currency

// Organic revenue* increased 2%

- Delay in new standards implementation impacted organic revenue growth by three percentage points

// Acquisitions contributed three percentage points of growth

// Operating margin* improved 120 bps year over year

- Driven by increased revenues, greater mix of higher margin products, and productivity benefits
- Includes 30 bps headwind related to non-cash purchase accounting

// Other Items

//Corporate expense before special items was \$54 million in the quarter

- **Outlook:** Expect Q3 fiscal 2014 corporate expense before special items to be slightly higher; expect full year corporate expense to be ~\$225 million

//Net interest expense was \$22 million in the quarter

- **Outlook:** Expect full year net interest expense to be ~\$85 million

//Tax rate excluding special items was 16.9% for the quarter

- **Outlook:** Expect Q3 and full year tax rate before special items to be ~ 18%

//Weighted average share count of 469 million shares for the quarter

- **Outlook:** Expected weighted average share count of 466 million shares for Q3 and 465 million shares for full year

Appendix

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

	Quarters Ended		Six Months Ended	
	March 28, 2014	March 29, 2013	March 28, 2014	March 29, 2013
Revenue from product sales	\$ 1,470	\$ 1,424	\$ 2,947	\$ 2,854
Service revenue	1,017	1,050	2,042	2,091
Net revenue	2,487	2,474	4,989	4,945
Cost of product sales	1,015	983	2,022	1,975
Cost of services	577	608	1,153	1,207
Selling, general and administrative expenses	639	766	1,213	1,422
Separation costs	1	—	1	5
Restructuring and asset impairment charges, net	7	22	10	29
Operating income	248	95	590	307
Interest income	3	3	6	7
Interest expense	(25)	(25)	(49)	(49)
Other expense, net	(1)	(20)	(2)	(29)
Income from continuing operations before income taxes	225	53	545	236
Income tax (expense) benefit	(37)	2	(107)	(33)
Equity loss in earnings of unconsolidated subsidiaries	(5)	(6)	(9)	(12)
Income from continuing operations	183	49	429	191
Income from discontinued operations, net of income taxes	24	21	50	44
Net income	207	70	479	235
Less: noncontrolling interest in subsidiaries net (loss) income	—	(2)	2	—
Net income attributable to Tyco common shareholders	\$ 207	\$ 72	\$ 477	\$ 235
Amounts attributable to Tyco common shareholders:				
Income from continuing operations	\$ 183	\$ 51	\$ 427	\$ 191
Income from discontinued operations	24	21	50	44
Net income attributable to Tyco common shareholders	\$ 207	\$ 72	\$ 477	\$ 235
Basic earnings per share attributable to Tyco common shareholders:				
Income from continuing operations	\$ 0.40	\$ 0.11	\$ 0.92	\$ 0.41
Income from discontinued operations	0.05	0.05	0.11	0.09
Net income attributable to Tyco common shareholders	\$ 0.45	\$ 0.16	\$ 1.03	\$ 0.50
Diluted earnings per share attributable to Tyco common shareholders:				
Income from continuing operations	\$ 0.39	\$ 0.11	\$ 0.91	\$ 0.40
Income from discontinued operations	0.05	0.05	0.10	0.09
Net income attributable to Tyco common shareholders	\$ 0.44	\$ 0.16	\$ 1.01	\$ 0.49
Weighted average number of shares outstanding:				
Basic	461	466	462	466
Diluted	469	474	470	473

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 27, 2013 and Quarterly Report on Form 10-Q for the quarter ended December 27, 2013.

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

	Quarters Ended		Six Months Ended	
	March 28, 2014	March 29, 2013	March 28, 2014	March 29, 2013
Net Revenue				
NA Installation & Services	\$ 939	\$ 953	\$ 1,896	\$ 1,929
ROW Installation & Services	943	943	1,923	1,904
Global Products	605	578	1,170	1,112
Total Net Revenue	\$ 2,487	\$ 2,474	\$ 4,989	\$ 4,945
Operating Income and Margin				
NA Installation & Services	\$ 99 10.5 %	\$ 79 8.3 %	\$ 216 11.4 %	\$ 187 9.7 %
ROW Installation & Services	103 10.9 %	77 8.2 %	196 10.2 %	168 8.8 %
Global Products	107 17.7 %	— — %	193 16.5 %	74 6.7 %
Corporate and Other	(61) N/M	(61) N/M	(15) N/M	(122) N/M
Operating Income and Margin	\$ 248 10.0 %	\$ 95 3.8 %	\$ 590 11.8 %	\$ 307 6.2 %

