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growth

TYCO INTERNATIONAL LTD. ANNUAL REPORT 2000

128,713

72,700

Tyco has demonstrated the ability to grow each of its businesses organically, as well as by the acquisition of complementary businesses or product lines. This “growth-on-growth” strategy has yielded exceptional financial results for several years, and puts us in a position to achieve excellent growth in the future. The goal of this report is to explain why this approach works and what it takes to properly execute the strategy.

1

Organic

Based on its performance to date, Tyco would continue growing revenues and achieving double-digit earnings gains annually for the foreseeable future even without additional acquisitions. This is because we have leadership positions in many of the world's best growth industries. Thus, we have the ability to increase sales each year through a combination of geographic expansion, the introduction of innovative new products and market share gains fueled by our status as the low-cost producer in most of our markets.

growth

2 Exploding technology

Tyco is a technology leader with cutting-edge R&D in each of our core business segments. We are known as innovators in many of today's most exciting technologies (cellular telephones, fiber optic components, smart automotive systems, and undersea fiber optic telecommunications systems). We are also adept users of the latest technology on the manufacturing floor, where state-of-the-art equipment has helped us become the low-cost producer in almost every industry we serve.

3

Free

cash

At Tyco, cash is king. We judge ourselves by the amount of free cash flow that we generate each year after we have paid all necessary expenses, including capital expenditures, which exceeded \$1.8 billion last year. In fiscal 2000, Tyco generated over \$3.3 billion in free cash flow. Cash generation is crucial because it is the very best indicator of how a company is really performing and it provides the resources for us to continue to grow our businesses by acquisition or other types of investment, such as through Tyco Ventures, our new venture capital arm.

flow

4

Motivated employees

Tyco has outstanding men and women at every level of the organization. We keep employees motivated by encouraging an entrepreneurial culture that values initiative, that provides challenging work and commensurate economic benefits and that demands excellence. Our compensation plans and programs are tied to current year performance as well as to three- to five-year periods. This provides the incentive to achieve maximum results in the short term while continuing to build a strong foundation for the future of the Company.

E-commerce

The Internet has become a great asset for Tyco. For example, consumers and businesses can now customize and order security systems online at our ADT website—which receives 100,000 visits monthly—while at AMP’s website customers can order 110,000 different electronic products. The Internet is also reducing our purchasing costs and helping us better serve our customers all over the world.

5

Strate

6

gic acquisitions

Acquisitions are a definite growth driver at Tyco. The second part of the growth-on-growth strategy involves acquisitions that add new products and businesses to complement our core groups. We seek to acquire companies with superior products that have long-term growth potential but are performing below peak level, or companies that fill a gap in our existing product lines. All acquisitions must immediately add to earnings, but they must also make strategic sense by helping us become a stronger competitor in one of our existing business segments. Buying at a good price is important; finding a company whose people and products fit well in our organization is essential.



Gates

Portes
Eingänge
Portões



1.

Miami International Airport recently installed the QControl® system, the state-of-the-art airport security system created by ADT. QControl routes passengers more efficiently, captures before and after images of everyone who uses the X-ray belt and prevents improper exits and entrances with photo optic sensors, directional microwave and video motion detection technology. Thus far, 15 other airports have purchased the system.

2.

The 10,600 mile C2C AsiaPac undersea fiber optic telecommunications cable network, which TyCom Ltd. is building for a variety of Asian carriers and investors, including Singapore Telecommunications and KDD, will connect Hong Kong, Japan, China, Taiwan, South Korea, Singapore and the Philippines. TyCom is also now constructing its own fiber optic network, the TyCom Global Network™ (TGN). When completed, TGN will be the largest, fastest and most technologically advanced global network in the world.





3.

Armored Fire/Alarm Control Cable™ made by AFC Cable Systems helps ensure the safety of the 500 students who attend historic

Fairhaven High School in Fairhaven, MA. The cable serves pull stations, smoke detectors and the school's central fire alarm. AFC

also makes timesaving flexible conduit, data com cables and modular voice/power/data wiring systems.



4.

Diamond International's "Ocean Victory" relies on Tyco's Keystone butterfly valves and Morin actuators for its primary ballast control system. Drilling operations are sometimes hundreds of miles from shore and in water as deep as 5,000 feet. Tyco Flow Control equipment provides the reliability needed to stay on the job. Tyco is the world's largest manufacturer of industrial valves and controls, creating products that drive the world's oil exploration, power, petrochemical, water and wastewater industries, among others. A growing portion of the unit's revenue comes from servicing its valves and actuators in all areas of the world.



5.

At Tyco Plastics' Monroe, LA plant, you can find one of the world's largest plastic extruders, which makes Tufflite™ plastic film used for covering greenhouses. Tyco Plastics makes products such as Ruffies®

brand trash bags, Film-Gard® brand plastic sheeting and garment hangers. Tyco Plastics' A&E Products is the world's leading producer of plastic garment hangers, making 4.7 billion of them last year.



6.

Tyco Electronics, a leader in automotive electronic components, nearly doubled its automotive sales in fiscal 2000, an achievement driven by both internal growth and acquisitions and the increasing electronic content within automobiles. Today, it is hard to find a car anywhere that does not contain a growing list of AMP and M/A-COM products, such as GPS (Global Positioning System) antennas, relays, switches, brake and light sensors, connectors for engine controls and radar sensors for cruise control systems, as well as fuse and relay boxes.





7.

At Rome's historic Santo Spirito hospital, doctors and nurses use many different Tyco Healthcare products—including USS/DG™ surgical sutures, Auto Suture® mechanical stapling instruments and Argyle® cardiothoracic drainage units and suction catheters—to help their patients and, frequently, save their lives. Tyco Healthcare's international operations, which now account for almost 35 percent of its total sales, are growing rapidly around the world, with particularly strong increases in the Asia/Pacific region, Latin America and Europe.

8.

The world is going wireless and Tyco Electronics is powering the telecommunications revolution. In 2000, 60 percent of the approximately 410 million cell phones sold contained one or more Tyco products, such as gallium arsenide chips and input/output connectors. In addition to our undersea cable, sales of Tyco's fiber optic communications products are booming, notching a nearly two-fold increase last year.

	Tyco at a Glance	Electronics	Telecommunications
		<p>Description</p> <p>Tyco is the world's largest supplier of passive electronic components. Its connectors and wireless, touch screen and fiber optic components can be found in cellular products, computers, instrumentation, industrial machinery, aerospace and defense applications, automobiles, household appliances and consumer electronics. It makes private communications systems for governments and smart radar sensors for the automotive market and the military.</p> <p>Products / Services</p> <p>Designs, engineers and manufactures electrical and electronic connectors, fiber optic components, wire and cable, electrical power and telecom components; electronic, electrical, wireless and electro-optic connector devices; multi-layer printed circuit boards; backplane assemblies; private communication systems; GPS antennas; smart radar sensors; and heat shrink products.</p>	<p>Description</p> <p>Tyco is the majority owner (86 percent) of TyCom Ltd., a leading vertically integrated undersea fiber optic telecommunications company which is designing, engineering, manufacturing, installing, operating and maintaining bandwidth capacity on the 250,000 kilometer TyCom Global Network. TyCom has been the undersea fiber optic technology leader since the early 1980s and has already deployed 300,000 kilometers of undersea cable. TyCom also provides turnkey systems, maintenance services and system upgrades for other telecommunications companies.</p> <p>Products / Services</p> <p>Designs, engineers, manufactures and installs undersea cable systems; services and maintains undersea fiber optic telecommunications cable networks; and is deploying undersea cable for the TyCom Global Network and for other telecommunications concerns; owner of Terraworx™, a company focused on terrestrial application of long haul technology, which allows fiber optic signals to travel greater distances without regeneration.</p>
		 <p>Sales: \$9,909.8 in millions</p>  <p>Operating Income: \$2,447.7 in millions</p>	 <p>Sales: \$2,539.7 in millions</p>  <p>Operating Income: \$529.7 in millions</p>
	EIGHTEEN		

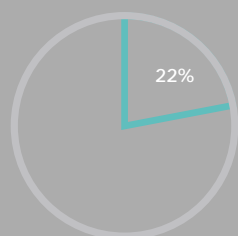
Healthcare and Specialty Products

Description

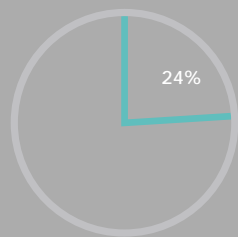
Tyco is a world leader in minimally invasive surgical instruments, wound care, respiratory care, pain medications, diagnostic imaging, anti-embolism products, stapling and suturing products, adult incontinence products, diagnostic charts and disposable medical electrodes. We are also a world leader in plastic garment hangers, the largest U.S. producer of plastic trash bags and plastic sheeting, and a significant U.S. manufacturer of tapes, packaging and protective wraps and specialty adhesives. In this segment, our fastest growth is coming from international sales.

Products / Services

Health care products: sutures and surgical staples; wound-care dressings and bandages; syringes and needles; airway management products and ventilators; bulk pharmaceuticals; contrast media and diagnostic imaging systems; incontinence products; laparoscopic instruments; and electro-surgical instruments. Other specialty products and services: tapes and adhesives; garment hangers; coated and laminated packaging materials; plastic bags, sheeting and flexible packaging materials.



Sales: \$6,467.9
in millions



Operating Income: \$1,527.9
in millions

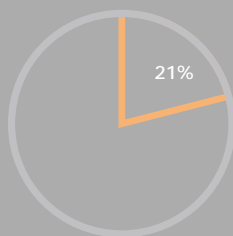
Fire and Security Services

Description

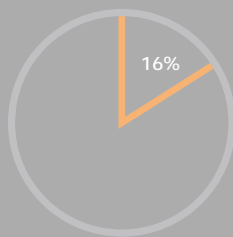
Tyco is the worldwide leader in fire and security services. Our ADT unit provides continuous electronic security monitoring for commercial and residential use, while our fire protection businesses provide a full range of fire prevention and suppression products and services. One of the fastest-growing segments of this business is the inspection, maintenance and service of fire protection and security systems.

Products / Services

Fire detection, prevention and suppression systems; electronic security installation and monitoring for consumers and businesses; fire extinguishers and related service, design, installation, inspection and maintenance of fire protection systems.



Sales: \$6,076.6
in millions



Operating Income: \$1,029.3
in millions

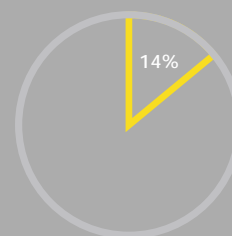
Flow Control Products

Description

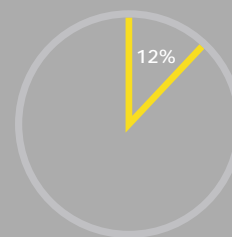
Tyco is the world's largest industrial valve and control manufacturer, as well as a leading producer of steel tubing, electrical raceway products, and provider of engineering, design, consulting and construction management services for the water, wastewater, environmental, transportation and infrastructure markets; fire sprinkler devices, specialty valves, steel and plastic pipe and fittings and pipe couplings used in fire protection systems. One of Flow Control's fastest growing segments is Earth Tech's water/wastewater treatment business. The trend toward the privatization of municipal water systems is driving private industry to build new water treatment facilities and transfer (outsource) existing systems and services to achieve operating efficiencies. Earth Tech is a leader in the construction and management of these systems.

Products / Services

Industrial valves and valve actuators; valve maintenance services; steel pipe, tubular and metal framing products; cable trays; fire sprinkler devices and other fire protection products; engineering consulting; environmental consulting/remediation; total water management services.



Sales: \$3,937.9
in millions



Operating Income: \$746.8
in millions

To Our Shareholders,

Fiscal 2000 was another very strong year for Tyco. I am pleased to report that all our operating units beat their performance targets, and they are in a position to achieve excellent growth in 2001 and beyond.

Tyco's internal revenue growth in fiscal 2000 was 14 percent, a remarkable feat for a company of our size. Put another way, our business units delivered \$3.7 billion in incremental sales last year alone—not counting acquisitions. That is what I call a growth company.

For the seventh consecutive year, we increased revenues and earnings substantially. Revenues rose 29 percent to \$28.9 billion and earnings grew \$1.2 billion to \$3.7 billion, a 46 percent increase over the prior year. Our diluted earnings per share increased 42 percent to \$2.18. These are outstanding numbers, the result of our focus on lean, efficient management, continuous production improvement and aggressive expansion into new markets. Additionally, these results were achieved in the face of three factors that hurt us, and many other multinational companies, in 2000: weakening foreign currencies, especially the euro, sharply rising raw material prices and higher interest rates. Our earnings per share would have been about 15 cents higher had the euro, commodity prices and interest rates remained stable. Despite these factors, we still had an excellent year.

I have never been more confident about Tyco's core businesses and our growth opportunities. We generated more than \$3.3 billion in free cash flow in 2000, an amount that we hope to increase to over \$4 billion—before capital spending on the TyCom Global Network—in 2001. We own great businesses with leading trade names and we are well positioned to benefit from powerful anticipated demographic, social and technological trends. An aging global population and changing demographics will stimulate increased healthcare spending. Increased concern about personal and community safety will spur sales of security and fire protection products. Sales of passive components will rise as electronic devices proliferate. The Internet broadband and global telecommunications explosion will require more bandwidth, and TyCom Ltd. will supply much of it.

Fiscal 2000 was a year of many achievements. Among the highlights:

*Our decision to invest heavily in electronics by acquiring Siemens Electromechanical Products and Thomas & Betts' OEM business, among others, has turned out better than we could have imagined. Sales at our Electronics unit rose 63 percent in fiscal 2000, while earnings soared 127 percent.

*We launched TyCom Ltd. as an independent company (of which Tyco still owns 86 percent). TyCom trades on the Bermuda and New York Stock Exchanges under the symbol TCM. Sales at our Telecommunications unit rose 56 percent in fiscal 2000 while earnings increased 63 percent. By raising \$2.1 billion, TyCom now has the resources to build the TyCom Global Network (TGN), which, when completed, will be the largest, fastest and most technologically advanced independent open-access under-sea fiber optic telecommunications network, linking more than 80 percent of the world's population.



L. DENNIS KOZLOWSKI
Chairman of the Board and Chief Executive Officer

*Our board, having concluded that Tyco stock was significantly undervalued, approved a large share repurchase program and in fiscal 2000 we repurchased \$1.9 billion of our stock. We believe the buyback is in the best interest of shareholders and we are authorized to buy back an additional \$1.1 billion of our stock.

*We acquired Mallinckrodt Inc. in October 2000. The transaction will make us the world's second largest producer of medical devices. Mallinckrodt has many fine brands and we are most excited about its industry-leading respiratory products, including oxygen monitors, ventilators and home oxygen systems.

Growth on Growth

At Tyco, we have a two-pronged growth strategy. First, we seek to achieve double-digit organic growth every year. This is growth without ever doing another acquisition. Here are some reasons that this internal growth rate is so powerful and predictable.

We are a leader in most of our businesses. Leadership has its rewards, from brand recognition to economies of scale. But many leaders falter. At Tyco, we are vigilant about making sure that does not happen. Our continuous improvement culture keeps costs low and focuses on innovation and speed to market.

We introduce great new products. Complacency kills. We spent over \$500 million on R&D last year so we could remain on top. In 2000, we unveiled outstanding new products in all our business units.

We are the low-cost producer. That is what we are in almost all of our businesses. With that edge, you can sell products at attractive prices and still have very good margins.

We give customers what they want. Every year, we get better at focusing on the customer's needs. Our service and reliability help generate a great amount of repeat business.

We are global. Many of our best customers are large corporations that do business all over the world. Increasingly, such customers want a single global provider who can get them what they need, from Borneo to Boston.

Strategic acquisitions also play a key role in our growth. A good acquisition should not only be profitable on its own terms, it should also help existing businesses and product lines. The products we gain through acquisitions help open doors with new customers and create cross-selling opportunities. Or an acquired product may fit so well with those we already offer that a customer may, for the first time, begin to see us as a good place for one-stop shopping.

The Internet

Tyco is using the Internet to become even more efficient and more profitable. We see the Internet as a tool that can:

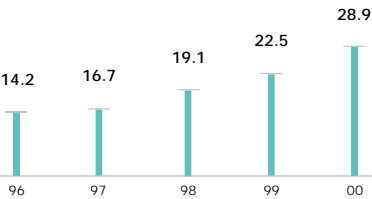
- *reduce purchasing costs
- *improve productivity
- *enhance internal knowledge
- *boost awareness—and perhaps sales—of products

Because of the Internet, we are seeing dramatic improvements in supply chain management and significant savings on raw materials. Also, by enhancing communications, the Internet can increase productivity. If we know about customer orders faster, we can adjust production runs and reduce our working capital. Better communications can also slash transaction costs.

Our Fire Protection unit is using the Internet as a knowledge management tool. Before bidding on a job, we often have to find out which employees have the expertise to perform it. In the past, the search was time-consuming. Now, through e-mail and a Fire Protection Intranet, we not only locate the necessary people quickly, but can also tell the prospective customer how much expertise we have in a certain field. The process saves money and time—and helps us win more bids.

The Internet is also helping to create new products, especially at ADT Security. By using the Internet, ADT will soon be able to monitor, and eventually adjust, every appliance in your home.

ADT is currently selling more systems to both consumers and businesses on the Internet. Indeed, the ADT website (www.adt.com) is generating 100,000 visits per month. Our Electronics unit is also selling via the AMP website (www.amp.com), where 110,000 engineered products are available for inspection and purchase.



Sales
\$ in billions

Finally, the Internet is an excellent everyday cost-cutting tool, which fits extremely well in the Tyco culture, where a focus on efficiency is a way of life.

Tyco Ventures

During fiscal 2000, we started Tyco Ventures, our new venture capital unit, to access new and emerging technology that could be used in our businesses. Tyco Ventures gives us an early look at potentially groundbreaking new technologies. Its investments range from minimally invasive surgical products companies to optical communications and network equipment companies. Naturally, we aim to earn attractive returns on our invested capital.

Tyco Ventures has thus far invested \$130 million in emerging companies. This investment also represents a source of research and development for new and innovative products for our core businesses.

Tyco Electronics

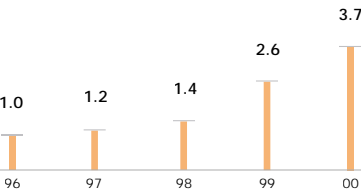
Tyco's Electronics segment had an outstanding year, as operating income surged 127 percent to \$2.4 billion, up from \$1.1 billion last year. Sales for the group totaled \$9.9 billion, compared to \$6.1 billion in the prior year.

Tyco's telecommunications products gained market share worldwide, with sales spurred by cellular phones, switching stations and networking. Tyco products are found in 60 percent of new cell phones, with some phones containing seven or more different Tyco products (such as gallium arsenide chips, input/output connectors, battery connectors, antennas, poly switches, coax connectors and battery packs).

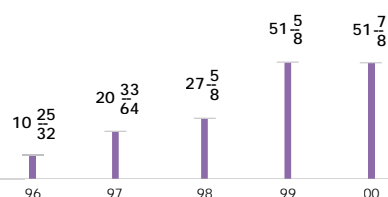
Sales of fiber optic components almost doubled, growing from \$215 million to \$420 million (not including those made by TyCom). Sales at the Tyco Printed Circuit group, aided by the acquisition of Praegitzer, nearly doubled to \$835 million. We made our first foray into manufacturing circuit boards in China by opening a new plant in Shanghai.

The smooth integration of recent acquisitions—Raychem, Siemens Electromechanical Components and the OEM business of Thomas & Betts—allowed us to significantly increase sales of automotive products. We made great gains in the U.S. and Asia/Pacific region, sometimes because we were able to sell a bundle of products together. Tyco produces some of the most advanced components in today's vehicles, such as the GPS antennas for GM's OnStar® roadside assistance product.

Some revolutionary technology came with Thomas & Betts. Metallic Particle Interconnects set a new standard for speed in miniaturized interconnect products, and should find a large market in telecommunications and computer applications.



Net Income
\$ in billions



Stock Price
(September 30) in dollars per share

Tyco Telecommunications

TyCom's operating income increased 63 percent to \$530 million, up from \$325 million last year. Sales were \$2.5 billion, compared to \$1.6 billion in the prior year.

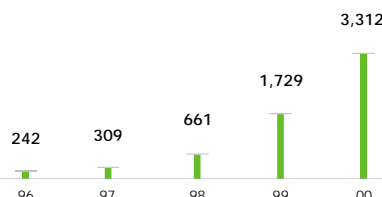
Because Tyco owns 86 percent of TyCom, TyCom's performance and growth remain crucial to the Company. TyCom's build-out of Phase 1 of the TyCom Global Network, starting from the U.S. to Europe and then on to Asia, is on schedule and should begin generating revenues in mid-2001. When complete, the network will be able to send the equivalent of the entire contents of the Library of Congress around the world in four seconds. Clearly, the demand for bandwidth remains voracious. For every one percent decline in the price of bandwidth, we see demand grow by two to three percent.

Driving bandwidth demand are the Internet, data transmission and, increasingly, streaming video. Over the next five years, traffic under the Atlantic and the Pacific is projected to grow by 120 percent or more per year, and we are well positioned to meet the growing demand for capacity.

TyCom is definitely part of the Internet infrastructure. Because it is the industry's technology leader and the only fully integrated supplier and owner of undersea fiber optic telecommunications systems, it will enjoy a dramatic cost advantage over its telecommunications services rivals with TGN. Ultimately, TyCom expects the revenue mix will come predominately from selling or leasing bandwidth (and providing related services), while significant contributions will continue to come from construction and maintenance activities.

Maintenance contracts were 200 percent ahead of projections last year, while the biggest construction contract was the \$1.14 billion C2C AsiaPac system, a 10,600 mile project led by Singapore Telecommunications that will provide service between and among the Philippines, Hong Kong, Taiwan, South Korea, Japan, Singapore and—pending regulatory approval—China. We sold some of our TGN capacity to C2C in exchange for capacity on their system, a strategy that will enable us to extend our global reach through to the essential, rapidly growing Asian markets.

The TyCom public offering in July was itself an enormous achievement. We sold 14 percent of TyCom to the public for \$2.1 billion, valuing the entire Company at more than \$16 billion, more than 20 times what we paid for most of TyCom just three years ago.



Free Cash Flow
\$ in millions

Tyco Healthcare and Specialty Products

Operating income at Tyco Healthcare and Specialty Products increased to \$1.5 billion, compared to \$1.4 billion in the prior year. Sales grew 13 percent to \$6.5 billion, as compared with \$5.7 billion last year.

Almost all of Healthcare's sales gains came from internal growth. Growth was especially powerful in international markets, such as Japan, Asia/Pacific and Latin America. In overseas markets, we continue to increase our direct sales presence in order to be closer to our customers. In fiscal 2000, we began selling direct in Turkey, Israel, Greece, Portugal and Colombia.