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

	<u>March 28, 2014</u>	<u>September 27, 2013</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 495	\$ 563
Accounts receivable, net	1,674	1,718
Inventories	661	647
Prepaid expenses and other current assets	854	850
Deferred income taxes	250	250
Assets held for sale	839	828
Total Current Assets	<u>4,773</u>	<u>4,856</u>
Property, plant and equipment, net	1,269	1,285
Goodwill	4,176	4,163
Intangible assets, net	773	791
Other assets	944	1,081
Total Assets	<u>\$ 11,935</u>	<u>\$ 12,176</u>
Liabilities and Equity		
Current Liabilities:		
Loans payable and current maturities of long-term debt	\$ 20	\$ 20
Accounts payable	783	851
Accrued and other current liabilities	1,962	1,859
Deferred revenue	420	394
Liabilities held for sale	221	225
Total Current Liabilities	<u>3,406</u>	<u>3,349</u>
Long-term debt	1,442	1,443
Deferred revenue	352	370
Other liabilities	1,667	1,881
Total Liabilities	<u>6,867</u>	<u>7,043</u>
Redeemable noncontrolling interest	12	12
Total Tyco shareholders' equity	5,031	5,098
Nonredeemable noncontrolling interest	25	23
Total Equity	<u>5,056</u>	<u>5,121</u>
Total Liabilities, Redeemable Noncontrolling Interest and Equity	<u>\$ 11,935</u>	<u>\$ 12,176</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 27, 2013 and Quarterly Report on Form 10-Q for the quarter ended December 27, 2013.

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

	For the Quarters Ended		For the Six Months Ended	
	March 28, 2014	March 29, 2013	March 28, 2014	March 29, 2013
Cash Flows From Operating Activities:				
Net income attributable to Tyco common shareholders	\$ 207	72	477	235
Noncontrolling interest in subsidiaries net income	—	(2)	2	—
Income from discontinued operations, net of income taxes	(24)	(21)	(50)	(44)
Income from continuing operations	183	49	429	191
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	87	95	181	189
Non-cash compensation expense	16	17	31	31
Deferred income taxes	5	(55)	56	(45)
Provision for losses on accounts receivable and inventory	14	19	24	36
Legacy legal matters	—	—	(92)	—
Income (loss) on divestitures	1	9	(2)	6
Other non-cash items	9	33	19	33
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:				
Accounts receivable, net	16	11	35	6
Contracts in progress	(15)	(11)	(1)	(13)
Inventories	7	(5)	(24)	(33)
Prepaid expenses and other current assets	25	(1)	(29)	34
Accounts payable	(8)	(41)	(48)	(87)
Accrued and other liabilities	(116)	37	(222)	(195)
Deferred revenue	51	52	11	5
Other	(13)	(14)	(13)	(12)
Net cash provided by operating activities	262	195	355	146
Net cash provided by discontinued operating activities	58	49	88	63
Cash Flows From Investing Activities:				
Capital expenditures	(72)	(76)	(135)	(140)
Proceeds from disposal of assets	2	1	6	4
Acquisition of businesses, net of cash acquired	—	(15)	(54)	(38)
Acquisition of dealer generated customer accounts and bulk account purchases	(5)	(5)	(16)	(10)
Sales and maturities of investments	29	28	141	39
Purchases of investments	(8)	(28)	(40)	(119)
Other	—	(14)	6	(6)
Net cash used in investing activities	(54)	(109)	(92)	(270)
Net cash used in discontinued investing activities	(28)	(27)	(57)	(54)
Cash Flows From Financing Activities:				
Proceeds from issuance of short-term debt	405	100	715	100
Repayment of short-term debt	(565)	(101)	(715)	(101)
Proceeds from exercise of share options	22	48	62	94
Dividends paid	(74)	(70)	(148)	(140)
Repurchase of common shares by treasury	—	(150)	(250)	(200)
Transfer from (to) discontinued operations	30	23	31	(23)
Other	(1)	(1)	(10)	(17)
Net cash used in financing activities	(183)	(151)	(315)	(287)
Net cash (used in) provided by discontinued financing activities	(30)	(23)	(31)	23
Effect of currency translation on cash	(9)	(6)	(16)	(3)
Net decrease in cash and cash equivalents	16	(72)	(68)	(382)
Less: net increase in cash and cash equivalents related to discontinued operations	—	(1)	—	32
Cash and cash equivalents at beginning of period	479	501	563	844
Cash and cash equivalents at end of period	\$ 495	\$ 430	\$ 495	\$ 430

Reconciliation to "Free Cash Flow":

Net cash provided by (used in) operating activities	\$	262	\$	195	\$	355	\$	146
Capital expenditures, net		(70)		(75)		(129)		(136)
Acquisition of dealer generated customer accounts and bulk account purchases		(5)		(5)		(16)		(10)
Purchase accounting and holdback liabilities		—		(5)		—		(6)
Free Cash Flow	\$	187	\$	110	\$	210	\$	(6)

Reconciliation to "Adjusted Free Cash Flow":

CIT settlement	\$	43	\$	—	\$	(17)	\$	—
IRS litigation costs		—		—		1		—
Separation costs		22		48		44		148
Restructuring and repositioning costs		27		22		56		41
Environmental remediation payments		23		3		54		13
Legal settlements		—		—		—		33
Net asbestos (recoveries) / payments		4		8		7		(50)
Cash (receipt) / payment from Covidien/TE Connectivity		3		—		2		(5)
Cash (receipt) / payment from ADT Resi/Pentair		11		—		11		—
Special Items	\$	133	\$	81	\$	158	\$	180
Adjusted Free Cash Flow	\$	320	\$	191	\$	368	\$	174

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 March 28, 2014

	Net Revenue for the Quarter Ended March 29, 2013	Base Year Adjustments		Adjusted Fiscal 2013 Base Revenue	Foreign Currency		Acquisitions		Organic Revenue ⁽¹⁾		Net Revenue for the Quarter Ended March 28, 2014	
		Divestitures / Other ⁽²⁾										
NA Installation & Services	\$ 953	\$ (18)	(1.9)%	\$ 935	\$ (10)	(1.0)%	\$ 5	0.5 %	\$ 9	1.0 %	\$ 939	(1.5)%
ROW Installation & Services	943	(20)	(2.1)%	923	(31)	(3.3)%	34	3.6 %	17	1.8 %	943	— %
Global Products	578	1	0.2 %	579	(4)	(0.7)%	17	2.9 %	13	2.2 %	605	4.7 %
Total Net Revenue	\$ 2,474	\$ (37)	(1.5)%	\$ 2,437	\$ (45)	(1.8)%	\$ 56	2.3 %	\$ 39	1.6 %	\$ 2,487	0.5 %

⁽¹⁾ Organic revenue growth percentage based on adjusted fiscal 2013 base revenue.

⁽²⁾ Amounts include the transfer of a business from NA Installation & Services to Global Products.

Six Months Ended March 28, 2014

	Net Revenue for the Six Months Ended March 29, 2013	Base Year Adjustments		Adjusted Fiscal 2013 Base Revenue	Foreign Currency		Acquisitions		Organic Revenue ⁽¹⁾		Net Revenue for the Six Months Ended March 28, 2014	
		Divestitures / Other ⁽²⁾										
NA Installation & Services	\$ 1,929	\$ (36)	(1.9) %	\$ 1,893	\$ (17)	(0.9) %	\$ 9	0.5 %	\$ 11	0.6 %	\$ 1,896	(1.7) %
ROW Installation & Services	1,904	(27)	(1.4) %	1,877	(55)	(2.9) %	72	3.8 %	29	1.5 %	1,923	1.0 %
Global Products	1,112	2	0.2 %	1,114	(7)	(0.6) %	37	3.3 %	26	2.3 %	1,170	5.2 %
Total Net Revenue	\$ 4,945	\$ (61)	(1.2) %	\$ 4,884	\$ (79)	(1.6) %	\$ 118	2.4 %	\$ 66	1.4 %	\$ 4,989	0.9 %

⁽¹⁾ Organic revenue growth percentage based on adjusted fiscal 2013 base revenue.

⁽²⁾ Amounts include the transfer of a business from NA Installation & Services to Global Products.