Healthcare continued to improve manufacturing margins, especially at U.S. Surgical. Many new products were introduced in 2000, but two from Valleylab stand out. Its LigaSure™ vessel sealing system seals a blood vessel without a suture, while its CUSA XL is an ultrasonic device that removes brain tumors.

Tyco Healthcare's size and reputation for quality are helping it win large contracts with national purchasing groups, while the bundling of products has recently been very effective at integrated networks (groups of independent hospitals that have banded together for bulk purchasing). The alternate site market (nursing homes, outpatient clinics) continues to grow twice as fast as the hospital market in the U.S., and we are still gaining market share in this segment.

Tyco Plastics and Adhesives saw its earnings increase 30 percent, an impressive performance in a year when sharply rising raw material costs could not be completely passed on to our customers. Ruffies® brand trash bags remain the U.S. market leader and again gained share in 2000. A new product, wing-tie Ruffies® bags, was tremendously successful and we are now in the process of expanding our capacity.

Our garment hanger business remained strong. We make 18 million plastic hangers every business day, or 4.7 billion per year. That number will likely increase following the introduction of our highly successful new Pinch-Grip™ hanger, which replaces hard-to-use models that are difficult to open.

In association with National Football League Associates, Tyco Adhesives introduced NFL® branded logo bandages, which are selling well in regional markets throughout the country.

Tyco Fire and Security Services

In Tyco's Fire and Security segment, operating income increased 13 percent to \$1.0 billion, from \$907 million last year. Sales reached \$6.1 billion, compared to last year's \$5.5 billion.

ADT, the security monitoring leader in North America, the U.K., Australia, France, Spain and the Benelux countries, continued to perform well. ADT is now adding 75,000 new accounts a month in North America largely because of its new marketing and dealer programs, which make those new accounts profitable much more quickly. ADT now recovers the cost of a newly installed system in less than two years. This contributed to greater earnings and improved cash flow performance.

Outside the U.S., we are experiencing extremely strong demand from both Asia and Latin America for new security systems. Worldwide, we continue to see good growth in our CCTV (closed circuit television) and access control businesses.

ADT is creating new markets with some leading-edge new product introductions. Its QControl airport monitoring system, which prevents illegal exits from airport terminals, debuted at Miami International Airport this year and has already been sold to 15 other airports. The new SecureVision® product relies on neural networks to help customers avoid false alarms. These neural networks—sensory devices combined with complex software that allow the system to “learn” from past inputs—factor out environmental or operational changes that might otherwise trigger an alarm.

We continued to add to our global lead in fire protection. Sales growth was in the U.S., Canada and the Asia/Pacific region due to increased penetration and expanding markets. Much of this growth came from higher margin service revenue, driven by a growing concern with safety in all regions and stricter local fire codes. Service revenue as a percent of total sales continues to increase, helping us achieve record margins for the division. Going into fiscal 2001, prospects are very positive and we have a record backlog. At this moment, we are actively monitoring over four million customer sites around the world.

Tyco Flow Control Products

Operating income in Tyco's Flow Control segment rose to \$747 million, a 23 percent increase over the \$606 million earned last year. Sales for the year grew by 12 percent to \$3.9 billion, up from \$3.5 billion in 1999.

Particularly strong sales growth was shown by the Keystone valve business, Allied Conduit and Earth Tech's total water service business. Earth Tech is ideally positioned to capitalize on the growing concern about the quality of drinking water and the accelerating privatization of municipal water systems (which often leads to a facilities upgrade by the private companies that acquire them). The portion of the global water treatment business that is not publicly financed is projected to grow from \$20 billion today to \$230 billion a decade from now. To be positioned to take advantage of this global opportunity, Earth Tech is expanding in key markets such as Asia, Latin America and Australia.

Tyco's world-leading industrial valve business remains strong and, increasingly, the Company is making its valves and control products more electronically sophisticated.

For example, the recent acquisition of Westlock Control gives Tyco access to more high-tech products, such as positioners, indicators and control systems.

In fire protection products, Flow Control is using its new product development facilities to help differentiate itself from its competitors. Flow Control recently introduced an expanded range of new high-rack storage sprinkler systems for warehouse stores, and Home Depot, Lowe's and Bed Bath and Beyond have all specified that their stores will install these new cost-saving products.

Looking Forward

Tyco's future looks outstanding and I am confident that our “growth-on-growth” strategy will continue to deliver enviable results. We are poised for growth because we have the best brand names in our industries, names that represent “reliability” and “innovation” to purchasers.

We also have another great but underutilized brand name: “Tyco.” In fiscal 2000, we began adding the Tyco name to all our packaging, and we expect that this will gradually lead to greater recognition of the Company and to increased sales, especially to institutions that want to make bundled purchases.

In addition to anticipating double-digit internal growth gains in fiscal 2001, we expect to seek additional margin improvement by capitalizing on our operating leverage, productivity enhancements, cost reductions, recurring revenues (which invariably have high margins) and e-business strategies. All of our businesses have healthy global acquisition possibilities, and we will continue to invest our free cash flow to maximize future growth.

Once again, Tyco's 215,000 employees met the tough challenges that we set for them and responded with the determination, ingenuity and resourcefulness that has made us all proud. We have great people at Tyco, and that is why we feel so comfortable asking a lot from them. Their dedication to doing things right—to making our products better and our manufacturing more efficient—is admirable, and I do not think you will find it equaled at very many companies. I am proud to be their colleague. My thanks to one and all.

Thank you again, shareholders, for your support.



L. Dennis Kozlowski
Chairman of the Board and Chief Executive Officer
December 8, 2000

Results are before non-recurring charges and have been restated for mergers accounted for under the pooling-of-interests accounting method.

Worldwide Locations

North America
& the Caribbean

Electronics
Telecommunications
Healthcare and Specialty Products
Fire and Security Services
Flow Control Products

Bahamas		■	■		■
Barbados					■
Bermuda		■	■		
Canada	■		■	■	■
Dominican Republic			■		■
Haiti					■
Jamaica					■
Mexico	■		■	■	■
Puerto Rico			■	■	■
Trinidad/Tobago					■
United States	■	■	■	■	■
U.S. Virgin Islands	■				

Central & South America

Argentina	■		■	■	■
Belize			■		
Bolivia			■		
Brazil	■		■	■	■
Chile	■		■	■	■
Colombia	■		■	■	■
Costa Rica			■	■	■
Ecuador			■	■	
El Salvador				■	■
Guatemala			■	■	■
Guyana			■		
Honduras			■	■	■
Nicaragua			■		■
Panama			■		■
Paraguay			■		■
Peru	■		■		■
Suriname			■		
Uruguay	■		■		■
Venezuela	■		■	■	■

Europe, Africa
& the Middle East

Electronics
Telecommunications
Healthcare and Specialty Products
Fire and Security Services
Flow Control Products

Albania			■		
Austria	■		■	■	
Bahrain				■	
Belgium	■		■	■	■
Botswana			■		
Bulgaria	■		■		
Croatia	■		■		
Cyprus	■		■		■
Czech Republic	■		■	■	■
Denmark	■		■	■	■
Egypt	■				■
Estonia	■				
Finland	■		■	■	
France	■	■	■	■	■
Germany	■		■	■	■
Greece	■		■	■	
Hungary	■		■	■	
Israel	■		■		■
Italy	■		■	■	■
Kazakhstan			■		
Kenya			■		
Kuwait				■	
Lebanon			■		
Liechtenstein				■	
Lithuania	■				
Luxembourg				■	
Mauritius			■		
Netherlands	■		■	■	■
Nigeria			■		
Northern Ireland				■	
Norway	■		■	■	■
Poland	■		■	■	■
Portugal	■		■		
Republic of Ireland	■		■	■	■
Romania	■		■		■
Russia	■		■	■	■
Saudi Arabia	■			■	■
Seychelles			■		
Slovak Republic			■	■	
Slovenia	■		■		
South Africa	■		■		■
Spain	■	■	■	■	■
Sweden	■		■	■	■
Switzerland	■		■	■	■
Tanzania			■		
Turkey	■		■		
Ukraine	■		■		
United Arab Emirates			■	■	■
United Kingdom	■	■	■	■	■
Uzbekistan			■		
Yugoslavia			■		
Zimbabwe			■		

Far East
& Australia

Electronics
Telecommunications
Healthcare and Specialty Products
Fire and Security Services
Flow Control Products

Australia	■		■	■	■
Bangladesh			■		
Borneo			■		
Brunei			■	■	
China	■		■	■	■
Fiji					■
Guam			■		■
Hong Kong	■		■	■	■
India	■		■	■	■
Indonesia	■		■	■	■
Japan	■		■	■	■
Korea	■		■		
Malaysia	■		■	■	■
Marshall Islands			■		
Nepal			■		
New Zealand	■		■	■	■
Pakistan			■	■	
Philippines	■		■	■	■
Samoa			■		
Singapore	■	■	■	■	■
South Korea	■		■		■
Sri Lanka	■		■		■
Tahiti			■		
Taiwan	■		■	■	■
Thailand	■		■	■	■
Vietnam			■	■	

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Information for all periods presented below reflects the grouping of Tyco's businesses into five business segments consisting of Electronics, Telecommunications, Healthcare and Specialty Products, Fire and Security Services, and Flow Control Products and Services.

In Fiscal 1999, we consummated two mergers that were accounted for under the pooling of interests method of accounting. The merger with United States Surgical Corporation closed on October 1, 1998, and the merger with AMP Incorporated closed on April 2, 1999. As required by generally accepted accounting principles in the United States ("GAAP"), we restated our financial statements as if USSC and AMP had always been a part of Tyco. We recorded as expenses during Fiscal 1999 costs directly associated with the USSC and AMP mergers and the costs of terminating employees and closing or consolidating facilities as a result of the mergers. We also expensed in Fiscal 1999 the costs of staff reductions and facility closings that AMP undertook as part of a plan to improve its profitability unrelated to our merger with AMP. In Fiscal 1998, we expensed charges for staff reductions and facility closings under the AMP profit improvement plan and charges that USSC incurred to exit certain of its businesses. These are discussed in more detail under "Liquidity and Capital Resources" below.

OVERVIEW

Sales increased 28.6% during Fiscal 2000 to \$28,931.9 million from \$22,496.5 million in Fiscal 1999. Sales in Fiscal 1999 increased 18.0% compared to Fiscal 1998. Income before extraordinary items was \$4,520.1 million in Fiscal 2000, as compared to \$1,067.7 million in Fiscal 1999 and \$1,168.6 million in Fiscal 1998. Income before extraordinary items for Fiscal 2000 included an after-tax net credit of \$793.7 million (\$1,484.7 million pre-tax) consisting of restructuring, non-recurring and impairment charges of \$327.3 million (\$424.2 million pre-tax) primarily for non-recurring claims related to a merged company and the exiting of USSC's interventional cardiology business, offset by a credit of \$113.6 million (\$148.9 million pre-tax) representing a revision of estimates of merger, restructuring and other non-recurring accruals and a gain of \$1,007.4 million (\$1,760.0 million pre-tax) on the issuance of common shares in connection with TyCom's initial public offering. Income before extraordinary items for Fiscal 1999 included an after-tax net charge of \$1,304.8 million (\$1,542.7 million pre-tax) primarily related to the mergers with USSC and AMP and costs associated with AMP's profit improvement plan. Income before extraordinary items for Fiscal 1998 included an after-tax charge of \$192.0 million (\$256.9 million pre-tax) primarily related to AMP's profit improvement plan and costs incurred by USSC to exit certain businesses.

The following table details Tyco's sales and earnings in Fiscal 2000, Fiscal 1999 and Fiscal 1998:

(IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Net sales	\$28,931.9	\$22,496.5	\$19,061.7
Operating income, before certain charges ⁽¹⁾	\$ 6,094.1⁽²⁾	\$ 3,949.6 ⁽²⁾	\$ 2,336.8
Merger, restructuring and other non-recurring charges, net	(176.3)	(1,035.2)	(256.9)
Impairment of long-lived assets	(99.0)	(507.5)	—
Amortization of goodwill	(344.4)	(216.1)	(131.8)
Operating income	5,474.4	2,190.8	1,948.1
Interest expense, net	(769.6)	(485.6)	(245.3)
Gain on issuance of common shares by subsidiary	1,760.0	—	—
Income before income taxes, minority interest and extraordinary items	6,464.8	1,705.2	1,702.8
Income taxes	(1,926.0)	(637.5)	(534.2)
Minority interest	(18.7)	—	—
Income before extraordinary items	4,520.1	1,067.7	1,168.6
Extraordinary items, net of taxes	(0.2)	(45.7)	(2.4)
Net income	\$ 4,519.9	\$ 1,022.0	\$ 1,166.2

(1) This amount is the sum of the operating income of Tyco's five business segments set forth in the segment discussion below, less certain corporate expenses, and is before merger, restructuring and other non-recurring charges, impairment of long-lived assets and amortization of goodwill.

(2) Net restructuring charges in the amount of \$1.0 million and \$106.4 million related to the write-down of inventory have been deducted as part of cost of sales in the Consolidated Statements of Operations for Fiscal 2000 and 1999, respectively. However, they have not been deducted as part of cost of sales for the purpose of calculating operating income before certain charges in this table. These charges are instead included in merger, restructuring and other non-recurring charges.

During Fiscal 2000 and 1999, we took merger, restructuring and other non-recurring charges and charges for the impairment of long-lived assets with respect to AMP and USSC. Under our restructuring and integration programs, we terminate employees and close facilities made redundant. The reduction in manpower and facilities comes from the manufacturing, distribution, sales and administrative functions. In addition, we discontinue or dispose of product lines which do not fit the long-term strategy of the respective businesses. We do not separately track the impact on financial results of the restructuring and integration programs. However, we estimate that our overall cost structure has been reduced by approximately \$1,000.0 million on an annualized basis due to the impact associated with these charges. The significant decreases have been to selling, general and administrative expenses and to cost of sales.

Operating income and margins for our five business segments, which are presented in accordance with GAAP in the following discussion, are supplemented by a discussion of operating income and margins stated before deductions for merger, restructuring and other non-recurring charges related to business combinations accounted for under the pooling of interests method of accounting and charges for impairment of long-lived assets. This supplemental discussion of operating results before certain charges should not be considered an alternative to operating or net income as an indicator of the performance of our business, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with GAAP.

Operating income improved in all segments in each of Fiscal 2000 and Fiscal 1999. The operating improvements are the result of both increased revenues in all segments and enhanced margins in all but one segment in Fiscal 2000. Increased revenues result from organic growth and from acquisitions that are accounted for under the purchase method of accounting. We enhance our margins through improved productivity and cost reductions in the ordinary course of business, unrelated to acquisition or divestiture activities. We regard charges that we incur to reduce costs in the ordinary course of business as recurring charges, which are reflected in cost of sales and in selling, general and administrative expenses in the Consolidated Statements of Operations.

When we make an acquisition, the acquired company is immediately integrated with our existing operations. Consequently, we do not separately track the financial results of acquired companies. The year-to-year sales comparisons that are presented below include estimates of year-to-year sales growth that exclude the effects of acquisitions that are accounted for under the purchase method of accounting. These estimates assume that the acquisitions were made at the beginning of the relevant fiscal periods.

SALES AND OPERATING INCOME

ELECTRONICS

Tyco's Electronics segment's products and services include:

- designing, engineering and manufacturing of electronic connector systems, fiber optic components, wireless devices, heat shrink products, power components, wire and cable, relays, sensors, touch screens, identification and labeling products, switches and battery assemblies; and
- designing and manufacturing of multi-layer printed circuit boards, backplane assemblies, electronic modules and similar components.

The AMP merger occurred in April 1999, but as required under the pooling of interests method of accounting, AMP's results have been included for all periods presented. The following table sets forth sales and operating income (loss) and margins for the Electronics segment:

(\$ IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Sales	\$9,909.8	\$6,087.4	\$5,787.3
Operating income, before certain credits (charges)	\$2,447.7	\$ 848.9	\$ 567.6
Operating margins, before certain credits (charges)	24.7%	13.9%	9.8%
Operating income (loss), after certain credits (charges)	\$2,538.6	\$ (225.9)	\$ 403.1
Operating margins, after certain credits (charges)	25.6%	(3.7%)	7.0%

The 62.8% increase in sales in Fiscal 2000 over Fiscal 1999 in the Electronics segment resulted primarily from acquisitions and, to a lesser extent, increased organic growth. These acquisitions included: the acquisition in August 1999 of Raychem Corporation; the acquisition in November 1999 of Siemens Electromechanical Components GmbH & Co. KG; the acquisition in December 1999 of Praegitzer Industries, Inc.; the acquisition in March 2000 of Critchley Group PLC; and the acquisition in July 2000 of the Electronic OEM Business of Thomas & Betts. Excluding the impact of these acquisitions, sales increased an estimated 15.1%.

The 5.2% increase in sales in Fiscal 1999 over Fiscal 1998 was predominantly due to the acquisition of Raychem in August 1999 and Sigma Circuits, Inc. in July 1998. Excluding the impact of these acquisitions, sales remained relatively stable.

The substantial increase in operating income and margins, before certain credits (charges), in Fiscal 2000 compared with Fiscal 1999 was primarily due to the acquisitions of Raychem and Siemens and improved margins at both AMP and Tyco Printed Circuit Group. The improved operating margins, before certain charges, in Fiscal 2000 compared with Fiscal 1999 resulted from increased volume, improved pricing and continuing cost reduction programs following the AMP merger.

In addition to the items discussed above, the substantial increase in operating income and margins, after certain credits (charges), was due to a merger, restructuring and other non-recurring net credit of \$90.9 million in Fiscal 2000 compared with a restructuring and other non-recurring charge of \$1,074.8 million in Fiscal 1999.

The 496% increase in operating income, before certain credits (charges), in Fiscal 1999 compared with Fiscal 1998 was due to improved margins at AMP, the acquisition of Raychem, and higher sales volume at the Tyco Printed Circuit Group. The improved operating margins, before certain credits (charges), in Fiscal 1999 compared with Fiscal 1998 were primarily due to the implementation of AMP's profit improvement plan, which was initiated in the fourth quarter of Fiscal 1998, cost reduction programs associated with the AMP merger, a pension curtailment/settlement gain and the acquisition of Raychem. These improvements were partially offset by \$253.4 million of certain costs in Fiscal 1999 at AMP prior to the merger with Tyco, including costs to defend the AlliedSignal Inc. tender offer, the write-off of inventory and other balance sheet write-offs and adjustments.

In addition, the decrease in operating income and margins, after certain credits (charges), was due to merger, restructuring and impairment charges of \$1,074.8 million in Fiscal 1999 compared with net restructuring and impairment charges of \$164.4 million in Fiscal 1998.

TELECOMMUNICATIONS

Tyco's 86% owned subsidiary, TyCom Ltd. ("TyCom"), is a leading independent provider of transoceanic fiber optic networks and services. TyCom's products and services include:

- design, engineering, manufacture and installation of undersea cable communications systems;
- service and maintenance of major undersea cable networks; and
- design, manufacture and installation of a global undersea fiber optic network, known as the TyCom Global Network™ ("TGN"). TyCom plans to operate, maintain and sell bandwidth capacity on the TGN.

The following table sets forth sales and operating income and margins for the Telecommunications segment:

(\$ IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Sales	\$2,539.7	\$1,623.8	\$1,280.0
Operating income, before certain charges	\$ 529.7	\$ 325.1	\$ 268.3
Operating margins, before certain charges	20.9%	20.0%	21.0%
Operating income, after certain charges	\$ 516.6	\$ 325.1	\$ 268.3
Operating margins, after certain charges	20.3%	20.0%	21.0%

The 56.4% increase in sales in Fiscal 2000 over Fiscal 1999 for the Telecommunications segment resulted primarily from increased demand for third-party sales of TyCom systems and, to a much lesser extent, the acquisition in May of 1999 of Telecomunicaciones Marinas, S.A. ("Temasa"). Excluding the effect of Temasa, the sales increase for the segment in Fiscal 2000 was an estimated 54.0%.

The 26.9% increase in sales in Fiscal 1999 over Fiscal 1998 for the Telecommunications segment was due primarily to higher industry demand driving backlog and project activity and to a lesser extent, the acquisition of Temasa in May 1999. Excluding the impact of Temasa, sales increased an estimated 25.5%.

The substantial increase in operating income, before and after certain charges, in Fiscal 2000 compared with Fiscal 1999 was primarily due to higher sales volume, and to a lesser extent, the Temasa acquisition. The increase in operating income, after certain charges, was offset by a non-recurring charge of \$13.1 million incurred in connection with the TyCom initial public offering.

The 21.2% increase in operating income in Fiscal 1999 compared with Fiscal 1998 was due to higher project and service revenues and increased bandwidth capacity sales commissions, offset in part by one lower margin project.

During construction of the transatlantic portion of the TGN, which began in the fourth quarter of Fiscal 2000, revenues and operating income may decrease. During the same period, operating expenses are expected to increase due to building TyCom's infrastructure, including network operations, sales and marketing, research and development and administration.

HEALTHCARE AND SPECIALTY PRODUCTS

Tyco's Healthcare and Specialty Products segment's products and services include:

- a wide variety of disposable medical products, including wound care products, syringes and needles, sutures and surgical staples, incontinence products, electrosurgical instruments and laparoscopic instruments;
- flexible plastic packaging, plastic bags and sheeting, coated and laminated packaging materials, tapes and adhesives and plastic garment hangers; and
- ADT Automotive's auto redistribution services (See Note 25).

Tyco's merger with USSC, which is included in Tyco Healthcare, occurred in October 1998. As required under the pooling of interests method of accounting, USSC's results have been included for all periods presented. The following table sets forth sales and operating income and margins for the Healthcare and Specialty Products segment:

(\$ IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Sales	\$6,467.9	\$5,742.7	\$4,672.4
Operating income, before certain credits (charges)	\$1,527.9	\$1,386.0	\$ 481.8
Operating margins, before certain credits (charges)	23.6%	24.1%	10.3%
Operating income, after certain credits (charges)	\$1,439.8	\$ 890.9	\$ 389.3
Operating margins, after certain credits (charges)	22.3%	15.5%	8.3%

The 12.6% increase in sales in Fiscal 2000 over Fiscal 1999 was primarily the result of increased sales at Tyco Plastics and Adhesives and Tyco Healthcare and, to a lesser extent, ADT Automotive. The increases for Tyco Healthcare were due to organic growth and, to a lesser extent, acquisitions. The acquisitions primarily responsible for the sales increase in Fiscal 2000 included: Graphic Controls Corporation and Sunbelt Plastics, both acquired in November 1998 and included in results for all of Fiscal 2000 but only part of Fiscal 1999; Batts, Inc., acquired in April 1999; General Surgical Innovations, Inc., acquired in November 1999; Radionics, acquired in January 2000; and Fiber-Lam, acquired in March 2000. Excluding the impact of these acquisitions, sales for the segment increased an estimated 8.2% in Fiscal 2000 over Fiscal 1999.