Earnings Per Share Summary
(Unaudited)

	Quarters Ended	
	March 28, 2014	March 29, 2013
Diluted EPS from Continuing Operations Attributable to Tyco Shareholders (GAAP)	\$ 0.39	\$ 0.11
<i>expense / (benefit)</i>		
Restructuring and repositioning activities	0.02	0.04
Separation costs included in SG&A	0.02	0.04
(Gains) / losses on divestitures, net included in SG&A	—	0.02
Environmental remediation	—	0.12
Tax items	0.01	—
2012 Tax Sharing Agreement	0.01	0.04
Total Before Special Items	\$ 0.45	\$ 0.37

Note: Prior period has been recast to present ADT Korea as a discontinued operation.

Tyco International Ltd.
For the Quarter Ended March 28, 2014
(in millions, except per share data)
(Unaudited)
expense / (benefit)

Segments			
NA Installation & Services	ROW Installation & Services	Global Products	Segment Revenue
Revenue (GAAP)	\$939	\$943	\$605
			\$2,487
			Corporate and Other
			\$—
			Total Revenue
			\$2,487

	Operating Income																	Income from Continuing Operations Attributable to Tyco Shareholders	Diluted EPS from Continuing Operations Attributable to Tyco Shareholders
	NA Installation & Services	Margin	ROW Installation & Services	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 in earnings of unconsolidated subsidiaries	Noncontrolling Interest		
Operating Income (GAAP)	\$99	10.5 %	\$103	10.9 %	\$107	17.7 %	\$309	12.4 %	(\$61)	N/M	\$248	10.0 %	(\$22)	(\$1)	(\$37)	(\$5)	\$—	\$183	\$0.39
Restructuring and repositioning activities	3		4		2		9		7		16				(6)			10	0.02
Separation costs included in SG&A	15						15				15				(5)			10	0.02
(Gains) / losses on divestitures, net included in SG&A			1				1				1							1	—
Acquisition / integration costs			1				1				1							1	—
IRS litigation costs									(1)		(1)							(1)	—
Separation costs									1		1							1	—
Tax items															4			4	0.01
2012 Tax Sharing Agreement														3				3	0.01
Total Before Special Items	\$117	12.5 %	\$109	11.6 %	\$109	18.0 %	\$335	13.5 %	(\$54)	N/M	\$281	11.3 %	(\$22)	\$2	(\$44)	(\$5)	\$—	\$212	\$0.45

Diluted Share Outstanding	469
Diluted Shares Outstanding - Before Special Items	469

Tyco International Ltd.
For the Quarter Ended March 29, 2013
(in millions, except per share data)
(Unaudited)
expense / (benefit)

Segments						
	NA Installation & Services	ROW Installation & Services	Global Products	Segment Revenue	Corporate and Other	Total Revenue
Revenue (GAAP)	\$953	\$943	\$578	\$2,474	\$—	\$2,474

Operating Income																					
NA Installation & Services	Margin	ROW Installation & Services	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 in earnings of unconsolidated subsidiaries	Noncontrolling Interest	Income from Continuing Operations Attributable to Tyco Shareholders	Diluted EPS from Continuing Operations Attributable to Tyco Shareholders			
Operating Income (GAAP)	\$79	8.3 %	\$77	8.2 %	\$—	— %	\$156	6.3 %	(\$61)	N/M	\$95	3.8 %	(\$22)	(\$20)	\$2	(\$6)	\$2	\$51	\$0.11		
Restructuring and repositioning activities	6		13		3		22		4		26			(7)			19	0.04			
Separation costs included in SG&A	16						16				16			3			19	0.04			
(Gains) / losses on divestitures, net included in SG&A	3		1				4		5		9						9	0.02			
Asbestos									(1)		(1)			1			—	—			
Environmental remediation					94		94				94			(37)			57	0.12			
2012 Tax Sharing Agreement													20				20	0.04			
Total Before Special Items	\$104	10.9 %	\$91	9.7 %	\$97	16.8 %	\$292	11.8 %	(\$53)	N/M	\$239	9.7 %	(\$22)	\$—	(\$38)	(\$6)	\$2	\$175	\$0.37		

Note: This period has been recast to present ADT Korea as a discontinued operation.

Diluted Shares Outstanding	474
Diluted Shares Outstanding - Before Special Items	474

// 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, 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, the company presents 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.

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