The 22.9% increase in sales in Fiscal 1999 over Fiscal 1998 was primarily the result of increased sales at Tyco Healthcare and, to a lesser extent, Tyco Plastics and Adhesives and ADT Automotive. For Fiscal 1999, the acquisitions primarily responsible for the sales increase included Valleylab, Sherwood-Davis & Geck, Confab and Graphic Controls Corporation. Excluding the impact of these acquisitions, the sales increase for Fiscal 1999 over Fiscal 1998 was 5.1%.

The 10.2% increase in operating income, before certain credits (charges), in Fiscal 2000 over Fiscal 1999 was due to increased sales volume at Tyco Healthcare, Tyco Plastics and Adhesives and, to a lesser extent, ADT Automotive, slightly offset by a lower operating margin percentage at Tyco Healthcare principally due to higher raw materials costs.

In addition to the items discussed above, the substantial increase in operating income and margins, after certain credits (charges), was due to net merger, restructuring and other non-recurring and impairment charges of \$88.1 million in Fiscal 2000 compared with net merger, restructuring and other non-recurring charges of \$495.1 million in Fiscal 1999.

The substantial increase in operating income and operating margins, before certain credits (charges), in Fiscal 1999 over Fiscal 1998 was due to improved margins and increased sales volume at Tyco Healthcare, whose margins were depressed in Fiscal 1998. The increase in Fiscal 1999 also reflected higher sales volume and better margins at Tyco Plastics and Adhesives and ADT Automotive. The Fiscal 1998 margins at Tyco Healthcare were brought down by fourth quarter results at USSC, which lowered sales of higher margin products to reduce excess inventory levels at distributors, and recorded increased costs, principally a \$105.8 million accrual for special hospital education programs. Excluding these effects, management estimates that the increase in operating income in Fiscal 1999 over Fiscal 1998 would have been 48.6% and the operating margin for the segment in Fiscal 1998 would have been 19.6%. The increase in margins for Fiscal 1999 above the 19.6% level was primarily attributable to the effects of the cost reduction programs associated with the USSC merger, including the termination of 1,282 employees and the consolidation or closure of 20 facilities. The effect of exiting businesses of Tyco Healthcare did not significantly impact operating margins or income.

In addition to the items discussed above, the increase in operating income and margins was offset by net merger, restructuring and impairment charges of \$495.1 million in Fiscal 1999 compared with restructuring and other non-recurring charges of \$92.5 million in Fiscal 1998.

On October 6, 2000, we sold our ADT Automotive business, which performed auto redistribution services.

FIRE AND SECURITY SERVICES

Tyco's Fire and Security Services segment's products and services include:

- designing, installing and servicing of a broad line of fire detection, prevention and suppression systems;
- providing electronic security installation and monitoring services; and
- manufacturing and servicing of fire extinguishers and related products.

The following table sets forth sales and operating income and margins for the Fire and Security Services segment:

(\$ IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Sales	\$6,076.6	\$5,534.0	\$4,393.5
Operating income, before certain credits	\$1,029.3	\$ 907.0	\$ 630.6
Operating margins, before certain credits	16.9%	16.4%	14.4%
Operating income, after certain credits	\$1,040.5	\$ 934.2	\$ 630.6
Operating margins, after certain credits	17.1%	16.9%	14.4%

The 9.8% increase in sales in Fiscal 2000 over Fiscal 1999 resulted primarily from increased sales in the worldwide electronic security services business and higher sales volume in fire protection operations in North America, Asia and Australia. The increases were due primarily to a higher volume of recurring service revenues and, to a lesser extent, the effects of acquisitions in the security services business. These acquisitions included: Entergy Security Corporation ("Entergy"), acquired in January 1999, and Alarmguard Holdings ("Alarmguard"), acquired in February 1999, both of which were included in results for all of Fiscal 2000 but only part of Fiscal 1999. Excluding the impact of these acquisitions, the sales increase for the segment in Fiscal 2000 was an estimated 8.9%.

The 26.0% sales increase in Fiscal 1999 over Fiscal 1998 reflected increased sales worldwide in both our electronic security services and our fire protection businesses. The increases were due both to a higher volume of recurring service revenues and the effects of Fiscal 1999 acquisitions in the security services business. These acquisitions included CIPE S.A., Wells Fargo Alarm, Entergy and Alarmguard. Excluding the effects of these acquisitions, the increase in sales for the segment in Fiscal 1999 was an estimated 15.4%.

The 13.5% increase in operating income, before certain credits, in Fiscal 2000 over Fiscal 1999 reflects increased service volume in security operations in the United States and fire protection businesses in North America and Asia. The increase in operating margins, before certain credits, was due to increased sales volume in both security services and fire protection offset slightly, in the case of security services, by the costs of the reorganization of the security services' dealer program and internal sales force during the first two quarters of Fiscal 2000.

The 43.8% increase in operating income, before certain credits, in Fiscal 1999 over Fiscal 1998 reflects the worldwide increase in service volume, both in security services and fire protection, including the higher margins associated with recurring monitoring revenue. The increase in operating margins, before certain credits, in Fiscal 1999 was principally due to increased volume of higher margin service and inspection work in the North American fire protection operations; increased volume due to economic improve-

ments in the Asia-Pacific region; higher incremental margins in the European security operations from additions to the customer base; and cost reductions related to acquisitions.

In addition to the items discussed above, operating income and margins, after certain credits reflect a restructuring and other non-recurring credit of \$11.2 million in Fiscal 2000 and \$27.2 million in Fiscal 1999.

FLOW CONTROL PRODUCTS AND SERVICES

Tyco's Flow Control Products and Services segment's products and services include:

- a full line of valves and related products for industrial and process control including butterfly, gate, globe, check, ball, plug, safety relief, knife-gate, instrumentation, sampling, and other valves as well as actuators, positioners, couplings and related products, which are used to transport, control and sample liquids, gases, powders and other substances;
- pipe and tubular products, made primarily from steel, ductile iron and plastic, utilized in the mechanical tubing, construction, automotive, water distribution, fencing products and other markets;
- electrical raceway products, including steel conduit, pre-wired armored cable, flexible conduit, steel support systems and fasteners, cable tray and cable ladder;
- a broad range of consulting, engineering, construction management and operating services for the water, wastewater, environmental, transportation and infrastructure markets; and
- fire sprinkler devices, specialty valves, steel pipe, plastic pipe and fittings and pipe couplings used in commercial, residential and industrial fire protection systems.

The following table sets forth sales and operating income and margins for the Flow Control Products and Services segment:

(\$ IN MILLIONS)	FISCAL 2000	FISCAL 1999	FISCAL 1998
Sales	\$3,937.9	\$3,508.6	\$2,928.5
Operating income	\$ 746.9	\$ 605.5	\$ 456.9
Operating margins	19.0%	17.3%	15.6%

The 12.2% sales increase in Fiscal 2000 over Fiscal 1999 was primarily due to increased volume at Allied Tube and Conduit, increased demand for valve products in the Asia-Pacific region and Europe, increased sales at Earth Tech and, to a lesser extent, the impact of acquisitions. These acquisitions included: Glynwed International, plc ("Glynwed"), acquired in March 1999; Central Sprinkler Corporation, acquired in August 1999; AFC Cable Systems, Inc., acquired in November 1999; and Flow Control Technologies, acquired in February 2000. In August 1999, we sold certain businesses within this segment, including The Mueller Company ("Mueller") and portions of Grinnell Supply Sales and Manufacturing ("Grinnell"). Excluding the impacts of these acquisitions and divestitures, sales increased an estimated 11.9%.

The 19.8% sales increase in Fiscal 1999 over Fiscal 1998 reflects increased demand for valve products in Europe, increased sales at Earth Tech and the impact of acquisitions. These acquisitions included Crosby Valve, Rust Environmental and Infrastructure, Inc. and Glynwed. Excluding the effect of these acquisitions and the divestitures of Mueller and Grinnell, the sales increase for the segment in Fiscal 1999 was an estimated 11.3%.

The 23.4% increase in operating income in Fiscal 2000 over Fiscal 1999 was primarily due to increased volume at Allied Tube & Conduit and increased volume and improved margins in the North

American and European valve operations and at Earth Tech. Also, royalty and licensing fee income from certain intellectual property associated with the divested businesses offset a portion of the operating income lost from the divestitures. Increased operating margins in Fiscal 2000 resulted primarily from royalty and licensing fee income and margin improvement in the North American and European valve operations and at Earth Tech.

The 32.5% increase in operating income in Fiscal 1999 over Fiscal 1998 was primarily due to increased sales in the European flow control operations and North American valve products and at Earth Tech. The increase in operating margins was principally due to cost containment programs that improved margins in our North American pipe products business and the worldwide valve operations. The gain on the sale of Mueller and portions of Grinnell in this segment did not significantly impact operating profits and margins in Fiscal 1999.

FOREIGN CURRENCY

The effect of changes in foreign exchange rates during Fiscal 2000, Fiscal 1999 and Fiscal 1998 was not material to our sales and operating income.

CORPORATE EXPENSES

Corporate expenses, excluding non-recurring charges of \$275.0 million as a reserve for certain claims relating to a merged company in the Healthcare business and other non-recurring charges of \$1.2 million, were \$187.4 million in Fiscal 2000 compared to \$122.9 million in Fiscal 1999 and \$68.3 million in Fiscal 1998. These increases were due principally to higher compensation expense under our equity-based incentive compensation plans and an increase in corporate staffing and related costs to support and monitor our expanding businesses and operations.

AMORTIZATION OF GOODWILL

Amortization of goodwill, a non-cash charge, increased \$128.3 million to \$344.4 million in Fiscal 2000 compared with Fiscal 1999. Fiscal 1999 amortization of goodwill increased to \$216.1 million from \$131.8 million in Fiscal 1998. The increase in amortization of goodwill is due to the \$5,162.0 million in consideration paid for acquisitions and acquisition related costs in Fiscal 2000, which resulted in goodwill and other intangibles of \$5,206.8 million, and the \$6,923.3 million in consideration paid for acquisitions and acquisition related costs in Fiscal 1999, which resulted in goodwill and other intangibles of \$5,807.9 million.

INTEREST EXPENSE, NET

Interest expense, net, increased \$284.0 million to \$769.6 million in Fiscal 2000, as compared to Fiscal 1999, and increased \$240.3 million to \$485.6 million in Fiscal 1999, as compared to Fiscal 1998. These increases were primarily due to higher average debt balances, resulting from borrowings to finance acquisitions and our stock repurchase program and, to a lesser extent, higher average interest rates in Fiscal 2000. The increase in borrowings was mitigated in part by the use of free cash flow to pay for certain acquisitions. The weighted-average rate of interest on all long-term debt during Fiscal 2000, Fiscal 1999 and Fiscal 1998 was 6.5%, 6.2% and 6.4%, respectively.

EXTRAORDINARY ITEMS

Extraordinary items in Fiscal 2000, Fiscal 1999 and Fiscal 1998 included after-tax losses amounting to \$0.2 million, \$45.7 million and \$2.4 million, respectively, relating primarily to our tender offers for debt and the write-off of net unamortized deferred financing costs related to the LYONs. Further details are provided in Notes 4 and 13 to the Consolidated Financial Statements.

INCOME TAX EXPENSE

The effective income tax rate, excluding the impact of merger, restructuring and other non-recurring credits (charges), charges for the impairment of long-lived assets and gain on the sale of TyCom shares, was 24.8% during Fiscal 2000 as compared to 27.0% in Fiscal 1999 and 30.6% in Fiscal 1998. The decreases in the effective income tax rates were primarily due to higher earnings in tax jurisdictions with lower income tax rates. We believe that we will generate sufficient future income to realize the tax benefits related to our deferred tax assets. A valuation allowance has been maintained due to continued uncertainties of realization of certain tax benefits, primarily tax loss carryforwards (See Note 7).

Liquidity and Capital Resources

The following table shows the sources of our cash flow from operating activities and the use of a portion of that cash in our operations in Fiscal 2000 and Fiscal 1999. We refer to the net amount of cash generated from operating activities less capital expenditures and dividends as "free cash flow."

(IN MILLIONS)	Fiscal 2000	Fiscal 1999
Operating income, before certain charges ⁽¹⁾	\$ 6,094.1	\$ 3,949.6
Depreciation and amortization ⁽²⁾	1,300.0	1,095.1
Net increase in deferred income taxes	507.8	351.6
Less:		
Net increase in working capital ⁽³⁾	(64.9)	(122.6)
Interest expense, net	(769.6)	(485.6)
Income tax expense	(1,926.0)	(637.5)
Restructuring expenditures ⁽⁴⁾	(155.2)	(633.6)
Other, net	288.8	32.8
Cash flow from operating activities	5,275.0	3,549.8
Less:		
Capital expenditures	(1,814.9)	(1,632.5)
Dividends paid	(86.2)	(187.9)
Free cash flow	\$ 3,373.9	\$ 1,729.4

(1) This amount is the sum of the operating income of the five business segments as set forth above, less certain corporate expenses, and is before merger, restructuring and other non-recurring credits and charges, charges for the impairment of long-lived assets and goodwill amortization.

(2) This amount is the sum of depreciation of tangible property (\$1,095.0 million and \$979.6 million in Fiscal 2000 and Fiscal 1999, respectively) and amortization of intangible property other than goodwill (\$205.0 million and \$115.5 million in Fiscal 2000 and Fiscal 1999, respectively).

(3) This amount is net of \$100.0 million and \$50.0 million received on the sale of accounts receivable in Fiscal 2000 and Fiscal 1999, respectively.

(4) This amount is the sum of all cash paid out for (a) merger, restructuring and other non-recurring charges in connection with business combinations accounted for on a pooling of interests basis and (b) other restructuring and non-recurring charges taken by the pooled companies prior to their combination with Tyco.

In addition, in Fiscal 2000 and Fiscal 1999 we paid out \$544.2 million and \$354.4 million, respectively, in cash that was charged against reserves established in connection with acquisitions accounted for under the purchase accounting method. This amount is included in "Acquisition of businesses, net of cash acquired" in the Consolidated Statement of Cash Flows.

Business combinations are accounted for either on a pooling of interests basis or under the purchase accounting method. In Fiscal 1999, the Company made two business combinations, USSC and AMP, that were required to be accounted for on a pooling of interests basis. Under pooling of interests accounting, the merged companies are treated as if they had always been part of Tyco, and their financial statements are included in our Consolidated Financial Statements for all periods presented.

At the time of each pooling of interests transaction, Tyco establishes a reserve for transaction costs and the costs that we expect to incur in integrating the merged company within the relevant Tyco business segment. By integrating merged companies with our existing businesses, we expect to realize operating synergies and long-term cost savings. Integration costs, which relate primarily to termination of employees and the closure of facilities made redundant, are detailed in Note 16 to the Consolidated Financial Statements. Reserves for merger, restructuring and other non-recurring items are taken as a charge against current earnings at the time the reserves are established. Amounts expended for merger, restructuring and other non-recurring costs are charged against the reserves as they are paid out. If the amount of the reserves proves to be greater than the costs actually incurred, any excess is credited against merger, restructuring and other non-recurring charges in the Consolidated Statement of Operations in the period in which that determination is made.

In Fiscal 2000, we established merger, restructuring and other non-recurring reserves of \$325.2 million, of which \$7.3 million is included in cost of sales, primarily related to a reserve for certain claims relating to a merged company in the Healthcare business, the restructuring activities in AMP's Brazilian operations and wireless communications business, a non-recurring charge incurred in connection with the TyCom IPO, charges associated with USSC's suture business and the exiting of USSC's interventional cardiology business. At the beginning of the fiscal year, there existed merger, restructuring and other non-recurring reserves of \$399.3 million related to pooling of interests transactions consummated in prior years and other restructuring charges taken by the merged companies prior to their combination with Tyco. During Fiscal 2000, we paid out \$155.2 million in cash and incurred \$54.5 million in non-cash charges that were charged against these reserves. Also in Fiscal 2000, we determined that \$148.9 million of merger, restructuring and other non-recurring reserves established in prior years were not needed. These amounts were taken as merger, restructuring and other non-recurring credits during Fiscal 2000 and offset against the reserves. At September 30, 2000, there remained \$365.9 million of merger, restructuring and other non-recurring reserves on our Consolidated Balance Sheet, of which \$334.8 million is included in current liabilities and \$31.1 million is included in long-term liabilities.

All business combinations completed in Fiscal 2000 were required to be accounted for under the purchase accounting method. At the time each purchase acquisition is made, we establish a reserve for transaction costs and the costs of integrating the purchased company within the relevant Tyco business segment. The amounts of such reserves established in Fiscal 2000 are detailed in Note 3 to the Consolidated Financial Statements. These amounts

are not charged against current earnings but are treated as additional purchase price consideration and have the effect of increasing the amount of goodwill recorded in connection with the respective acquisition. We view these costs as the equivalent of additional purchase price consideration when we consider making an acquisition. If the amount of the reserves proves to be in excess of costs actually incurred, any excess is used to reduce the goodwill account that was established at the time the acquisition was made.

In Fiscal 2000, we made acquisitions that were accounted for under the purchase accounting method at an aggregate cost of \$5,162.0 million. Of this amount, \$4,246.5 million was paid in cash (net of cash acquired), \$671.4 million was paid in the form of Tyco common shares, and we assumed \$244.1 million in debt. In connection with these acquisitions, we established purchase accounting reserves of \$426.2 million for transaction and integration costs. At the beginning of Fiscal 2000, purchase accounting reserves were \$570.3 million as a result of purchase accounting transactions made in prior years. During Fiscal 2000, we paid out \$544.2 million in cash and incurred \$52.1 million in non-cash charges against the reserves established during and prior to Fiscal 2000. Also in Fiscal 2000, we determined that \$117.8 million of purchase accounting reserves related to acquisitions made prior to Fiscal 2000 were not needed and reversed that amount against goodwill. At September 30, 2000, there remained \$372.6 million in purchase accounting reserves on our Consolidated Balance Sheet, of which \$349.2 million is included in current liabilities and \$23.4 million is included in long-term liabilities.

The following details the Fiscal 2000 capital expenditures and depreciation by segment:

(IN MILLIONS)	CAPITAL EXPENDITURES	DEPRECIATION
Electronics	\$ 293.8	\$ 444.9
Telecommunications	316.0 ⁽¹⁾	57.4
Healthcare and Specialty Products	251.1	192.8
Fire and Security Services	764.3	309.4
Flow Control Products and Services	142.1	82.9
Corporate	47.6	7.6
	\$1,814.9	\$1,095.0

(1) Includes \$111.1 million in spending for construction of the TyCom Global Network.

We continue to fund capital expenditures to improve the cost structure of our businesses, to invest in new processes and technology, and to maintain high quality production standards. The level of capital expenditures for the Fire and Security Services segment significantly exceeded, and is expected to continue to significantly exceed, depreciation due to the large volume growth of new residential subscriber systems capitalized. The level of capital expenditures in the Telecommunications segment is expected to significantly increase due to construction of the TyCom Global Network. The level of capital expenditures in the other segments is expected to increase moderately in Fiscal 2001. The source of funds for capital expenditures is expected to be cash from operating activities.

The provision for income taxes in the Consolidated Statement of Operations for Fiscal 2000 was \$1,926.0 million, but the amount of income taxes paid (net of refunds) during the year was \$454.7 million. The difference is due primarily to the timing of tax payments related to the gain on issuance of shares by TyCom. The current income tax liability at September 30, 2000 was \$1,650.3 million, as compared to \$798.0 million at September 30, 1999. After adjustment for deferred income taxes of acquired companies and other items, the net increase in deferred income taxes was \$507.8

million. The increase in deferred income taxes is attributable primarily to current utilization of deductions on restructuring, other non-recurring charges and purchase accounting spending, other timing differences between book and tax recognition of income and expense, utilization of net operating loss and credit carryforwards, and the tax benefits of stock option exercises.

The net change in working capital, net of the effects of acquisitions and divestitures, was an increase of \$91.7 million. The components of this change are set forth in detail in the Consolidated Statement of Cash Flows. The increase in working capital accounts is attributable to the higher level of business activity in Fiscal 2000 as reflected in the increased sales over the prior year. We focus on maximizing the cash flow from our operating businesses and attempt to keep the working capital employed in the businesses to the minimum level required for efficient operations.

In addition, we used \$1,885.1 million to purchase our own common shares. In November 1999, we announced the authorization by our Board of Directors to reacquire up to 20 million Tyco common shares in the open market, which was completed during the quarter ended March 31, 2000. In January 2000, the Board of Directors authorized the expenditure of up to an additional \$2,000.0 million to reacquire our shares, of which we have spent nearly \$1,100.0 million through September 30, 2000. In addition, we repurchase our own shares from time to time in the open market to satisfy certain stock-based compensation arrangements, such as the exercise of stock options.

We received proceeds of \$2,130.7 million from the issuance of common shares by a subsidiary in the TyCom IPO and \$355.3 million from the exercise of common share options.

The source of the cash used for acquisitions was primarily an increase in total debt and cash flows from operations. Goodwill and other intangible assets were \$16,332.6 million at September 30, 2000, compared to \$12,158.9 million at September 30, 1999. At September 30, 2000, our total debt was \$10,999.0 million, as compared to \$10,122.2 million at September 30, 1999. This increase resulted principally from borrowings under our commercial paper program and net proceeds of approximately \$565.9 million from the issuance of Euro denominated private placement notes in April 2000. For a full discussion of debt activity, see Note 4 to the Consolidated Financial Statements.

Shareholders' equity was \$17,033.2 million, or \$10.11 per share, at September 30, 2000, compared to \$12,369.3 million, or \$7.32 per share, at September 30, 1999. The increase in shareholders' equity was due primarily to net income of \$4,519.9 million, an unrealized gain on available for sale securities of \$1,075.7 million and the issuance of a total of approximately 15.6 million common shares valued at approximately \$671.4 million for the acquisitions of GSI and AFC Cable in November 1999. Total debt as a percent of total capitalization (total debt and shareholders' equity) was 39% at September 30, 2000 and 45% at September 30, 1999. Net debt (total debt less cash and cash equivalents) as a percent of total capitalization was 35% at September 30, 2000 and 37% at September 30, 1999.

On October 4, 2000, we entered into an agreement to acquire InnerDyne, Inc. ("InnerDyne"), a manufacturer and distributor of patented radial dilating access devices used in minimally invasive medical surgical procedures. The purchase price is approximately \$180 million payable in Tyco common shares. InnerDyne will be integrated within Tyco's Healthcare business. We intend to account for the acquisition as a purchase.

On October 6, 2000, we sold our ADT Automotive business to Manheim Auctions, Inc., a wholly-owned subsidiary of Cox Enterprises, Inc., for approximately \$1 billion in cash. The sale is expected to generate a one-time pre-tax gain to Tyco in excess of \$300 million in the first quarter of Fiscal 2001.

On October 17, 2000, we acquired Mallinckrodt Inc. ("Mallinckrodt"), a global healthcare company with products used primarily for respiratory care, diagnostic imaging and pain relief. We issued approximately 64.8 million common shares, valued at approximately \$3.2 billion, and assumed approximately \$1.0 billion in debt. Mallinckrodt is being integrated within Tyco's Healthcare business. We are accounting for the acquisition as a purchase.

On November 13, 2000, we agreed to acquire the Lucent Power Systems ("LPS") business unit of Lucent Technologies, Inc. for \$2.5 billion in cash. LPS provides a full line of energy solutions and power products for telecommunications service providers and for the computer industry and will be integrated within the Electronics segment. LPS products include AC/DC and DC/DC switching power supplies, batteries, power supplies and back-up power systems. The acquisition is subject to customary regulatory approvals.

On November 17, 2000, we completed a private placement offering of \$4,657,500,000 principal at maturity of zero-coupon debt securities due 2020 for aggregate net proceeds of approximately \$3,374,000,000. Each \$1,000 principal amount at maturity security was issued at 74.165% of principal amount at maturity, accretes at a rate of 1.5% per annum and is convertible into 10.3014 Tyco common shares if certain conditions are met. We may be required to repurchase the securities at the accreted value at the option of the holders on November 17, 2001, 2003, 2005, 2007 or 2014. The proceeds of this offering will be used to finance the LPS acquisition and to repay commercial paper.

On December 4, 2000, we agreed to acquire Simplex Time Recorder Co. ("Simplex") for approximately \$1.15 billion in cash. Simplex manufactures fire and security products and communications systems including control panels, detection devices and system software. Simplex also installs, monitors and services fire alarms, security systems and access control systems and will be integrated within the Fire and Security Services segment. The acquisition is subject to customary regulatory approvals.

We believe that our cash flow from operations, together with our existing credit facilities and other credit arrangements, is adequate to fund our operations.

BACKLOG

At September 30, 2000, we had a backlog of unfilled orders of approximately \$8,214.8 million, compared to a backlog of approximately \$7,581.1 million as of September 30, 1999. We expect that approximately 86% of our backlog at September 30, 2000 will be filled during the year ending September 30, 2001. Backlog by industry segment is as follows:

(IN MILLIONS)	SEPTEMBER 30,	
	2000	1999
Telecommunications	\$2,941.7	\$3,535.4
Electronics	2,335.7	1,439.1
Flow Control Products and Services	1,711.4	1,516.5
Fire and Security Services	1,134.9	986.6
Healthcare and Specialty Products	91.1	103.5
	\$8,214.8	\$7,581.1

The decrease in backlog within the Telecommunications segment is due to TyCom devoting a substantial portion of its resources to designing and manufacturing the TGN and therefore taking on less work as a supplier of undersea fiber optic cable systems for others. Within the Electronics segment, backlog increased principally due to an increase in demand for the products manufactured by AMP and Raychem, and to a lesser extent, the effect of acquisitions. Within the Flow Control Products and Services segment, backlog increased principally due to increased backlog at Earth Tech, related to new contract bookings and water and waste water facility contracts, and an increase in demand for its valves and control products. Within the Fire and Security Services segment, backlog increased principally due to long-term service contracts in the Australian fire protection business and, to a lesser extent, the effect of acquisitions. Backlog in the Healthcare and Specialty Products segment is not indicative of the level of sales activity. Backlog in this segment generally represents unfilled orders which are shipped shortly after purchase orders are received.

Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates, foreign currency exchange rates and certain commodity prices. In order to manage the volatility relating to our more significant market risks, we enter into forward foreign currency exchange contracts, cross-currency swaps, foreign currency options, commodity swaps and interest rate swaps. The Company does not antic-

ipate any material changes in our primary market risk exposures in Fiscal 2001.

We utilize risk management procedures and controls in executing derivative financial instrument transactions. We do not execute transactions or hold derivative financial instruments for trading purposes. Derivative financial instruments related to interest rate sensitivity of debt obligations, intercompany cross-border transactions and anticipated non-functional currency cash flows, as well as commodity price exposures, are used with the goal of mitigating a significant portion of these exposures when it is cost effective to do so. Counter-parties to derivative financial instruments are limited to financial institutions with at least an AA long-term credit rating.

INTEREST RATE SENSITIVITY

The table below provides information about our financial instruments that are sensitive to changes in interest rates, including long-term investments, debt obligations, interest rate swaps and currency swaps. For long-term investments, the table presents cash flows of principal payments (in millions) related to a subordinated, non-collateralized zero coupon loan note, based on the amortized cost of the investment as of September 30, 2000, and the associated fair value interest rate discount. For debt obligations, the table presents cash flows of principal repayment (in millions) and weighted-average interest rates. For interest rate swaps and cross-currency swaps, the table presents notional amounts (in millions) and weighted-average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. The amounts included in the table below are in U.S. dollars.

(\$ IN MILLIONS)	FISCAL 2001	FISCAL 2002	FISCAL 2003	FISCAL 2004	FISCAL 2005	THEREAFTER	TOTAL	FAIR VALUE
LONG-TERM INVESTMENT:								
Fixed rate (British Pound) Interest rate	—	—	—	119.6 11.5%	—	—	119.6	119.6
TOTAL DEBT:								
Fixed rate (US\$) Average interest rate	858.6 6.3%	1,354.8 6.9%	11.2 7.4%	113.0 6.2%	1,147.5 6.2%	3,391.8 6.6%	6,876.9	6,721.8
Fixed rate (Euro) Average interest rate	—	—	—	—	—	525.4 6.1%	525.4	515.0
Fixed rate (Yen) Average interest rate	9.0 3.2%	22.8 3.4%	33.5 2.2%	5.6 1.4%	5.6 1.4%	58.7 4.8%	135.2	153.3
Variable rate (US\$) Average interest rate ⁽¹⁾	666.1 5.9%	2,454.5 6.9%	4.4 5.9%	5.8 6.7%	2.9 7.6%	33.3 4.9%	3,167.0	3,167.0
Variable rate (Euro) Average interest rate	—	239.2 5.0%	—	—	—	—	239.2	239.2
Variable rate (French Franc) Average interest rate ⁽¹⁾	3.5 4.9%	4.1 4.9%	4.8 4.9%	5.0 4.9%	5.6 4.9%	32.3 4.9%	55.3	55.3
INTEREST RATE SWAP:								
Fixed to variable (US\$) Average pay rate ⁽¹⁾ Average receive rate	—	1,000.0 7.9% 6.9%	—	—	—	800.0 7.3% 6.1%	1,800.0	(95.7)
CROSS-CURRENCY SWAP:								
Receive US\$/Pay Japanese Yen ⁽²⁾ Pay Japanese Yen interest	— 6.8	— 6.8	— 6.8	150.0 3.4	—	—	150.0 23.8	(18.3) ⁽³⁾
Receive US\$ interest Pay rate Receive rate	10.1 4.6% 6.7%	10.1 4.6% 6.7%	10.1 4.6% 6.7%	5.0 4.6% 6.7%	—	—	35.3	

(1) Weighted-average variable interest rates are based on applicable rates as of September 30, 2000 per the terms of the contracts of the related financial instruments.

(2) In March 1994, AMP entered into a cross-currency swap with a financial institution to hedge a portion of its net investment in its Japanese subsidiary.

(3) The fair value of the cross-currency swap included in the table reflects the portion of the fair value of the contract that is attributable to the interest component of the contract.

EXCHANGE RATE SENSITIVITY

The table below provides information about Tyco's financial instruments that are sensitive to foreign currency exchange rates. These instruments include long-term investments, debt obligations, cross-currency swaps, forward foreign currency exchange contracts and currency options. For long-term investments, the table presents cash flows of principal payments (in millions) related to a subordinated, non-collateralized zero coupon loan note, based on the amortized cost of the investment as of September 30, 2000, and the associated fair value interest rate discount. For debt obligations, the

table presents cash flows of principal repayment (in millions) and weighted-average interest rates. For cross-currency swaps and forward foreign currency exchange contracts, the table presents notional amounts (in millions) and weighted-average contractual exchange rates. For currency options, the table presents notional amounts (in millions) and weighted-average contractual strike prices. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. The amounts included in the table below are in U.S. dollars.

(\$ IN MILLIONS)	FISCAL 2001	FISCAL 2002	FISCAL 2003	FISCAL 2004	FISCAL 2005	THEREAFTER	TOTAL	FAIR VALUE
LONG-TERM INVESTMENT:								
Fixed rate (British Pound)	—	—	—	119.6	—	—	119.6	119.6
Interest rate				11.5%				
LONG-TERM DEBT:								
Fixed rate (Euro)	—	—	—	—	—	525.4	525.4	515.0
Average interest rate						6.1%		
Fixed rate (Yen)	9.0	22.8	33.5	5.6	5.6	58.7	135.2	153.3
Average interest rate	3.2%	3.4%	2.2%	1.4%	1.4%	4.8%		
Variable rate (Euro)	—	239.2	—	—	—	—	239.2	239.2
Average interest rate		5.0%						
Variable rate (French Franc)	3.5	4.1	4.8	5.0	5.6	32.3	55.3	55.3
Average interest rate ⁽¹⁾	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%		
CROSS-CURRENCY SWAP:								
Receive US\$/Pay Japanese Yen ⁽²⁾	—	—	—	150.0	—	—	150.0	3.0 ⁽³⁾
Contractual exchange rate (Yen/US\$)	—	—	—	105.95	—	—		
FORWARD CONTRACTS:								
Receive US\$/Pay Australian Dollar	325.1	—	—	—	—	—	325.1	40.5
Average contractual exchange rate	0.63	—	—	—	—	—		
Receive US\$/Pay British Pound	1,389.6	—	—	—	—	—	1,389.6	107.8
Average contractual exchange rate	1.59	—	—	—	—	—		
Receive US\$/Pay Canadian Dollar	109.5	—	—	—	—	—	109.5	2.3
Average contractual exchange rate	0.69	—	—	—	—	—		
Receive US\$/Pay Euro	790.8	—	—	—	—	—	790.8	125.1
Average contractual exchange rate	1.00	—	—	—	—	—		
Receive US\$/Pay Japanese Yen	194.1	—	—	—	—	—	194.1	3.9
Average contractual exchange rate (Yen/US\$)	101.51	—	—	—	—	—		
Pay US\$/Receive Singapore Dollar	58.4	—	—	—	—	—	58.4	(0.6)
Average strike price	0.58	—	—	—	—	—		

(1) Weighted-average variable interest rates are based on applicable rates as of September 30, 2000 per the terms of the contracts of the related financial instruments.

(2) In March 1994, AMP entered into a cross-currency swap with a financial institution to hedge a portion of its net investment in its Japanese subsidiary.

(3) The fair value of cross-currency swap included in the table reflects the portion of the fair value of the contract that is attributable to the foreign currency component of the contracts.

COMMODITY PRICE SENSITIVITY

The table below provides information about Tyco's financial instruments that are sensitive to changes in commodity prices. Total contract dollar amounts (in millions) and notional quantity amounts are

presented for forward commodity contracts. Contract amounts are used to calculate the contractual payments quantity of the commodity to be exchanged under the contracts.

(\$ IN MILLIONS)	FISCAL 2001	FISCAL 2002	FISCAL 2003	FISCAL 2004	FISCAL 2005	THEREAFTER	TOTAL	FAIR VALUE
FORWARD CONTRACTS:								
Copper								
Contract amount (US\$)	62.4	10.9	—	—	—	—	73.3	10.6
Contract quantity (in 000 metric tons)	35.6	6.1	—	—	—	—	41.7	
Gold								
Contract amount (US\$)	25.8	1.7	—	—	—	—	27.5	0.4
Contract quantity (in 000 ounces)	93.0	6.0	—	—	—	—	99.0	
Silver								
Contract amount (US\$)	8.6	2.0	—	—	—	—	10.6	0.0
Contract quantity (in 000 ounces)	1,700.0	400.0	—	—	—	—	2,100.0	
Zinc								
Contract amount (US\$)	0.7	—	—	—	—	—	0.7	0.1
Contract quantity (in 000 metric tons)	0.7	—	—	—	—	—	0.7	

Year 2000 Compliance

Tyco's Year 2000 compliance programs and systems modifications were completed on time, and the conversion process was successful. Our business has not been adversely affected due to the failure of key third parties to successfully complete the Year 2000 conversion. Although there can be no assurance that all of our material third-party relationships had successful conversion programs we do

not expect that any such failure would have a material adverse effect on our financial position, results of operations or liquidity. The costs of our Year 2000 program to date have not been material, and we know of no further required modifications to its information technology or embedded technology systems that would have a material impact on our financial position, results of operations or liquidity.

Accounting and Technical Pronouncements

In June 1998 and June 2000, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS Nos. 133 and 138 also require that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS Nos. 133 and 138 are effective for fiscal years beginning after June 15, 2000. We do not expect that the adoption of these new standards will have a material impact on our earnings or financial position.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which clarifies certain existing accounting principles for the timing of revenue recognition and its classification in the financial statements. In June 2000, the SEC delayed the required implementation date of SAB 101. As a result, SAB 101 will not be effective for Tyco until the quarter ended September 30, 2001. In October 2000, the SEC issued further guidance on the interpretations included in SAB 101. We are currently analyzing the impact of this Staff Accounting Bulletin.

In September 2000, the FASB issued SFAS No. 140 ("SFAS 140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a replacement of FASB Statement No. 125." SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125's provisions without reconsideration. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. We are currently analyzing this new standard.

Forward Looking Information

Certain statements in this report are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forward looking statements involve risks and uncertainties. In particular, any statement contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission, or in Tyco's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding the consummation and benefits of future acquisitions, as well as expectations with respect to future sales, earnings, cash flows, operating efficiencies, product expansion, backlog, financings and share repurchases, are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of Tyco, which may cause actual results, performance or achievements to differ materially from anticipated results, performances or achievements. Factors that might affect such forward looking statements include, among other things, overall economic and business conditions; the demand for Tyco's goods and services; competitive factors in the industries in which Tyco competes; changes in government regulation; changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); results of litigation; interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders; the timing of construction and the successful operation of the TyCom Global Network; the ability to achieve anticipated synergies and other cost savings in connection with acquisitions; and the timing, impact and other uncertainties of future acquisitions.

Selected Financial Data

The following table sets forth selected consolidated financial information of Tyco as at and for the fiscal years ended September 30, 2000, 1999 and 1998, the nine-month fiscal period ended September 30, 1997 and the year ended December 31, 1996. This selected financial information should be read in conjunction with Tyco's Consolidated Financial Statements and related notes. The selected financial data reflect the combined results of operations and financial position of Tyco, Former Tyco, Keystone, Inbrand (from January 1, 1997), USSC and AMP restated for all periods presented pursuant to the pooling of interests method of accounting. The selected financial data prior to January 1, 1997 do not reflect the results of operations and financial position of Inbrand, which was acquired in 1997 and accounted for under the pooling of interests method of accounting, due to immateriality. See Notes 1 and 2 to the Consolidated Financial Statements.

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,	YEAR ENDED DECEMBER 31,
	2000 ⁽¹⁾	1999 ⁽²⁾	1998 ⁽³⁾	1997 ⁽⁴⁾⁽⁵⁾	1996 ⁽⁶⁾⁽⁷⁾

Consolidated Statements of Operations Data:					
Net sales	\$28,931.9	\$22,496.5	\$19,061.7	\$12,742.5	\$14,671.0
Operating income	5,474.4	2,190.8	1,948.1	125.8	587.4
Income (loss) from continuing operations	4,520.1	1,067.7	1,168.6	(348.5)	49.4
Income (loss) from continuing operations per common share:					
Basic	2.68	0.65	0.74	(0.24)	0.02
Diluted	2.64	0.64	0.72	(0.24)	0.02
Cash dividends per common share ⁽⁸⁾			See ⁽⁹⁾ below.		
Consolidated Balance Sheet Data (End of Period):					
Total assets	\$40,404.3	\$32,344.3	\$23,440.7	\$16,960.8	\$14,686.2
Long-term debt	9,461.8	9,109.4	5,424.7	2,785.9	2,202.4
Shareholders' equity	17,033.2	12,369.3	9,901.8	7,478.7	7,022.6

(1) Operating income in the fiscal year ended September 30, 2000 includes a net charge of \$176.3 million, of which \$1.0 million is included in cost of sales, for restructuring and other non-recurring charges, and charges of \$99.0 million for the impairment of long-lived assets. See Notes 12 and 16 to the Consolidated Financial Statements. Income from continuing operations for the fiscal year ended September 30, 2000 includes a one-time pre-tax gain of \$1,760.0 million related to the issuance of common shares by a subsidiary. See Note 15 to the Consolidated Financial Statements.

(2) Operating income in the fiscal year ended September 30, 1999 is net of charges of \$1,035.2 million for merger, restructuring and other non-recurring charges, of which \$106.4 million is included in cost of sales, and charges of \$507.5 million for the impairment of long-lived assets related to the mergers with USSC and AMP and AMP's profit improvement plan. See Notes 12 and 16 to the Consolidated Financial Statements.

(3) Operating income in the fiscal year ended September 30, 1998 is net of charges of \$80.5 million primarily related to costs to exit certain businesses in USSC's operations and restructuring charges of \$12.0 million related to the continuing operations of USSC. In addition, AMP recorded restructuring charges of \$185.8 million in connection with its profit improvement plan and a credit of \$21.4 million to restructuring charges representing a revision of estimates related to its 1996 restructuring activities. See Note 16 to the Consolidated Financial Statements.

(4) In September 1997, Tyco changed its fiscal year end from December 31 to September 30. Accordingly, the nine-month transition period ended September 30, 1997 is presented.

(5) Operating income in the nine months ended September 30, 1997 is net of charges related to merger, restructuring and other non-recurring costs of \$917.8 million and impairment of long-lived assets of \$148.4 million primarily related to the mergers and integration of ADT, Former Tyco, Keystone, and Inbrand, and charges of \$24.3 million for litigation and other related costs and \$5.8 million for restructuring charges in USSC's operations. The results for the nine months ended September 30, 1997 also include a charge of \$361.0 million for the write-off of purchased in-process research and development related to the acquisition of the submarine systems business of AT&T Corp.

(6) Prior to their respective mergers, ADT, Keystone, USSC and AMP had December 31 fiscal year ends and Former Tyco had a June 30 fiscal year end. The selected consolidated financial data have been combined using a December 31 fiscal year end for ADT, Keystone, Former Tyco, USSC and AMP for the year ended December 31, 1996.

(7) Operating income in 1996 includes non-recurring charges of \$744.7 million related to the adoption of Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of," \$237.3 million related principally to the restructuring of ADT's electronic security services business in the United States and United Kingdom, \$98.0 million to exit various product lines and manufacturing operations associated with AMP's operations and \$8.8 million of fees and expenses related to ADT's acquisition of Automated Security (Holdings) plc, a United Kingdom company.

(8) Per share amounts have been retroactively restated to give effect to the mergers with Former Tyco, Keystone, Inbrand, USSC and AMP; a 0.48133 reverse stock split (1.92532 after giving effect to the subsequent stock splits) effected on July 2, 1997; and two-for-one stock splits distributed on October 22, 1997 and October 21, 1999, both of which were effected in the form of a stock dividend.

(9) Tyco has paid a quarterly cash dividend of \$0.0125 per common share since July 2, 1997, the date of the Former Tyco/ADT merger. Prior to the merger with ADT, Former Tyco had paid a quarterly cash dividend of \$0.0125 per share of common stock since January 1992. ADT had not paid any dividends on its common shares since 1992. USSC paid quarterly dividends of \$0.04 per share in the year ended September 30, 1998 and the nine months ended September 30, 1997 and aggregate dividends of \$0.08 per share in 1996. AMP paid dividends of \$0.27 per share in the first two quarters of the year ended September 30, 1999, \$0.26 per share in the first quarter and \$0.27 per share in the last three quarters of the year ended September 30, 1998, \$0.26 per share in each of the three quarters of the nine months ended September 30, 1997 and aggregate dividends of \$1.00 per share in 1996. The payment of dividends by Tyco in the future will depend on business conditions, Tyco's financial condition and earnings and other factors.

Consolidated Balance Sheets

SEPTEMBER 30 (IN MILLIONS, EXCEPT SHARE DATA)	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,264.8	\$ 1,762.0
Receivables, less allowance for doubtful accounts of \$442.1 in 2000 and \$329.8 in 1999	5,630.4	4,582.3
Contracts in process	357.3	536.6
Inventories	3,845.1	2,849.1
Deferred income taxes	683.3	694.3
Prepaid expenses and other current assets	1,034.8	721.2
Total current assets	12,815.7	11,145.5
CONSTRUCTION IN PROGRESS—TYCOM GLOBAL NETWORK	111.1	—
PROPERTY, PLANT AND EQUIPMENT, NET	8,218.4	7,322.4
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	16,332.6	12,158.9
LONG-TERM INVESTMENTS	1,653.7	269.7
DEFERRED INCOME TAXES	532.5	668.8
OTHER ASSETS	740.3	779.0
TOTAL ASSETS	\$40,404.3	\$32,344.3
CURRENT LIABILITIES:		
Loans payable and current maturities of long-term debt	\$ 1,537.2	\$ 1,012.8
Accounts payable	3,291.9	2,530.8
Accrued expenses and other current liabilities	4,038.2	3,545.7
Contracts in process—billings in excess of costs	835.0	977.9
Deferred revenue	265.7	258.8
Income taxes	1,650.3	798.0
Deferred income taxes	60.6	1.0
Total current liabilities	11,678.9	9,125.0
LONG-TERM DEBT	9,461.8	9,109.4
OTHER LONG-TERM LIABILITIES	1,095.3	1,236.4
DEFERRED INCOME TAXES	791.6	504.2
TOTAL LIABILITIES	23,027.6	19,975.0
COMMITMENTS AND CONTINGENCIES (NOTE 17)		
MINORITY INTEREST	343.5	—
SHAREHOLDERS' EQUITY:		
Preference shares, \$1 par value, 125,000,000 shares authorized, none issued	—	—
Common shares, \$0.20 par value, 2,500,000,000 shares authorized; 1,684,511,070 shares outstanding in 2000 and 1,690,175,338 shares outstanding in 1999, net of 31,551,310 shares owned by subsidiaries in 2000 and 11,432,678 shares owned by subsidiaries in 1999	336.9	338.0
Capital in excess:		
Share premium	5,233.3	4,881.5
Contributed surplus, net of deferred compensation of \$59.4 in 2000 and \$30.7 in 1999	2,786.3	3,607.6
Accumulated earnings	8,427.6	3,992.3
Accumulated other comprehensive income (loss)	249.1	(450.1)
TOTAL SHAREHOLDERS' EQUITY	17,033.2	12,369.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$40,404.3	\$32,344.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

YEAR ENDED SEPTEMBER 30 (IN MILLIONS, EXCEPT PER SHARE DATA)	2000	1999	1998
NET SALES	\$28,931.9	\$22,496.5	\$19,061.7
Cost of sales	17,931.2	14,433.1	12,694.8
Selling, general and administrative expenses	5,252.0	4,436.3	4,161.9
Merger, restructuring and other non-recurring charges	175.3	928.8	256.9
Charge for the impairment of long-lived assets	99.0	507.5	—
OPERATING INCOME	5,474.4	2,190.8	1,948.1
Interest income	75.2	61.5	62.6
Interest expense	(844.8)	(547.1)	(307.9)
Gain on issuance of common shares by subsidiary	1,760.0	—	—
Income before income taxes, minority interest and extraordinary items	6,464.8	1,705.2	1,702.8
Income taxes	(1,926.0)	(637.5)	(534.2)
Minority interest	(18.7)	—	—
Income before extraordinary items	4,520.1	1,067.7	1,168.6
Extraordinary items, net of taxes	(0.2)	(45.7)	(2.4)
NET INCOME	\$ 4,519.9	\$ 1,022.0	\$ 1,166.2
BASIC EARNINGS PER COMMON SHARE:			
Income before extraordinary items	\$ 2.68	\$ 0.65	\$ 0.74
Extraordinary items, net of taxes	—	(0.03)	—
Net income per common share	2.68	0.62	0.74
DILUTED EARNINGS PER COMMON SHARE:			
Income before extraordinary items	\$ 2.64	\$ 0.64	\$ 0.72
Extraordinary items, net of taxes	—	(0.03)	—
Net income per common share	2.64	0.61	0.72
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
Basic	1,688.0	1,641.3	1,583.4
Diluted	1,713.2	1,674.8	1,624.7

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

FOR THE YEARS ENDED SEPTEMBER 30, 1998, 1999 AND 2000 (IN MILLIONS, EXCEPT PER SHARE DATA)	COMMON SHARES \$0.20 PAR VALUE	SHARE PREMIUM	CONTRIBUTED SURPLUS — COMMON	ACCUMULATED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME
BALANCE AT SEPTEMBER 30, 1997	\$303.7	\$2,450.2	\$ 2,559.4	\$2,302.3	\$ (136.9)	
Comprehensive income:						
Net income				1,166.2		\$1,166.2
Currency translation adjustment					(36.7)	(36.7)
Unrealized loss on marketable securities					(15.6)	(15.6)
Minimum pension liability adjustment					(14.7)	(14.7)
Total comprehensive income						<u>\$1,099.2</u>
Sale of common shares	10.2	1,239.9	(5.1)			
Exchange of Liquid Yield Option Notes	3.6		151.7			
Dividends				(305.9)		
Restricted stock grants, net of surrenders	0.2		0.1			
Warrants and options exercised	8.0	344.9	35.5			
Purchase of treasury shares	(1.8)		(282.1)			
Equity-related compensation expense, including amortization of deferred compensation			43.4			
Issuance of common shares for acquisition	0.2		19.0			
Issuance of common shares for litigation settlement			7.8			
Tax benefit on stock transactions			55.1			
Other adjustments			(0.8)			
BALANCE AT SEPTEMBER 30, 1998	324.1	4,035.0	2,584.0	3,162.6	(203.9)	
Comprehensive income:						
Net income				1,022.0		\$1,022.0
Currency translation adjustment					(258.3)	(258.3)
Unrealized gain on marketable securities					12.6	12.6
Minimum pension liability adjustment					(0.5)	(0.5)
Total comprehensive income						<u>\$ 775.8</u>
Exchange of Liquid Yield Option Notes	1.6		70.7			
Dividends				(192.3)		
Restricted stock grants, net of surrenders	0.2		13.2			
Warrants and options exercised	8.2	846.5	17.7			
Purchase of treasury shares	(2.5)		(635.3)			
Amortization of deferred compensation			92.1			
Issuance of common shares for acquisitions	6.4		1,448.4			
Tax benefit on stock transactions			15.2			
Other adjustments			1.6			
BALANCE AT SEPTEMBER 30, 1999	338.0	4,881.5	3,607.6	3,992.3	(450.1)	
Comprehensive income:						
Net income				4,519.9		\$4,519.9
Currency translation adjustment					(384.0)	(384.0)
Unrealized gain on marketable securities					1,075.7	1,075.7
Minimum pension liability adjustment					7.5	7.5
Total comprehensive income						<u>\$5,219.1</u>
Exchange of Liquid Yield Option Notes	0.4		16.0			
Dividends				(84.6)		
Restricted stock grants, net of surrenders	0.6		0.4			
Options exercised	3.5	351.8				
Purchase of treasury shares	(8.7)		(1,876.4)			
Equity-related compensation expense, including amortization of deferred compensation			128.2			
Issuance of common shares for acquisitions	3.1		668.3			
Tax benefit on stock transactions			125.7			
Assumption of options in acquisitions			116.5			
BALANCE AT SEPTEMBER 30, 2000	\$336.9	\$5,233.3	\$ 2,786.3	\$8,427.6	\$ 249.1	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

YEAR ENDED SEPTEMBER 30 (IN MILLIONS)	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,519.9	\$ 1,022.0	\$ 1,166.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Merger, restructuring and other non-recurring (credits) charges	(84.2)	327.7	253.7
Charge for the impairment of long-lived assets	99.0	507.5	—
Minority interest in net income of consolidated subsidiary	18.7	—	—
Gain on issuance of common shares by subsidiary	(1,760.0)	—	—
Extraordinary items	0.2	45.4	2.4
Depreciation	1,095.0	979.6	895.1
Goodwill and other intangibles amortization	549.4	331.6	242.6
Debt and refinancing cost amortization	6.8	10.4	11.3
Interest on ITS vendor note	(14.0)	(12.1)	(11.5)
Deferred income taxes	507.8	351.6	(8.2)
Provisions for losses on accounts receivable and inventory	354.3	211.5	192.9
Other non-cash items	73.8	(6.7)	2.5
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Receivables	(992.4)	(796.0)	(88.9)
Proceeds from accounts receivable sale	100.0	50.0	—
Contracts in process	28.9	642.2	(91.4)
Inventories	(850.0)	(124.4)	(226.2)
Prepaid expenses and other current assets	100.2	(154.1)	(57.7)
Accounts payable, accrued expenses and other current liabilities	497.0	324.0	(96.4)
Income taxes payable	896.4	(10.2)	66.3
Deferred revenue	(0.2)	(54.1)	(6.5)
Other, net	128.4	(96.1)	35.6
Net cash provided by operating activities	5,275.0	3,549.8	2,281.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, net	(1,703.8)	(1,632.5)	(1,317.5)
Construction in progress — TyCom Global Network	(111.1)	—	—
Purchase of leased property (Note 2)	—	(234.0)	—
Acquisition of businesses, net of cash acquired	(4,790.7)	(4,901.2)	(4,251.8)
Disposal of businesses	74.4	926.8	—
Net (increase) decrease in investments	(353.4)	10.5	6.4
Other	(52.9)	(13.7)	(83.1)
Net cash utilized by investing activities	(6,937.5)	(5,844.1)	(5,646.0)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (payments) receipts of short-term debt	(736.0)	162.3	287.1
Net proceeds from issuance of public debt	—	1,173.7	2,744.5
Repayment of long-term debt, including debt tenders	(376.8)	(2,057.8)	(1,074.6)
Proceeds from long-term debt	1,793.2	3,665.6	802.0
Proceeds from sale of common shares	—	—	1,245.0
Proceeds from exercise of options and warrants	355.3	872.4	348.7
Net proceeds from issuance of common shares by subsidiary	2,130.7	—	—
Dividends paid	(86.2)	(187.9)	(303.0)
Purchase of treasury shares	(1,885.1)	(637.8)	(283.9)
Other	(29.8)	(7.1)	(36.5)
Net cash provided by financing activities	1,165.3	2,983.4	3,729.3
Net (decrease) increase in cash and cash equivalents	(497.2)	689.1	365.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,762.0	1,072.9	707.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,264.8	\$ 1,762.0	\$ 1,072.9
SUPPLEMENTARY CASH FLOW DISCLOSURE:			
Interest paid	\$ 814.2	\$ 509.1	\$ 250.7
Income taxes paid (net of refunds)	\$ 454.7	\$ 209.7	\$ 345.9

See Notes to Consolidated Financial Statements.

[1] Summary of Significant Accounting Policies

BUSINESS

Tyco International Ltd. (the “Company” or “Tyco”) manages its business in the following five operating segments:

ELECTRONICS

The Electronics segment’s products and services include:

- designing, engineering and manufacturing of electronic connector systems, fiber optic components, wireless devices, heat shrink products, power components, wire and cable, relays, sensors, touch screens, identification and labeling products, switches and battery assemblies; and
- designing and manufacturing of multi-layer printed circuit boards, backplane assemblies, electronic modules and similar components.

TELECOMMUNICATIONS

The Company’s 86% owned subsidiary, TyCom Ltd. (“TyCom”), is a leading independent provider of transoceanic fiber optic networks and services. TyCom’s products and services include:

- design, engineering, manufacture and installation of undersea cable communications systems;
- service and maintenance of major undersea cable networks; and
- design, manufacture and installation of a global undersea fiber optic network, known as the TyCom Global Network™ (“TGN”). TyCom plans to operate, maintain and sell bandwidth capacity on the TGN.

HEALTHCARE AND SPECIALTY PRODUCTS

The Healthcare and Specialty Products segment’s products and services include:

- a wide variety of disposable medical products, including wound care products, syringes and needles, sutures and surgical staplers, incontinence products, electrosurgical instruments and laparoscopic instruments;
- flexible plastic packaging, plastic bags and sheeting, coated and laminated packaging materials, tapes and adhesives, and plastic garment hangers; and
- ADT Automotive’s auto redistribution services (See Note 25).

FIRE AND SECURITY SERVICES

The Fire and Security Services segment’s products and services include:

- designing, installing and servicing a broad line of fire detection, prevention and suppression systems;
- providing electronic security installation and monitoring services; and
- manufacturing and servicing fire extinguishers and related products.

FLOW CONTROL PRODUCTS AND SERVICES

The Flow Control Products and Services segment’s products and services include:

- a full line of valves and related products for industrial and process control, pipe and tubular products, electrical raceway products and fire sprinkler devices; and

- a broad range of consulting, engineering, construction management and operating services for the water, wastewater, environmental, transportation and infrastructure markets.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in United States dollars in accordance with generally accepted accounting principles in the United States. As described more fully in Note 2, Tyco merged with United States Surgical Corporation (“USSC”) and AMP Incorporated (“AMP”) on October 1, 1998 and April 2, 1999, respectively. These transactions are referred to herein as the “mergers.” The consolidated financial statements include the consolidated accounts of Tyco, a company incorporated in Bermuda, and its subsidiaries. They have been prepared following the pooling of interests method of accounting for the mergers and, therefore, reflect the combined financial position, operating results and cash flows of USSC and AMP as if they had been combined for all periods presented.

PRINCIPLES OF CONSOLIDATION

Tyco is a holding company whose assets consist of its investments in its subsidiaries, intercompany balances and holdings of cash and cash equivalents. The businesses of the consolidated group are conducted through the Company’s subsidiaries. The Company consolidates companies in which it owns or controls more than fifty percent of the voting shares unless control is likely to be temporary. The results of companies acquired or disposed of during the fiscal year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal except in the case of mergers accounted for as pooling of interests (See Note 2). All significant intercompany balances and transactions have been eliminated in consolidation.

CASH EQUIVALENTS

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

INVENTORIES

Inventories are recorded at the lower of cost (primarily first-in, first-out) or market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is principally recorded at cost less accumulated depreciation. Maintenance and repair expenditures are charged to expense when incurred. For the years ended September 30, 2000, 1999 and 1998, the Company capitalized interest of \$10.8 million, \$8.7 million and \$9.0 million, respectively. The straight-line method of depreciation is used over the estimated useful lives of the related assets as follows:

Buildings and related improvements	5 to 50 years
Leasehold improvements	Remaining term of the lease
Subscriber systems	10 to 14 years
Other plant, machinery, equipment and furniture and fixtures	2 to 25 years

Gains and losses arising on the disposal of property, plant and equipment are included in the Consolidated Statements of Operations and were not material.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which is being amortized on a straight-line basis over periods ranging from 10 to 40 years, was \$13,723.0 million and \$10,639.3 million, net, at September 30, 2000 and 1999, respectively. Accumulated amortization amounted to \$959.3 million at September 30, 2000 and \$615.6 million at September 30, 1999.

Other intangible assets were \$2,609.6 million and \$1,519.6 million, net, at September 30, 2000 and 1999, respectively. These amounts include patents, trademarks, customer contracts and other items, which are being amortized on a straight-line basis over lives ranging from 2 to 40 years. At September 30, 2000 and 1999, accumulated amortization amounted to \$525.2 million and \$319.5 million, respectively.

INVESTMENTS

The Company accounts for its long-term investments that represent less than twenty percent ownership using Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard requires that certain debt and equity securities be adjusted to market value at the end of each accounting period. Unrealized market gains and losses are charged to earnings if the securities are traded for short-term profit. Otherwise, such unrealized gains and losses are charged or credited to shareholders' equity. Management determines the proper classification of investments in obligations with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the Consolidated Statements of Operations and were not material.

As of September 30, 2000, the Company had Available-for-Sale equity investments with a fair market value of \$1,320.3 million and a cost basis of \$218.7 million. The gross unrealized gains of \$1,118.0 million and gross unrealized losses of \$16.4 million have been recorded net of deferred taxes of \$18.1 million and have been included as a separate component of shareholders' equity.

Other investments for which the Company does not have the ability to exercise significant influence and for which there is not a readily determinable market value are accounted for under the cost method of accounting. The Company periodically evaluates the carrying value of its investments accounted for under the cost method of accounting and, as of September 30, 2000 and 1999, such investments were recorded at the lower of cost or estimated net realizable value.

For investments in which the Company owns or controls twenty percent or more of the voting shares, or over which it exerts significant influence over operating and financial policies, the equity method of accounting is used. The Company's share of net income or losses of equity investments is included in the Consolidated Statements of Operations and was not material in any period presented.

Investments are included in Other Assets in the Consolidated Balance Sheets.

LONG-LIVED ASSETS

The Company periodically evaluates the net realizable value of long-lived assets, including goodwill and other intangible assets and

property, plant and equipment, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying value of an asset is assessed when the undiscounted, expected future operating cash flows derived from the asset are less than its carrying value.

REVENUE RECOGNITION

Revenue from the sale of services or products is recognized as services are rendered or shipments are made. Subscriber billings for services not yet rendered are deferred and taken into income as earned, and the deferred element is included in current liabilities. Revenue from the installation of electronic security systems is recognized when installations are completed.

Contract sales for the installation of fire protection systems, underwater cable systems and other construction related projects are recorded on the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related cost to completion. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable.

Accounts receivable include amounts billed under retainage provisions primarily for fire protection and electronic contracts. The retention balances were \$56.6 million and \$33.3 million at September 30, 2000 and 1999, respectively, and become due upon contract completion and acceptance. The balance as of September 30, 2000 is expected to be substantially collected during the fiscal year ending September 30, 2001.

SHARE PREMIUM AND CONTRIBUTED SURPLUS

In accordance with the Bermuda Companies Act of 1981, when the Company issues shares for cash at a premium to their par value, the resulting premium is credited to a share premium account, a non-distributable reserve. When the Company issues shares in exchange for shares of another company, the excess of the fair value of the shares acquired over the par value of the shares issued by the Company is credited, where applicable, to contributed surplus, which is, subject to certain conditions, a distributable reserve.

INCOME TAXES

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the consolidated financial statements and the tax basis of assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed when incurred and are included in cost of sales in the Consolidated Statements of Operations.

ADVERTISING

Advertising costs are expensed when incurred.

ISSUANCE OF STOCK BY A SUBSIDIARY

Gains on the issuance of common shares by a subsidiary are included in net income.

TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities of the Company's subsidiaries operating outside the United States which account in a functional currency other than U.S. dollars, other than those operating in highly inflationary environments, are translated into U.S. dollars using year-end exchange rates. Revenues and expenses are translated at the average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) within shareholders' equity. For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are translated at the rate of exchange in effect on the date the assets were acquired, while other assets and liabilities are translated at year-end exchange rates. Translation adjustments for these operations are included in net income.

Gains and losses resulting from foreign currency transactions, the amounts of which are not material, are included in net income.

FINANCIAL INSTRUMENTS

From time to time the Company enters into a variety of forward foreign currency exchange contracts, cross-currency swaps, currency options, forward commodity contracts and interest rate swaps in its management of foreign currency and commodity exposures and interest costs.

Forward foreign currency exchange contracts and cross-currency swaps, used to mitigate the impact of changes in currency exchange rates on intercompany cross-border obligations, are accounted for consistent with the related intercompany transactions. Under cross-currency swaps, which principally hedge certain net foreign currency denominated investments, changes in valuation are included in the currency translation adjustment component of accumulated other comprehensive income (loss) within shareholders' equity. The interest differentials on cross-currency swaps are included in interest expense. Forward foreign currency exchange contracts and currency options, acquired for the purpose of reducing exposure to currency fluctuations associated with expected cash flows denominated in currencies other than the functional currencies, are marked to market with realized and unrealized gains or losses reflected in selling, general and administrative expenses.

Under forward commodity contracts which hedge anticipated purchases of certain metals and other materials used in manufacturing operations payments are received or paid based on the differential between the contract price and the actual price of the underlying commodity. Gains or losses on forward commodity contracts are recorded as adjustments to the value of the purchased commodity.

Interest rate swaps hedge interest rates on certain indebtedness and involve the exchange of fixed and floating rate interest payment obligations over the life of the related agreement without the exchange of the notional amount. The interest differentials to be paid or received under interest rate swaps are recognized over the life of the underlying agreement or indebtedness, respectively, as an adjustment to interest expense.

Receivables and payables related to unrealized increases and decreases in the values of derivative financial instruments are included in other current assets and other current liabilities, respectively, and are not material.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make extensive use of certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates in these consolidated financial statements include merger, restructuring and other non-recurring (credits) charges, purchase accounting reserves, allowances for doubtful accounts receivable, estimates of future cash flows associated with assets, asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, estimated contract revenues and related costs, environmental liabilities, income taxes and tax valuation reserves, and the determination of discount and other rate assumptions for pension and post-retirement employee benefit expenses. Actual results could differ from these estimates.

ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 2000, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS Nos. 133 and 138 also require that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS Nos. 133 and 138 are effective for fiscal years beginning after June 15, 2000. The Company does not expect that the adoption of these new standards will have a material impact on the Company's earnings or financial position.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which clarifies certain existing accounting principles for the timing of revenue recognition and its classification in the financial statements. In June 2000, the SEC delayed the required implementation date of SAB 101. As a result, SAB 101 will not be effective for the Company until the quarter ended September 30, 2001. In October 2000, the SEC issued further guidance on the interpretations included in SAB 101. The Company is currently analyzing the impact of this Staff Accounting Bulletin.

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125" ("SFAS 140"). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125's provisions without reconsideration. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company is currently analyzing this new standard.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

STOCK SPLITS

Per share amounts and share data have been retroactively restated to give effect to the two-for-one stock splits distributed on October 22, 1997 and October 21, 1999, both effected in the form of a stock dividend (See Note 10).

[2] Pooling of Interests Transactions

On April 2, 1999 and October 1, 1998, Tyco merged with AMP and USSC, respectively. A total of approximately 329.2 million and 118.4 million Tyco common shares, respectively, were issued to the former shareholders of these companies.

Both of the merger transactions discussed below were accounted for under the pooling of interests accounting method, which presents as a single interest common shareholder interests which were previously independent. The historical consolidated financial statements for periods prior to the consummation of the combination are restated as though the companies had been combined during such periods.

Aggregate fees and expenses related to the mergers and to the integration of the combined companies have been expensed in the Consolidated Statements of Operations in the period in which each transaction was consummated, as required under the pooling of interests method of accounting (See Notes 12 and 16).

Combined and separate results of Tyco, USSC and AMP for the periods preceding the mergers were as follows:

(IN MILLIONS)	TYCO	USSC	AMP	ADJUSTMENTS	COMBINED
Six Months ended March 31, 1999 (unaudited) ⁽¹⁾					
Net sales	\$ 7,776.8	\$ —	\$2,675.5	\$ —	\$10,452.3
Operating income (loss)	906.1	—	(405.2)	—	500.9
Extraordinary items, net of taxes	(44.9)	—	—	—	(44.9)
Net income (loss)	408.8	—	(376.0)	(3.0) ⁽³⁾	29.8
Year ended September 30, 1998 ⁽²⁾					
Net sales	12,311.3	1,225.9	5,524.5	—	19,061.7
Operating income (loss)	1,923.7	(298.5)	322.9	—	1,948.1
Extraordinary items, net of taxes	(2.4)	—	—	—	(2.4)
Net income (loss)	1,174.7	(212.0)	208.5	(5.0) ⁽³⁾	1,166.2

(1) Includes merger, restructuring and other non-recurring charges of \$414.6 million and impairment charges of \$76.0 million primarily related to the merger with USSC, and restructuring and other non-recurring charges of \$275.3 million, of which \$55.2 million is included in cost of sales, and impairment charges of \$236.7 million related to AMP's profit improvement plan. Also includes a credit of \$8.3 million representing a revision of estimates related to Tyco's 1997 merger, restructuring and other non-recurring accruals.

(2) Includes restructuring and other non-recurring charges of \$164.4 million primarily related to AMP's profit improvement plan and \$92.5 million principally related to costs incurred by USSC to exit certain businesses.

(3) As a result of the combination of Tyco and AMP, an income tax adjustment was recorded to conform tax accounting.

In connection with the USSC merger, the Company assumed an operating lease for USSC's North Haven facilities. In December 1998, the Company assumed the debt related to the North Haven property of approximately \$211 million. The assumption of the debt combined with the settlement of certain other obligations in the amount of \$23 million resulted in the Company acquiring ownership of the North Haven property for a total cost of \$234 million.

[3] Acquisitions and Divestitures

FISCAL 2000

During Fiscal 2000, the Company purchased businesses for an aggregate cost of \$5,162.0 million, consisting of \$4,246.5 million in cash, net of cash acquired, the issuance of approximately 15.6 million common shares valued at \$671.4 million and the assumption of \$244.1 million in debt. In addition, \$544.2 million of cash was paid during the year for purchase accounting liabilities related to current and prior years' acquisitions. The cash portions of the acquisition costs were funded utilizing cash on hand, the issuance of long-term debt and borrowings under the Company's commercial paper

program. Each of these acquisitions was accounted for as a purchase, and the results of operations of the acquired companies have been included in the consolidated results of the Company from their respective acquisition dates.

In connection with these acquisitions, the Company recorded purchase accounting liabilities of \$426.2 million for transaction costs and the costs of integrating the acquired companies within the various Tyco business segments. Details regarding these purchase accounting liabilities are set forth below.

At the time each purchase acquisition is made, the Company records each asset acquired and each liability assumed at its estimated fair value, which amount is subject to future adjustment when appraisals or other further information are obtained. The excess of (a) the total consideration paid for the acquired company over (b) the fair value of assets acquired less liabilities assumed and purchase accounting liabilities recorded is recorded as goodwill. As a result of acquisitions completed in Fiscal 2000, and adjustments to the fair values of assets and liabilities and purchase accounting liabilities recorded for acquisitions completed prior to Fiscal 2000, the Company recorded approximately \$5,206.8 million in goodwill and other intangibles.

The following table shows the fair values of assets and liabilities and purchase accounting liabilities recorded for purchase acquisitions completed in Fiscal 2000, adjusted to reflect changes in fair values of assets and liabilities and purchase accounting liabilities recorded for acquisitions completed prior to Fiscal 2000:

(IN MILLIONS)	2000
Receivables	\$ 714.4
Inventories	453.9
Prepaid expenses and other current assets	257.0
Property, plant and equipment	674.6
Goodwill and other intangible assets	5,206.8
Other assets	95.2
	7,401.9
Accounts payable	485.8
Accrued expenses and other current liabilities	1,286.6
Other long-term liabilities	351.0
Options assumed	116.5
	2,239.9
	\$5,162.0
Cash consideration paid (net of cash acquired)	\$4,246.5
Share consideration paid	671.4
Debt assumed	244.1
	\$5,162.0

Thus, in Fiscal 2000, the Company spent a total of \$4,790.7 million in cash related to the acquisition of businesses, consisting of \$4,246.5 million of cash in purchase price for these businesses (net of cash acquired) plus \$544.2 million of cash paid out during the year for purchase accounting liabilities related to current and prior years' acquisitions.

Fiscal 2000 purchase acquisitions include, among others, the acquisition of General Surgical Innovations, Inc. ("GSI"), AFC Cable Systems, Inc. ("AFC Cable") and Siemens Electromechanical Components GmbH & Co. KG ("Siemens EC") in November 1999, Praegitzer Industries, Inc. ("Praegitzer") in December 1999, Critchley Group PLC ("Critchley") in March 2000 and the Electronic OEM Business of Thomas & Betts in July 2000. GSI, a manufacturer and distributor of balloon dissectors and related devices for minimally invasive surgery, was purchased through the issuance of approximately 2.8 million Tyco common shares valued at \$108.6 million and has been integrated within the Healthcare and Specialty Products segment. AFC Cable, a manufacturer of prewired armor cable, was purchased through the issuance of approximately 12.8 million Tyco common shares valued at \$562.8 million and has been integrated within the Flow Control Products and Services segment. Siemens EC, a world market leader for relays and one of the world's leading providers of components to the communications, automotive, consumer and general industry sectors, was purchased for \$1,165.8 million in cash and has been integrated within the Electronics segment. Praegitzer, a provider of printed circuit board and interconnect solutions to OEMs and contract manufacturers in the communications, computer, industrial and consumer electronics industries, was purchased for \$72.2 million in cash and has been integrated within the Electronics segment. Critchley, a world leader in cable identification products, was purchased for \$185.0 million in cash and has been integrated within the Electronics segment. The Electronic OEM Business of Thomas & Betts, a manufacturer of electronic connectors for the telecommunications, computer and automotive industries, was purchased for \$750.0 million in cash and is being integrated within the Electronics segment.

The following table summarizes the purchase accounting liabilities recorded in connection with the Fiscal 2000 purchase acquisitions:

(\$ IN MILLIONS)	SEVERANCE		FACILITIES		OTHER
	NUMBER OF EMPLOYEES	RESERVE	NUMBER OF FACILITIES	RESERVE	RESERVE
Original reserve established	7,215	\$ 243.0	102	\$ 87.6	\$ 95.6
Fiscal 2000 activity	(4,023)	(146.2)	(53)	(34.3)	(47.3)
Ending balance at September 30, 2000	3,192	\$ 96.8	49	\$ 53.3	\$ 48.3

Purchase accounting liabilities recorded during Fiscal 2000 consist of \$243.0 million for severance and related costs; \$87.6 million for costs associated with the shut down and consolidation of certain acquired facilities, including unfavorable leases, lease terminations and other related fees and other costs and \$95.6 million for transaction and other direct costs, including pension and other employee related costs and other costs. These purchase accounting liabilities relate primarily to the acquisitions of GSI, AFC Cable, Siemens EC, Praegitzer, Critchley and the Electronics OEM Business of Thomas & Betts.

In connection with the Fiscal 2000 purchase acquisitions, the Company began to formulate plans at the date of each acquisition for workforce reductions and the closure and consolidation of an aggregate of 102 facilities. The Company has communicated with the employees of the acquired companies to announce the benefit arrangements. The costs of employee termination benefits relate to the elimination of 2,895 positions in the United States, 2,434 positions in Europe, 1,135 positions in Canada and Latin America and 751 positions in the Asia-Pacific region, primarily consisting of manufacturing and distribution, administrative, technical, and sales and marketing personnel. Facilities designated for closure include 43

facilities in the United States, 32 facilities in Europe, 24 facilities in the Asia-Pacific region and 3 facilities in Canada, primarily consisting of manufacturing plants, sales offices, corporate administrative facilities and research and development facilities. At September 30, 2000, 4,023 employees had been terminated and 53 facilities had been closed or consolidated.

In connection with the purchase acquisitions consummated during Fiscal 2000, liabilities for approximately \$96.8 million for severance and related costs, \$53.3 million for the shutdown and consolidation of acquired facilities and \$48.3 million in transaction and other direct costs remained on the balance sheet at September 30, 2000. The Company expects that the termination of employees and consolidation of facilities related to all such acquisitions will be substantially complete within one year of plan finalization, except for certain long-term contractual obligations.

During Fiscal 2000, the Company reduced its estimate of purchase accounting liabilities related to acquisitions in prior years by \$117.8 million and, accordingly, goodwill and related deferred tax assets were reduced by an equivalent amount. These changes primarily resulted from costs being less than originally anticipated on certain acquisitions. In addition, the Company finalized its business

plan for the exiting of activities and the involuntary termination of employees in connection with the 1999 acquisition and integration of Raychem, and as a result recorded \$90.0 million of purchase accounting liabilities.

During Fiscal 2000, the Company sold certain of its businesses for net proceeds of approximately \$74.4 million in cash that consist primarily of certain businesses within the Healthcare and Specialty Products segment.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the Fiscal 2000 acquisitions and divestitures had been completed as of the beginning of the periods presented. The pro forma data give effect to actual operating results prior to the acquisitions and divestitures. Adjustments to interest expense, goodwill amortization and income taxes related to the Fiscal 2000 acquisitions are reflected in the pro forma data. No effect has been given to cost reductions or operating synergies in this presentation. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions and divestitures had occurred as of the beginning of the periods presented or that may be obtained in the future.

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30,	
	2000	1999
Net sales	\$30,383.6	\$25,633.3
Income before extraordinary items	4,478.2	976.8
Net income	4,478.0	931.1
Net income per common share:		
Basic	2.65	0.57
Diluted	2.61	0.56

(\$ IN MILLIONS)	SEVERANCE		FACILITIES		OTHER
	NUMBER OF EMPLOYEES	RESERVE	NUMBER OF FACILITIES	RESERVE	RESERVE
Original reserve established	5,620	\$ 234.3	183	\$174.8	\$116.3
Fiscal 1999 activity	(3,230)	(55.9)	(95)	(48.2)	(46.0)
Fiscal 2000 activity	(1,969)	(158.6)	(81)	(86.3)	(63.5)
Changes in estimates	964	28.7	65	47.5	13.8
Reversal to goodwill in Fiscal 2000	(250)	(5.7)	(45)	(17.7)	(2.4)
Ending balance at September 30, 2000	1,135	\$ 42.8	27	\$ 70.1	\$ 18.2

Purchase accounting liabilities recorded during Fiscal 1999 consist of \$234.3 million for severance and related costs, \$174.8 million for costs associated with the shut down and consolidation of certain acquired facilities and \$116.3 million for transaction and other direct costs. The \$234.3 million of severance and related costs covers employee termination benefits for approximately 5,620 employees located throughout the world, consisting primarily of manufacturing and distribution employees to be terminated as a result of the shut down and consolidation of production facilities and, to a lesser extent, administrative, technical and sales and marketing personnel. At September 30, 2000, 5,199 employees had been terminated and \$42.8 million in severance and related costs remained in the Consolidated Balance Sheet. The Company expects that the remaining employee terminations will be completed in Fiscal 2001.

FISCAL 1999

In addition to the pooling of interests transactions discussed in Note 2, during Fiscal 1999, the Company purchased businesses for an aggregate cost of \$6,923.3 million, consisting of \$4,546.8 million in cash, net of cash acquired, the issuance of 32.4 million common shares valued at \$1,449.6 million and the assumption of \$926.9 million in debt. In addition, \$354.4 million of cash was paid during the year for purchase accounting liabilities related to 1999 and prior years' acquisitions. The cash portions of the acquisition costs were funded utilizing cash on hand, the issuance of long-term debt and borrowings under the Company's commercial paper program. Each of these acquisitions was accounted for as a purchase, and the results of operations of the acquired companies have been included in the consolidated results of the Company from their respective acquisition dates.

In connection with these acquisitions, the Company recorded purchase accounting liabilities of \$525.4 million for transaction costs and the costs of integrating the acquired companies within the various Tyco business segments. Details regarding these purchase accounting liabilities are set forth below. During Fiscal 1999, the Company spent a total of \$4,901.2 million in cash related to the acquisition of businesses, consisting of \$4,546.8 million of purchase price (net of cash acquired) plus \$354.4 million of cash paid out during the year for purchase accounting liabilities related to 1999 and prior years' acquisitions.

The following table summarizes the purchase accounting liabilities recorded in connection with the Fiscal 1999 purchase acquisitions:

The \$174.8 million of exit costs are associated with the closure and consolidation of facilities involving 183 facilities located primarily in the Asia-Pacific region and the United States. These facilities include manufacturing plants, sales offices, corporate administrative facilities and research and development facilities. Included within these costs are accruals for non-cancelable leases associated with certain of these facilities. Approximately 176 facilities had been closed or consolidated at September 30, 2000. The remaining facilities include primarily large manufacturing plants, which are expected to be shut down in Fiscal 2001. Expenses in connection with the closure of these remaining facilities, as well as the expiration of non-cancelable leases (less any expected sublease income for facilities already closed), comprise the approximately \$70.1 million for facility related costs remaining in the Consolidated Balance Sheet as of September 30, 2000.

During Fiscal 1999, the Company reduced its estimate of purchase accounting liabilities relating primarily to Fiscal 1998 acquisitions by \$90.0 million and, accordingly, goodwill and related deferred tax assets were reduced by an equivalent amount. These changes primarily resulted from costs being less than originally anticipated for acquisitions consummated prior to Fiscal 1999.

During Fiscal 1999, the Company sold certain of its businesses for net proceeds of approximately \$926.8 million in cash. These consist primarily of certain businesses within the Flow Control Products and Services segment, including The Mueller Company and portions of Grinnell Supply Sales and Manufacturing, and certain businesses within the Healthcare and Specialty Products segment. The aggregate net gain recognized on the sale of these businesses was not material. In connection with the Flow Control divestiture, the Company granted a non-exclusive license to the buyer for use of certain intellectual property and is entitled to receive future royalties equal to a percentage of net sales of the businesses sold. The Company also granted an option to the buyer to purchase certain intellectual property in the future at the then fair market value.

FISCAL 1998

During Fiscal 1998, the Company acquired companies for an aggregate cost of \$4,559.4 million, consisting of \$4,154.8 million in cash, the assumption of approximately \$260 million in debt and the issuance of 765,544 common shares valued at \$19.2 million and 1,254 subsidiary preference shares valued at \$125.4 million. The cash portions of the acquisition costs were funded utilizing cash on hand, borrowings under bank credit agreements, proceeds of approximately \$1,245.0 million from the sale of common shares, and borrowings under the Company's uncommitted lines of credit. Each of these acquisitions was accounted for as a purchase, and the results of operations of the acquired companies were included in the consolidated results of the Company from their respective acquisition dates. As a result of the acquisitions, the Company recorded approximately \$3,947.0 million in goodwill and other intangibles. As of September 30, 2000, \$14.3 million in employee severance, principally payments to employees previously severed, and \$28.7 million of facility related costs, principally for the expiration of non-cancelable leases on vacant premises, remained in the Consolidated Balance Sheet.

In July 1998, the Company acquired the U.S. operations of Crosby Valve, Inc. in exchange for 1,254 cumulative dividend preference shares of a newly created subsidiary, valued at \$125.4 million. The subsidiary has authorized 2,000 cumulative dividend preference shares. The holders of these preference shares have the option to require the Company to repurchase the preference shares at par value plus unpaid dividends at any time after July 2001. The outstanding preference shares were issued at \$100,000 par value each and have been classified in other long-term liabilities on the Consolidated Balance Sheets. Cash dividends accumulate on a preferred basis, whether or not earned or declared, at the rate of \$3,750 per share per annum. Upon liquidation, the holders of shares are entitled to receive an amount equal to \$100,000 per share, plus any unpaid dividends. These preference shares may be redeemed by the subsidiary at any time on or after December 31, 2008 at a price per share of \$100,000, plus unpaid dividends. In October 2000, the Company redeemed these preference shares for \$128.7 million.

[4] Indebtedness

Long-term debt is as follows:

(IN MILLIONS)	SEPTEMBER 30,	
	2000	1999
Commercial paper program ⁽¹⁾	\$ 2,420.6	\$ 1,392.0
Bank credit agreement ⁽¹⁾	—	—
Euro commercial paper program ⁽²⁾	172.9	—
International overdrafts and demand loans ⁽³⁾	83.0	184.9
8.125% public notes due 1999	—	10.5
Floating rate private placement notes due 2000 ⁽⁴⁾	—	499.4
0.57% Yen denominated private placement notes due 2000 ⁽⁴⁾	—	89.7
8.25% senior notes due 2000	—	9.5
Floating rate private placement notes due 2001 ⁽⁴⁾	499.7	499.1
6.5% public notes due 2001	299.7	299.3
6.125% public notes due 2001 ⁽⁵⁾	749.2	748.1
Floating rate Euro denominated private placement note due 2002 ⁽⁶⁾	66.3	—
6.875% public notes due 2002 ⁽⁴⁾	994.9	992.2
5.875% public notes due 2004 ⁽⁷⁾	398.2	397.7
6.375% public notes due 2004	104.7	104.6
6.375% public notes due 2005 ⁽⁵⁾	744.8	743.7
6.125% Euro denominated public notes due 2007 ⁽⁸⁾	525.4	—
6.125% public notes due 2008 ⁽⁷⁾	395.5	394.9
7.2% notes due 2008 ⁽⁹⁾	398.9	398.8
7.25% senior notes due 2008 ⁽¹⁰⁾	8.2	8.2
6.125% public notes due 2009 ⁽¹¹⁾	394.7	394.1
Zero coupon Liquid Yield Option Notes due 2010 ⁽¹²⁾	35.0	49.1
International bank loans, repayable through 2013 ⁽¹³⁾	218.0	208.2
6.25% public Dealer Remarketable Securities ("Drs.") due 2013 ⁽⁵⁾	757.3	760.1
9.5% public debentures due 2022	49.0	49.0
8.0% public debentures due 2023	50.0	50.0
7.0% public notes due 2028 ⁽⁵⁾	492.6	492.4
6.875% public notes due 2029 ⁽¹¹⁾	781.2	780.5
Financing lease obligation ⁽¹⁴⁾	55.3	69.5
Other	303.9	496.7
Total debt	10,999.0	10,122.2
Less current portion	1,537.2	1,012.8
Long-term debt	\$ 9,461.8	\$ 9,109.4

(1) In January 1999, Tyco International Group S.A. ("TIG"), a wholly-owned subsidiary of the Company, initiated a commercial paper program with an aggregate face value of up to \$1.75 billion. In February 2000, TIG increased its borrowing capacity under the commercial paper program to \$4.5 billion. The notes are fully and unconditionally guaranteed by the Company. Proceeds from the sale of the notes are used for working capital and other corporate purposes. TIG is required to maintain an available unused balance under its bank credit agreement sufficient to support amounts outstanding under the commercial paper program. In February 2000, TIG renegotiated its revolving credit agreement with a group of commercial banks, giving it the right to borrow up to \$4.5 billion until February 9, 2001, with the option to extend to February 9, 2002. TIG has the option to increase the \$4.5 billion credit facility up to \$5.0 billion. TIG also has a \$0.5 billion multiyear revolving credit facility which expires on February 12, 2003. Interest payable on borrowings under the two facilities is variable based upon TIG's option to select a Euro rate plus margins ranging from 0.41% to 0.43%, or a base rate, as defined. If the outstanding principal amount of loans equals or exceeds 25% of the commitments, the Euro margins are increased by 0.125%. The obligations of TIG under the credit agreements are fully and unconditionally guaranteed by the Company. TIG is using the credit agreements to fully support its commercial paper program and therefore expects these facilities to remain largely undrawn. The Company is required to meet certain covenants under the credit agreements, none of which is considered restrictive to the operations of the Company.

(2) In June 2000, TIG initiated a European commercial paper program under which it could initially issue notes with an aggregate face value of up to €300 million. In September 2000, TIG increased its borrowing capacity under the European commercial paper program to €500 million. The notes are fully and unconditionally guaranteed by the Company. Proceeds from the sale of these notes are used for working capital and other corporate purposes.

(3) International overdrafts and demand loans represent borrowings by AMP from various banks and other holders. All overdrafts and loans mature within one year from the balance sheet date. The weighted-average interest rate on all international overdrafts and demand loans during Fiscal 2000 and Fiscal 1999 was 5.1% and 5.3%, respectively.

(4) In August 1999, TIG issued \$500 million floating rate notes due 2000, \$500 million floating rate notes due 2001, \$1 billion 6.875% notes due 2002 and ¥ 10 billion (approximately \$89.7 million) 0.57% notes due 2000. The \$500 million floating rate notes bear interest at LIBOR plus 0.6% for the 2000 notes and LIBOR plus 0.7% for the 2001 notes. These notes are fully and unconditionally guaranteed by Tyco (See Note 24). The net proceeds of approximately \$2080.3 million were used to repay borrowings under TIG's \$4.5 billion commercial paper program discussed above. In connection with the \$1 billion 6.875% notes, TIG entered into an interest rate swap agreement expiring in September 2002, under which TIG will receive a fixed rate of 6.875% and will pay a floating rate based on the average of two different LIBOR rates, as defined, plus 3.755%. In June 2000, TIG offered to exchange all of its \$1 billion 6.875% private placement notes due 2002 for public notes. The form and terms of the public notes are identical in all material respects to the form and terms of the outstanding private placement notes of the corresponding series, except that the public notes are not subject to restrictions on transfer under United States securities laws. In connection with the Yen denominated 0.57% notes, TIG entered into a cross-currency swap expiring in September 2000, under which TIG received a payment of ¥ 10 billion plus accrued interest at a rate of 0.57% and made quarterly U.S. dollar payments based on LIBOR plus 0.60%, as well as a final payment at maturity of approximately \$89.7 million.

(5) In June 1998, TIG issued \$750 million 6.125% notes due 2001, \$750 million 6.375% notes due 2005, \$750 million 6.25% Dealer Remarketable Securities ("Drs.") due 2013 and \$500 million 7.0% notes due 2028 in a public offering. Interest is payable semi-annually in June and December. Under the terms of the Drs., the Remarketing Dealer has an option to remarket the Drs. in June 2003, which if exercised would subject the Drs. to mandatory tender to the Remarketing Dealer and reset the interest rate to an adjusted fixed rate until June 2013. If the Remarketing Dealer does not exercise its option, then all Drs. are required to be tendered to the Company in June 2003. Repayment of amounts outstanding under these debt securities is fully and unconditionally guaranteed by Tyco (See Note 24). The net proceeds of approximately \$2,744.5 million were ultimately used to repay borrowings under TIG's bank credit agreement and uncommitted lines of credit. In December 1998, TIG terminated two interest rate swap agreements with notional amounts of \$650 million each, which were entered into in June 1998 with a financial institution to hedge a portion of the fixed rate terms of the public notes.

(6) In July 2000, TIG issued a €75 million floating rate note due 2002, which bears interest at EURIBOR plus 0.42%.

(7) In October 1998, TIG issued \$800 million of debt in a private placement offering consisting of two series of restricted notes: \$400 million of 5.875% notes due November 2004 and \$400 million of 6.125% notes due November 2008. The notes are fully and unconditionally guaranteed by Tyco. The net proceeds of approximately \$791.7 million were used to repay borrowings under TIG's bank credit agreement. At the same time, TIG also entered into an interest rate swap agreement with a notional amount of \$400 million to hedge the fixed rate terms of the 6.125% notes due 2008. Under this agreement, which expires in November 2008, TIG will receive payments at a fixed rate of 6.125% and will make floating rate payments based on LIBOR. Subsequently, during the third and fourth quarters of Fiscal 1999, TIG exchanged all of the \$400 million 5.875% private placement notes due 2004 and \$400 million 6.125% private placement notes due 2008 for public notes (See Note 24). The form and terms of the public notes of each series are identical in all material respects to the form and terms of the outstanding private placement notes of the corresponding series, except that the public notes are not subject to restrictions on transfer under the United States securities laws.

(8) In April 2000, TIG issued €600 million (approximately \$565.7 million) 6.125% notes due 2007 in a private placement offering. The notes are fully and unconditionally guaranteed by Tyco. The net proceeds were used to repay borrowings under TIG's commercial paper program. In September 2000, TIG offered to exchange all of its €600 million (approximately \$565.7 million) 6.125% notes due 2007 for public notes. The form and terms of the public notes are identical in all material respects to the form and terms of the outstanding private placement notes of the corresponding series, except that the public notes are not subject to restrictions on transfer under United States securities laws.

(9) In October 1998, Raychem issued notes in the amount of \$400 million. The notes mature on October 15, 2008, and bear interest at a rate of 7.2% per annum.

(10) In March 1998, USSC issued \$300 million 7.25% senior notes due March 2008, which are not redeemable prior to maturity and require semi-annual interest payments. In February 1999, the Company completed a tender offer in which \$292 million of the \$300 million principal amount of the notes outstanding were purchased.

(11) In January 1999, TIG issued \$400 million of its 6.125% notes due 2009 and \$800 million of its 6.875% notes due 2029 in a public offering. The notes are fully and unconditionally guaranteed by Tyco (See Note 24). The net proceeds of approximately \$1,173.7 million were used to repay borrowings under TIG's bank credit agreement. At the same time, TIG also entered into an interest rate swap agreement to hedge the fixed rate terms of the \$400 million notes due 2009. Under the agreement, which expires in January 2009, TIG will receive payments at a fixed rate of 6.125% and will make floating rate payments based on an average of three different LIBO rates, as defined, plus a spread.

(12) In July 1995, ADT Operations, Inc. issued \$776.3 million aggregate principal amount at maturity of its zero coupon subordinated Liquid Yield Option Notes ("LYONs") maturing July 2010. The issue price per LYON was \$383.09, being 38.309% of the principal amount of \$1,000 per LYON at maturity, reflecting a yield to maturity of 6.5% per annum (computed on a semi-annual bond equivalent basis). The discount amortization on the LYONs is being charged as interest expense through the Consolidated Statements of Operations on a basis linked to the yield to maturity. The LYONs discount amortization amounted to \$2.4 million in Fiscal 2000, \$6.0 million in Fiscal 1999 and \$11.0 million in Fiscal 1998. Each LYON is exchangeable for common shares of the Company at the option of the holder at any time prior to maturity, unless previously redeemed or otherwise purchased by ADT Operations, Inc., at an exchange rate of 54.352 common shares per LYON. During Fiscal 2000 and Fiscal 1999, respectively, 32,169 and 147,418 LYONs with carrying values of \$16.4 million and \$72.3 million were exchanged for 1,748,442 and 8,012,468 common shares of the Company. Any LYON will be purchased by ADT Operations, Inc., at the option of the holder, as of July 2002 for a purchase price per LYON of \$599.46. At that time, if the holder exercises the option, the Company has the right to deliver all or a portion of the purchase price in the form of common shares of the Company. Beginning July 2002, the LYONs are redeemable for cash at any time at the option of ADT Operations, Inc., in whole or in part, at redemption prices equal to the issue price plus accrued original issue discount to the date of redemption. The LYONs are guaranteed on a subordinated basis by the Company.

(13) International bank loans represent term borrowings by Tyco Electronics from various commercial banks. Borrowings are repayable in varying amounts through 2013. The weighted-average interest rate on all international bank loans as of September 30, 2000 and 1999 was 3.3% and 3.9%, respectively.

(14) The financing lease obligation relates to USSC's European Headquarters office building and distribution center complex in Elancourt, France. The French Franc denominated financing lease requires principal amortization in varying amounts over the eleven year term of the lease with a balloon payment of approximately 42 million French Francs (\$6 million) at the end of the lease. Interest is payable at a rate approximately 1.4% above Paris Interbank Offered Rate (PIBOR). The effective interest rate on the financing lease debt was approximately 5.0% and 4.0% per annum at September 30, 2000 and 1999, respectively.

The weighted-average rate of interest on all long-term debt was 6.5% and 6.2% during Fiscal 2000 and Fiscal 1999, respectively. The weighted-average rate of interest on all variable long-term debt was 6.5% and 5.6% as of September 30, 2000 and 1999, respectively. The impact of the Company's interest rate swap activities on its weighted-average borrowing rate was not material in any year. The impact on reported interest expense was a reduction of \$6.6 million, \$0.9 million and \$1.9 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively.

The aggregate amounts of total debt maturing during the next five years are as follows (in millions): \$1,537.2 in Fiscal 2001, \$4,075.5 in Fiscal 2002, \$53.9 in Fiscal 2003, \$129.4 in Fiscal 2004 and \$1,161.6 in Fiscal 2005.

[5] Sale of Accounts Receivable

The Company has an agreement under which several of its operating subsidiaries sell a defined pool of trade accounts receivable to a limited purpose subsidiary of the Company. The subsidiary, a separate corporate entity, holds these receivables and sells participating interests in such accounts receivable to financiers who, in turn, purchase and receive ownership and security interests in those receivables. As collections reduce accounts receivable included in the pool, the operating subsidiaries sell new receivables to the limited purpose subsidiary. The limited purpose subsidiary has the risk of credit loss on the receivables and, accordingly, the full amount of the allowance for doubtful accounts has been retained in the Consolidated Balance Sheets. The availability under the program is \$500 million. At September 30, 2000 and 1999, \$450 million and \$350 million, respectively, was utilized under the program. The proceeds from the sales were used to reduce borrowings under TIG's commercial paper program and are reported as operating cash flows in the Consolidated Statements of Cash Flows. The proceeds of sale are less than the face amount of accounts receivable sold by an amount that approximates the cost that the limited purpose subsidiary would incur if it were to issue commercial paper backed by

these accounts receivable. The discount from the face amount is accounted for as a loss on the sale of receivables and has been included in selling, general and administrative expenses in the Consolidated Statements of Operations. Such discount aggregated \$25.7 million, \$15.7 million, and \$17.3 million, or 6.6%, 5.6% and 5.8% of the weighted-average balance of the receivables outstanding, during Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively. The operating subsidiaries retain collection and administrative responsibilities for the participating interests in the defined pool.

[6] Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, long-term investments, accounts payable, debt and derivative financial instruments. The notional amounts of the derivative financial instruments were as follows:

(IN MILLIONS)	SEPTEMBER 30,	
	2000	1999
Forward foreign currency exchange contracts	\$2,867.5	\$2,717.3
Currency options	—	160.0
Cross-currency swaps	150.0	447.9
Forward commodity contracts	112.0	104.0
Interest rate swaps	1,800.0	1,800.0

While it is not the Company's intention to terminate the above derivative financial instruments, fair values were estimated, based on market rates or quotes from brokers, which represented the amounts that the Company would receive or pay if the instruments were terminated at the balance sheet dates. These fair values indicated that the termination of forward foreign currency exchange contracts, cross-currency swap agreements, currency options, forward commodity contracts and interest rate swaps at September 30, 2000 would have resulted in a \$279.0 million gain, a \$15.3 million loss, a zero gain, an \$11.1 million gain and a \$95.7 million loss, respectively, and at September 30, 1999 would have resulted in a \$52.7 million loss, a \$27.0 million loss, a \$0.7 million loss, a \$13.0 million gain and a \$66.9 million loss, respectively. At September 30, 2000 and 1999, the book values of derivative financial instruments recorded in the Consolidated Balance Sheets approximated fair values.

The fair value of cash and cash equivalents, accounts receivable, long-term investments and accounts payable approximated book value at September 30, 2000 and 1999. The fair value of debt was approximately \$10,851.6 million (book value of \$10,999.0 million) and \$10,120.4 million (book value of \$10,122.2 million) at September 30, 2000 and 1999, respectively, based on discounted cash flow analyses using current interest rates. The Company's financial instruments present certain market and credit risks; however, concentrations of credit risk are mitigated as the Company deals with a variety of major banks worldwide and its accounts receivable are spread among a number of major industries, customers and geographic areas. None of the Company's financial instruments with off-balance sheet risk would result in a significant loss to the Company if a counterparty failed to perform according to the terms of its agreement. The Company does not require collateral or other security to be furnished by the counterparties to its financial instruments. The Company does, however, maintain reserves for potential credit losses on financial instruments.

[7] Income Taxes

The provision for income taxes and the reconciliation between the notional United States federal income taxes at the statutory rate on consolidated income before taxes and the Company's income tax provision are as follows:

(IN MILLIONS)	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Notional U.S. federal income taxes			
at the statutory rate	\$2,262.7	\$ 596.8	\$596.0
Adjustments to reconcile to the Company's income tax provision:			
U.S. state income tax provision, net	46.7	33.6	15.8
SFAS 121 impairment	6.4	43.5	—
Non-U.S. net earnings	(495.6)	(216.5)	(67.9)
Nondeductible charges	140.8	139.2	20.1
Other	(35.0)	40.9	(29.8)
Provision for income taxes	1,926.0	637.5	534.2
Deferred provision (benefit)	721.3	191.2	(10.0)
Current provision	\$1,204.7	\$ 446.3	\$544.2

The provisions for Fiscal 2000, Fiscal 1999, and Fiscal 1998 included \$648.6 million, \$263.9 million and \$210.5 million, respectively, for non-U.S. income taxes. The non-U.S. component of income before income taxes was \$3,343.6 million, \$1,376.3 million and \$640.6 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively.

The deferred income tax balance sheet accounts result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax asset are as follows:

(IN MILLIONS)	SEPTEMBER 30,	
	2000	1999
Deferred tax assets:		
Inventories, accrued liabilities and reserves	\$ 295.5	\$ 886.3
Accrued postretirement benefit obligation	99.6	102.9
Tax loss and credit carryforwards	474.6	506.1
Interest	85.9	81.2
Capitalized research and development	63.0	72.3
Other	56.1	49.8
	1,074.7	1,698.6
Deferred tax liabilities:		
Property, plant and equipment	(281.9)	(440.6)
Undistributed earnings of subsidiaries	(155.1)	(155.1)
Other	(151.7)	(37.5)
	(588.7)	(633.2)
Net deferred income tax asset before valuation allowance	486.0	1,065.4
Valuation allowance	(122.4)	(207.5)
Net deferred income tax asset	\$ 363.6	\$ 857.9

As of September 30, 2000, the Company had approximately \$370 million of net operating loss carryforwards in certain non-U.S. jurisdictions. Of these, \$230 million have no expiration, and the remaining \$140 million will expire in future years through 2010. U.S. operating loss carryforwards at September 30, 2000 were approximately \$692 million and will expire in future years through 2020.

A valuation allowance has been provided for operating loss carryforwards that are not expected to be utilized.

In the normal course, the Company and its subsidiaries' income tax returns are examined by various regulatory tax authorities. In connection with such examinations, substantial tax deficiencies have been proposed. However, the Company is contesting such proposed deficiencies, and ultimate resolution of such matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

[8] Key Employee Loan Program

Loans are made to employees of the Company under the Former Tyco 1983 Key Employee Loan Program for the payment of taxes upon the vesting of shares granted under Former Tyco's Restricted Stock Ownership Plans. The loans are unsecured and bear interest, payable annually, at a rate which approximates the Company's incremental short-term borrowing rate. Loans are generally repayable in ten years, except that earlier payments are required under certain circumstances. During Fiscal 2000, the maximum amount outstanding under this program was \$26.0 million. Loans receivable under this program were \$11.4 million and \$18.6 million at September 30, 2000 and 1999, respectively.

[9] Preference Shares

The Company has authorized 125,000,000 preference shares of \$1 each, none of which were issued or outstanding during fiscal 2000, 1999 or 1998. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise may be determined by the Board of Directors of the Company on or before the time of issuance. In the event of the liquidation of the Company, the holders of any preference shares then outstanding would be entitled to payment to them of the amount for which the preference shares were subscribed and any unpaid dividends prior to any payment to the common shareholders.

[10] Shareholders' Equity

During the last quarter of Fiscal 1999, the Company announced that its Board of Directors had declared a two-for-one stock split in the form of a 100% stock dividend on its common shares. The split was payable on October 21, 1999 to shareholders of record on October 1, 1999. In addition, during the last quarter of Fiscal 1997, the Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend on the Company's common shares, which was distributed on October 22, 1997. Per share amounts and share data have been retroactively adjusted to reflect both stock splits. There was no change in the par value or the number of authorized shares as a result of these stock splits.

During the third quarter of Fiscal 1999, in conjunction with the approval of the merger with AMP, shareholders approved an increase in the number of authorized common shares from 1,503,750,000 to 2,500,000,000. During the second quarter of Fiscal 1998, shareholders approved an increase in the number of authorized common shares from 750,000,000 to 1,503,750,000.

In December 1997 the Company filed a shelf registration to enable it to offer from time to time unsecured debt securities or common shares, or any combination of the foregoing, at an aggregate initial offering price not to exceed \$2.0 billion. In March 1998,

the Company sold 50.6 million common shares at \$25.38 per share. The net proceeds from the sale of approximately \$1,245.0 million were used to repay indebtedness incurred for previous acquisitions.

In August 2000, the Company filed an additional shelf registration to enable it to offer from time to time unsecured debt securities, preference shares, depositary shares or common shares, or any combination of the foregoing, at an aggregate initial offering price not to exceed \$2.5 billion. Availability under this shelf registration statement incorporates any remaining availability under the shelf registration filed in December 1997.

Information with respect to USSC and AMP common shares and options has been retroactively restated in connection with their mergers with Tyco to reflect their applicable merger per share exchange ratios of 0.7606 and 0.7507, respectively (1.5212 and 1.5014, respectively, after giving effect to the subsequent stock splits).

The total compensation cost expensed for all stock-based compensation awards discussed below was \$137.4 million, \$96.9 million and \$37.1 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively.

RESTRICTED STOCK

The Company maintains a restricted stock ownership plan, which provides for the award of an initial amount of common shares plus an amount equal to one-half of one percent of the total shares outstanding at the beginning of each fiscal year. At September 30, 2000, there were 31,397,856 shares authorized under the plan, of which 10,954,383 shares had been granted. Common shares are awarded subject to certain restrictions with vesting varying over periods of up to ten years.

For grants which vest based on certain specified performance criteria, the fair market value of the shares at the date of vesting is expensed over the period of performance, once achievement of criteria is deemed probable. For grants that vest through passage of time, the fair market value of the shares at the time of the grant is amortized (net of tax benefit) to expense over the period of vesting. The unamortized portion of deferred compensation expense is recorded as a reduction of shareholders' equity. Recipients of all restricted shares have the right to vote such shares and receive dividends. Income tax benefits resulting from the vesting of restricted shares, including a deduction for the excess, if any, of the fair market value of restricted shares at the time of vesting over their fair market value at the time of the grants and from the payment of dividends on unvested shares, are credited to contributed surplus.

EMPLOYEE STOCK PURCHASE PLAN

Substantially all full-time employees of the Company's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries are eligible to participate in an employee stock purchase plan. Eligible employees authorize payroll deductions to be made for the purchase of shares. The Company matches a portion of the employee contribution by contributing an additional 15% of the employee's payroll deduction. All shares purchased under the plan are purchased on the open market by a designated broker.

SHARE OPTIONS

The Company has granted employee share options which were issued under five fixed share option plans which reserve common shares for issuance to the Company's directors, executives and managers. The majority of options have been granted under the Tyco International Ltd. Long-Term Incentive Plan (the "Incentive Plan"). The Incentive Plan is administered by the Compensation

Committee of the Board of Directors of the Company, which consists exclusively of independent directors of the Company. Options are granted to purchase common shares at prices which are equal to or greater than the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. Options which have been granted under the Incentive Plan to date have generally vested and become exercisable over periods of up to five years from the date of grant and have a maximum term of ten years. The Company has reserved 140.0 million common shares for issuance under the Incentive Plan. Awards which the Company becomes obligated to make through the assumption of, or in substitution for, outstanding awards previously granted by an acquired company are assumed and administered under the Incentive Plan but do not count against this limit. At September 30, 2000, there were approximately 37.0 million shares available for future grant under the Incentive Plan. During October 1998, a broad-based option plan for non-officer employees, the Tyco Long-Term Incentive Plan II ("LTIP II"), was approved by the Board of Directors. The Company has reserved 50.0 million common shares for issuance under the LTIP II. The terms and conditions of this plan are similar to the Incentive Plan. At September 30, 2000, there were approximately 17.2 million shares available for future grant under the LTIP II.

In connection with the acquisitions of Raychem in Fiscal 1999 and CIPE S.A. and Holmes Protection in Fiscal 1998, options outstanding under the respective stock option plans of these companies were assumed under the Incentive Plan. In connection with the mergers occurring in Fiscal 1999 (See Note 2), all of the options

outstanding under the USSC and AMP stock option plans were assumed under the Incentive Plan. These options are administered under the Incentive Plan but retain all of the rights, terms and conditions of the respective plans under which they were originally granted.

Share option activity for all Tyco plans since September 30, 1997 has been as follows:

	OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
At September 30, 1997	107,261,072	\$17.03
Assumed from acquisition	87,232	10.23
Granted	32,011,414	23.51
Exercised	(37,626,616)	9.20
Canceled	(7,281,946)	27.48
At September 30, 1998	94,451,156	24.83
Assumed from acquisition	8,883,160	37.44
Granted	30,313,362	38.44
Exercised	(43,180,390)	22.79
Canceled	(4,476,021)	47.83
At September 30, 1999	85,991,267	27.91
Granted	30,355,027	44.30
Exercised	(17,240,959)	20.72
Canceled	(4,090,184)	37.25
At September 30, 2000	95,015,151	\$32.01

The following table summarizes information about outstanding and exercisable Tyco options at September 30, 2000:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE—YEARS	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
\$ 0.00 to \$ 4.98	541,696	\$ 4.11	2.8	541,696	\$ 4.11
4.99 to 7.44	4,792,734	6.58	4.5	4,792,734	6.58
7.45 to 9.98	1,503,739	8.85	5.2	1,157,128	8.86
9.99 to 11.76	780,224	10.84	5.8	421,916	10.84
11.77 to 14.88	2,807,377	14.03	5.9	2,053,457	13.98
14.89 to 19.97	8,025,566	18.88	6.7	6,619,681	18.80
19.98 to 24.93	9,164,125	21.63	6.4	8,182,205	21.72
24.94 to 29.87	9,339,844	28.19	7.5	4,315,879	28.27
29.88 to 31.80	5,057,521	31.41	6.3	5,031,454	31.41
31.81 to 34.42	2,226,357	32.79	7.7	1,416,219	32.83
34.43 to 44.62	30,989,158	38.61	8.8	2,484,907	38.96
44.63 to 50.00	8,580,994	49.43	8.4	6,888,088	49.65
50.01 to 52.01	2,916,906	51.01	8.7	2,906,302	51.01
52.02 to 75.00	8,288,910	59.14	8.7	6,208,686	58.52
Total	95,015,151			53,020,352	

As a result of the merger with USSC, approximately 14.2 million options which were not previously exercisable became immediately exercisable on October 1, 1998. Upon consummation of the merger with AMP on April 2, 1999, approximately 7.8 million options became immediately exercisable due to the change in ownership of AMP resulting from the merger.

TyCom has two option plans and an employee stock purchase plan. The exercise price of options granted under the plans is equal to the fair market value at the date of grant of TyCom common shares. TyCom options outstanding and exercisable at September 30, 2000 were 21,607,050 and 26,250, respectively, at prices ranging from \$32.00 to \$44.62 per share.

STOCK-BASED COMPENSATION

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), allows companies to measure compensation cost in connection with executive share option plans using a fair value based method or to continue to use an intrinsic value based method, which generally does not result in a compensation cost. The Company and TyCom have decided to continue to use the intrinsic value based method and do not recognize compensation expense for the issuance of options with an exercise price equal to or greater than the market price at the time of grant. Had the fair value based method been adopted by Tyco and TyCom, Tyco's pro forma net income and pro forma net income per common share for Fiscal 2000, Fiscal 1999 and Fiscal 1998 would have been as follows:

(IN MILLIONS, EXCEPT PER SHARE DATA)	2000	1999	1998
Net income — pro forma	\$4,136.7	\$858.3	\$1,063.3
Net income per common share —pro forma			
Basic	2.45	0.52	0.67
Diluted	2.42	0.51	0.66

The estimated weighted-average fair value of Tyco and TyCom options granted during Fiscal 2000 was \$16.26 and \$17.47, respectively. The estimated weighted-average fair value of Tyco and AMP options granted during Fiscal 1999 was \$12.13 and \$7.11, respectively, on the date of grant using the option-pricing model and assumptions referred to below. The estimated weighted-average fair value of Tyco, USSC and AMP options granted during Fiscal 1998 was \$8.24, \$6.79 and \$5.98, respectively, on the date of grant using the following option-pricing model and assumptions.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for Fiscal 2000:

	TYCO	TYCOM
Expected stock price volatility	36%	60%
Risk free interest rate	6.35%	6.19%
Expected annual dividend yield per share	\$0.05	—
Expected life of options	4.5 years	4.5 years

The following weighted-average assumptions were used for Fiscal 1999:

	TYCO	AMP
Expected stock price volatility	30%	27%
Risk free interest rate	5.15%	5.07%
Expected annual dividend yield per share	\$0.05	1.25%
Expected life of options	4.2 years	6.5 years

The following weighted-average assumptions were used for Fiscal 1998:

	TYCO	USSC	AMP
Expected stock price volatility	22%	39%	27%
Risk free interest rate	5.62%	5.40%	5.50%
Expected annual dividend yield per share	\$0.05	\$0.11	1.25%
Expected life of options	5 years	4.2 years	6.5 years

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of what the effects may be in future years. SFAS 123 does not apply to awards prior to 1995. Additional awards in future years are anticipated.

TREASURY SHARES

In November 1999, the Board of Directors authorized the Company to reacquire up to 20 million of its common shares in the open market, which was completed during the quarter ended March 31, 2000. In January 2000, the Board of Directors authorized the Company to reacquire up to an additional \$2.0 billion of its common shares in the open market, of which the Company has in excess of \$0.9 billion remaining as of September 30, 2000. From time to time the Company, through its subsidiaries, also purchases shares in the open market to satisfy certain stock-based compensation arrangements. Treasury shares are recorded at cost in the Consolidated Balance Sheets.

DIVIDENDS

Tyco has paid a quarterly cash dividend of \$0.0125 per common share since July 1997. USSC paid quarterly dividends of \$0.04 per share in Fiscal 1998. AMP paid dividends of \$0.27 per share in the first two quarters of Fiscal 1999, \$0.26 per share in the first quarter of Fiscal 1998 and \$0.27 per share in the last three quarters of Fiscal 1998.

[11] Comprehensive Income

The purpose of reporting comprehensive income (loss) is to report a measure of all changes in equity, other than transactions with shareholders. Total comprehensive income (loss) is included in the

Consolidated Statements of Shareholders' Equity. The components of accumulated other comprehensive income (loss) are as follows:

(IN MILLIONS)	CURRENCY TRANSLATION ITEMS	UNREALIZED GAIN (LOSS) ON SECURITIES	MINIMUM PENSION LIABILITY	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at September 30, 1997	\$(137.1)	\$ 10.8	\$(10.6)	\$(136.9)
Current period change, gross	(45.0)	(21.5)	(24.6)	(91.1)
Income tax benefit	8.3	5.9	9.9	24.1
Balance at September 30, 1998	(173.8)	(4.8)	(25.3)	(203.9)
Current period change, gross	(277.8)	18.6	5.2	(254.0)
Income tax benefit (expense)	19.5	(6.0)	(5.7)	7.8
Balance at September 30, 1999	(432.1)	7.8	(25.8)	(450.1)
Current period change, gross	(384.0)	1,094.8	11.5	722.3
Income tax expense	—	(19.1)	(4.0)	(23.1)
Balance at September 30, 2000	\$(816.1)	\$1,083.5	\$(18.3)	\$ 249.1

[12] Charge for the Impairment of Long-Lived Assets

The Company reviews the recoverability of the carrying value of long-lived assets, primarily property, plant and equipment and related goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment losses are recognized when expected future undiscounted cash flows are less than the assets' carrying value. When indicators of impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying business. The net book value of the underlying assets is adjusted to fair value if the sum of expected future undiscounted cash flows is less than book value. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

2000 CHARGES

The Healthcare and Specialty Products segment recorded a charge of \$99.0 million primarily related to an impairment in goodwill and other intangible assets associated with the Company exiting the interventional cardiology business of USSC.

1999 CHARGES

The Electronics segment recorded a charge of \$431.5 million in Fiscal 1999, which includes \$350.1 million related to the write-down of property, plant and equipment, primarily manufacturing and administrative facilities, associated with facility closures throughout AMP's worldwide operations in connection with its profit

improvement plan and the combination of facilities as a result of its merger with the Company, approximately \$143.6 million of which was taken as part of the AMP profit improvement plan prior to its acquisition by Tyco. It also includes an impairment in the value of goodwill and other intangibles of \$81.4 million. The Company evaluated the profitability and anticipated customer demand for its various products and found that certain product lines were underperforming compared to expectations. As a result of this analysis, which was performed in connection with AMP's profit improvement plan, the book value of goodwill and other intangibles was deemed impaired and written down to fair value.

The Healthcare and Specialty Products segment recorded a charge of \$76.0 million in Fiscal 1999 primarily relating to the write-down of property, plant and equipment, principally administrative facilities, associated with the consolidation of facilities in USSC's operations in the United States and Europe as a result of its merger with the Company.

[13] Extraordinary Items

The extraordinary item in Fiscal 2000 of \$0.2 million, net of tax benefit of \$0.1 million, relates to the write-off of unamortized deferred financing costs related to the LYONs (See Note 4). The extraordinary item in Fiscal 1999 of \$45.7 million, net of tax benefit of \$18.0 million, relates primarily to the write-off of net unamortized deferred financing costs related to the Company's debt tender offers (See Note 4). The extraordinary item in Fiscal 1998 of \$2.4 million, net of tax benefit of \$1.2 million, was the write-off of unamortized deferred financing costs related to the LYONs (See Note 4).

[14] Earnings Per Common Share

The reconciliations between basic and diluted earnings per common share are as follows:

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30, 2000			YEAR ENDED SEPTEMBER 30, 1999			YEAR ENDED SEPTEMBER 30, 1998		
	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT	LOSS	SHARES	PER SHARE AMOUNT
BASIC EARNINGS PER COMMON SHARE:									
Income before extraordinary items	\$4,520.1	1,688.0	\$2.68	\$1,067.7	1,641.3	\$0.65	\$1,168.6	1,583.4	\$0.74
Stock options and warrants	—	21.2		—	23.3		—	20.9	
Exchange of LYONs debt	1.5	4.0		3.9	10.2		7.2	20.4	
DILUTED EARNINGS PER COMMON SHARE:									
Income before extraordinary items plus assumed conversions	\$4,521.6	1,713.2	\$2.64	\$1,071.6	1,674.8	\$0.64	\$1,175.8	1,624.7	\$0.72

The computation of diluted earnings per common share in Fiscal 2000, Fiscal 1999 and Fiscal 1998 excludes the effect of the assumed exercise of approximately 7.3 million, 3.1 million and 23.8 million stock options, respectively, that were outstanding as of September 30, 2000, 1999 and 1998, respectively, because the effect would be anti-dilutive.

[15] TyCom Ltd.

In August 2000, TyCom Ltd., a subsidiary of the Company, completed an initial public offering (the "TyCom IPO") of 70,300,000 of its common shares at a price of \$32.00 per share. Net proceeds to TyCom from the TyCom IPO, after deducting the underwriting discount, commissions and other direct costs, were approximately \$2.1 billion. Of that amount, TyCom paid \$200 million as a dividend to the Company. Prior to the TyCom IPO, the Company's ownership in TyCom's outstanding common shares was 100%, and at September 30, 2000 the Company's ownership in TyCom's outstanding common shares is approximately 86%. As a result of the TyCom IPO, the Company recognized a pre-tax gain on its investment in TyCom of approximately \$1.76 billion (\$1.01 billion, after-tax), which has been included in gain on issuance of common shares by subsidiary in the Consolidated Statement of Operations.

[16] Merger, Restructuring and Other Non-Recurring Charges (Credits)

Merger, restructuring and other non-recurring charges (credits), net, are as follows:

(IN MILLIONS)	2000	1999	1998
Electronics	\$ (90.9) ⁽¹⁾	\$ 643.3 ⁽³⁾	\$164.4
Healthcare and Specialty Products	(10.9) ⁽²⁾	419.1	92.5
Fire and Security Services	(11.2)	(27.2)	—
Telecommunications	13.1	—	—
Corporate	276.2	—	—
	\$176.3	\$1,035.2	\$256.9

(1) Includes \$0.9 million charge related to the write-down of inventory, which is included in cost of sales, and a credit of \$6.3 million also included in cost of sales.

(2) Includes \$6.4 million charge related to the write-down of inventory, which is included in cost of sales.

(3) Includes \$106.4 million charge related to the write-down of inventory, which is included in cost of sales.

2000 CHARGES AND CREDITS

The Electronics segment recorded a net merger, restructuring and other non-recurring credit of \$90.9 million, which consists of credits of \$107.8 million and charges of \$16.9 million. The merger, restructuring and other non-recurring credit of \$107.8 million, of which \$6.3 million is included in cost of sales, is related to the merger with AMP and costs associated with AMP's profit improvement plan. The \$107.8 million credit consists of a revision in estimates of severance reserves of \$55.2 million, facility reserves of \$7.8 million and other reserves of \$44.8 million. See the table

included in 1999 CHARGES AND CREDITS related to the Electronics segment for Fiscal 2000 revision in estimates related to Fiscal 1999 charges. The restructuring and other non-recurring charges of \$16.9 million, of which \$0.9 million is included in cost of sales, is related to restructuring activities in AMP's Brazilian operations and wireless communications business. The following table provides information about the restructuring and other non-recurring charges related to the Electronics segment recorded in Fiscal 2000:

(\$ IN MILLIONS)	SEVERANCE		FACILITIES		OTHER	TOTAL
	NUMBER OF EMPLOYEES	RESERVE	NUMBER OF FACILITIES	RESERVE	RESERVE	
Fiscal 2000 charges	941	\$4.9	3	\$ 4.8	\$ 7.2	\$16.9
Fiscal 2000 utilization	(97)	—	(3)	(1.7)	(5.1)	(6.8)
Ending balance at September 30, 2000	844	\$4.9	—	\$ 3.1	\$ 2.1	\$10.1

The cost of announced workforce reductions of \$4.9 million includes the elimination of 941 positions primarily in Brazil. The cost of facility closures of \$4.8 million consists of the shut-down and consolidation of 3 facilities. At September 30, 2000, 97 employees had been terminated and 3 facilities had been shut down. The remaining facility reserves are primarily for payments on non-cancellable lease obligations.

The other charges of \$7.2 million consist of the write-off of non-facility assets and other direct costs.

The Healthcare and Specialty Products segment recorded a net merger, restructuring and other non-recurring credit of \$10.9 million. The \$10.9 million net credit consists of charges of \$11.1 million related to USSC's suture business and charges of \$7.9 million, of which \$6.4 million is included in cost of sales, related to exiting USSC's interventional cardiology business. Substantially all of these restructuring activities were completed during the year. Also recorded was a credit of \$29.9 million representing a revision in estimates of prior years' merger, restructuring and other non-recurring accruals, of which \$19.7 million related primarily to the merger with USSC and \$10.2 million related to the Company's 1997 restructuring accruals. The \$19.7 million credit relates to a revision in estimates of severance reserves of \$4.2 million, facility reserves of \$4.5 million and other reserves of \$11.0 million. See the table included

in 1999 CHARGES AND CREDITS related to the Healthcare and Specialty Products segment for Fiscal 2000 revision in estimates related to Fiscal 1999 charges.

The Fire and Security Services segment recorded restructuring and other non-recurring credits of \$11.2 million related to revision in estimates of the Company's 1997 restructuring activities for amounts lower than originally recorded. Actions under the Company's 1997 restructuring plans have been substantially completed.

The Telecommunications segment recorded a non-recurring charge of \$13.1 million incurred in connection with the TyCom IPO.

In addition to segment (credits) charges, the Company recorded non-recurring charges of \$275.0 million as a reserve for certain claims relating to a merged company in the Healthcare business and \$1.2 million for other non-recurring charges, all of which remains in other current liabilities in the Consolidated Balance Sheet at September 30, 2000.

1999 CHARGES AND CREDITS

The Electronics segment recorded net merger, restructuring and other non-recurring charges of \$643.3 million primarily related to the merger with AMP and costs associated with AMP's profit improvement plan. The following table provides information about these charges, in addition to revision in estimates of Fiscal 1999 charges:

(\$ IN MILLIONS)	SEVERANCE		FACILITIES		OTHER	TOTAL
	NUMBER OF EMPLOYEES	RESERVE	NUMBER OF FACILITIES	RESERVE	RESERVE	
Fiscal 1999 charges	16,139	\$ 433.7	87	\$ 68.6	\$141.0	\$ 643.3
Fiscal 1999 utilization	(8,410)	(359.2)	(45)	(15.4)	(16.8)	(391.4)
Fiscal 2000 revision in estimates	(5,375)	(55.2)	(14)	(7.8)	(44.8)	(107.8)
Fiscal 2000 utilization	(1,662)	(7.9)	(17)	(14.0)	(76.7)	(98.6)
Ending balance at September 30, 2000	692	\$ 11.4	11	\$ 31.4	\$ 2.7	\$ 45.5

The cost of announced workforce reductions of \$433.7 million includes the elimination of 16,139 positions primarily in the United States and Europe, consisting primarily of manufacturing and distribution, administrative, research and development and sales and marketing personnel. The cost of facility closures of \$68.6 million consists primarily of the shut-down and consolidation of 87 facilities primarily in the United States and Europe, consisting primarily of manufacturing plants, distribution centers, administrative buildings, research and development facilities and sales offices. It also includes \$18.3 million related to the write-down of inventory, which is included in cost of sales. At September 30, 2000, 10,072 employees had been terminated and 62 facilities had been shut down.

The other charges of \$141.0 million consist of transaction costs of \$67.9 million for legal, printing, accounting, financial advisory services and other direct expenses related to the AMP merger; \$88.1 million related to the write-down of inventory, discussed below; lease termination costs following the merger of \$9.6 million; a credit of \$50.0 million related to a litigation settlement with AlliedSignal Inc.; and other costs of \$25.4 million relating to the consolidation of certain product lines and other non-recurring charges related to the AMP merger.

(\$ IN MILLIONS)	SEVERANCE		FACILITIES		OTHER	TOTAL
	NUMBER OF EMPLOYEES	RESERVE	NUMBER OF FACILITIES	RESERVE	RESERVE	
Fiscal 1999 charges	1,467	\$124.8	45	\$ 51.8	\$ 247.2	\$ 423.8
Fiscal 1999 activity	(1,282)	(99.3)	(20)	(18.3)	(217.6)	(335.2)
Fiscal 2000 revision in estimates	—	(4.2)	(1)	(4.5)	(11.0)	(19.7)
Fiscal 2000 utilization	(91)	(14.8)	(17)	(10.7)	(18.6)	(44.1)
Ending balance at September 30, 2000	94	\$ 6.5	7	\$ 18.3	\$ —	\$ 24.8

The cost of announced workforce reductions of \$124.8 million includes the elimination of 1,467 positions primarily in the United States and Europe, consisting primarily of manufacturing and distribution, sales and marketing, administrative and research and development personnel. The cost of facility closures of \$51.8 million includes the shut-down and consolidation of 45 facilities primarily in Europe and the United States, consisting primarily of manufacturing plants, distribution centers, sales offices, administrative buildings and research and development facilities. At September 30, 2000, 1,373 employees had been terminated and 37 facilities had been shut down.

The other charges of \$247.2 million consist of transaction costs of \$53.3 million for legal, printing, accounting, financial advisory services and other direct expenses related to the USSC merger, lease termination costs following the merger of \$156.8 million and other costs of \$37.1 million relating to the consolidation of certain product lines and other non-recurring charges primarily related to the USSC merger. The lease termination costs of \$156.8 million relate to the USSC North Haven facility that was purchased by Tyco subsequent to the merger (See Note 2).

The remaining balance at September 30, 2000 of \$24.8 million is included in other current liabilities in the Consolidated Balance Sheet. The Company currently anticipates that the restructuring and other non-recurring activities to which all of these charges relate will be completed within Fiscal 2001.

In Fiscal 1999, the Company recorded a credit of \$31.9 million, including \$27.2 million in the Fire and Security Services segment and \$4.7 million in the Healthcare and Specialty Products segment referred to above, representing a revision of estimates related to Tyco's 1997 restructuring and other non-recurring accruals. Most of

As part of the integration of AMP's electronics business and AMP's profit improvement plan, the Company evaluated the profitability and anticipated customer demand for its various products. As a result of this evaluation, management decided to exit certain product lines and/or businesses which were under-performing relative to expectations. The inventory held by the Company related to these exited activities was deemed impaired and written down to estimated fair value. The total write-down of \$88.1 million was recorded as a charge to cost of sales. These discontinued product lines represented approximately \$150 million of historical net sales for AMP on an annualized basis.

The Healthcare and Specialty Products segment recorded net merger, restructuring and other non-recurring charges of \$419.1 million, consisting of a \$423.8 million charge primarily related to the merger with USSC and a \$4.7 million credit representing a revision of estimates related to Tyco's 1997 restructuring and other non-recurring accruals discussed below. The following table provides information about these charges, in addition to revision in estimates of Fiscal 1999 charges:

the actions under Tyco's 1997 restructuring and other non-recurring plans are completed or near completion and have resulted in total estimated costs being less than originally anticipated.

1998 CHARGES AND CREDIT

During the fourth quarter of Fiscal 1998, AMP recorded charges of \$185.8 million associated with its profit improvement plan, which includes the reduction of support staff throughout all its business units and the consolidation of manufacturing plants and other facilities, in addition to certain sales growth initiatives. These charges include the cost of staff reductions of \$172.1 million involving the voluntary retirement and involuntary termination of approximately 2,700 staff support personnel and 700 direct manufacturing employees, and the cost of consolidation of certain facilities of \$13.7 million relating to six plant and facility closures and consolidations. At September 30, 1999, these restructuring activities were substantially completed. See Note 18 for discussion of the voluntary early retirement program.

During the first quarter of Fiscal 1998, AMP recorded a credit of \$21.4 million to merger, restructuring and other non-recurring charges representing a revision of estimates related to its 1996 restructuring activities, which were completed in Fiscal 1998.

During the fourth quarter of Fiscal 1998, USSC recorded certain charges of \$80.5 million. These charges include \$70.9 million of costs to exit certain businesses representing the write down of assets from earlier purchases of technology that had minimal commercial application and the adjustment to net realizable value of certain assets. In addition, merger costs of \$9.6 million were recorded that represent legal and insurance costs related to the merger consummated in the first quarter of Fiscal 1999. During the

first quarter of Fiscal 1998, USSC recorded restructuring charges of \$12.0 million related to employee severance costs, facility disposals and asset write-downs as part of USSC's cost cutting program. USSC substantially completed its 1998 restructuring activities during Fiscal 1999.

[17] Commitments and Contingencies

The Company occupies certain facilities under leases that expire at various dates through the year 2030. Rental expense under these leases and leases for equipment was \$442.7 million, \$381.0 million and \$331.7 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively. At September 30, 2000, the minimum lease payment obligations under noncancelable operating leases were as follows: \$435.7 million in Fiscal 2001, \$335.4 million in Fiscal 2002, \$239.5 million in Fiscal 2003, \$170.4 million in Fiscal 2004, \$142.7 million in Fiscal 2005 and an aggregate of \$431.4 million in Fiscal years 2006 through 2030.

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position or results of operations.

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. Based upon the Company's experience with environmental remediation matters, the Company has concluded that there is at least a reasonable possibility that remedial costs will be incurred with respect to these sites in an aggregate amount in the range of \$32.9 million to \$95.2 million. At September 30, 2000, the Company concluded that the most probable amount that will be incurred within this range is \$68.3 million. \$35.4 million of such amount is included in accrued expenses and other current liabilities and \$32.9 million is included in other long-term liabilities in the Consolidated Balance Sheet. Based upon information available to the Company, at those sites where there has been an allocation of the liability for cleanup costs among a number of parties, including the Company, and such liability could be joint and several, management believes it is probable that other responsible parties will fully pay the cost allocated to them, except with respect to one site for which the Company has assumed that one of the identified responsible parties will be unable to pay the cost allocated to it and that such party's cost will be reapportioned among the remaining responsible parties. In view of the Company's financial position and reserves for environmental matters of \$68.3 million, the Company has concluded that its payment of such estimated amounts will not have a material effect on its financial position, results of operations or liquidity.

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 financial position, results of operations or liquidity.

[18] Retirement Plans

DEFINED BENEFIT PENSION PLANS

The Company has a number of noncontributory and contributory defined benefit retirement plans covering certain of its U.S. and non-U.S. employees, designed in accordance with conditions and practices in the countries concerned. Contributions are based on periodic actuarial valuations which use the projected unit credit method of calculation and are charged to the Consolidated Statements of Operations on a systematic basis over the expected average remaining service lives of current employees. The net pension expense is assessed in accordance with the advice of professionally qualified actuaries in the countries concerned or is based on subsequent formal reviews for the purpose. The Company's funding policy is to make annual contributions to the extent such contributions are tax deductible as actuarially determined. The benefits under the defined benefit plans are based on years of service and compensation.

VOLUNTARY EARLY RETIREMENT PROGRAMS

In the fourth quarter of Fiscal 1998, AMP offered enhanced retirement benefits to targeted groups of employees. The cost of these benefits totaled \$138.3 million and was recorded as part of AMP's fourth quarter restructuring charge. This amount has not been included in the determination of net periodic pension cost presented below. The net periodic pension (income) cost for all U.S. and non-U.S. defined benefit pension plans includes the following components:

(IN MILLIONS)	U.S. PLANS		
	2000	1999	1998
Service cost	\$ 12.1	\$ 37.8	\$ 44.7
Interest cost	84.6	86.2	93.3
Expected return on plan assets	(112.8)	(96.1)	(109.9)
Recognition of initial net asset	(1.0)	(0.9)	(1.9)
Amortization of prior service cost	0.7	3.0	3.2
Recognized net actuarial gain	(6.4)	(0.6)	(7.1)
Curtailment/settlement gain	(4.6)	(102.6)	(48.6)
Net periodic benefit income	\$ (27.4)	\$ (73.2)	\$ (26.3)

(IN MILLIONS)	NON-U.S. PLANS		
	2000	1999	1998
Service cost	\$ 60.9	\$ 47.4	\$ 35.6
Interest cost	75.1	48.0	43.1
Expected return on plan assets	(85.3)	(56.8)	(53.6)
Recognition of initial net obligation	0.2	0.1	—
Amortization of prior service cost	0.8	0.6	0.6
Recognized net actuarial loss (gain)	2.3	1.1	(0.8)
Curtailment/settlement (gain) loss	(2.7)	1.2	6.7
Net periodic benefit cost	\$ 51.3	\$ 41.6	\$ 31.6

The curtailment/settlement gains in Fiscal 1999 relate primarily to the termination of employees at AMP and the freezing of AMP's pension plan. The curtailment/settlement gains in Fiscal 1998 relate primarily to the freezing of the ADT pension plan. These curtailment/settlement gains have been recorded in selling, general and administrative expenses.

The net pension cost recognized at September 30, 2000 and 1999 for all U.S. and non-U.S. defined benefit plans is as follows:

(\$ IN MILLIONS)	U.S. PLANS		NON-U.S. PLANS	
	2000	1999	2000	1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$1,142.5	\$1,191.8	\$1,339.9	\$ 835.4
Service cost	9.6	35.8	59.6	45.7
Interest cost	84.6	86.2	75.1	48.0
Employee contributions	—	—	8.7	8.7
Plan amendments	0.1	8.3	0.6	0.8
Actuarial (gain) loss	(15.1)	(74.4)	(55.1)	28.1
Benefits paid	(77.0)	(68.8)	(44.1)	(49.2)
Acquisitions	19.2	190.9	132.3	404.9
Divestitures	—	(69.8)	—	(5.9)
Plan curtailments	(9.0)	(136.3)	(2.9)	(10.7)
Plan settlements	(71.0)	(25.7)	(10.1)	(2.4)
Special termination benefits	1.9	4.5	3.0	9.2
Currency translation adjustment	—	—	(139.4)	27.3
Benefit obligation at end of year	\$1,085.8	\$1,142.5	\$1,367.6	\$1,339.9
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$1,165.8	\$ 997.4	\$1,175.2	\$ 700.5
Actual return on plan assets	258.7	169.3	121.7	86.0
Employer contributions	23.9	24.7	55.6	38.8
Employee contributions	—	—	8.7	8.8
Acquisitions	7.7	155.8	74.7	376.9
Divestitures	—	(84.2)	—	(7.5)
Plan settlements	(71.0)	(25.7)	(9.9)	(2.4)
Benefits paid	(77.0)	(68.9)	(44.1)	(49.2)
Administrative expenses paid	(3.9)	(2.6)	(1.7)	(1.8)
Currency translation adjustment	—	—	(127.1)	25.1
Fair value of plan assets at end of year	\$1,304.2	\$1,165.8	\$1,253.1	\$1,175.2
Funded status	\$ 218.4	\$ 23.3	\$ (114.5)	\$ (164.7)
Unrecognized net actuarial (gain) loss	(284.7)	(128.8)	(2.3)	89.4
Unrecognized prior service cost	4.4	6.7	5.3	6.0
Unrecognized transition asset	(4.0)	(5.1)	(3.8)	(4.5)
Net amount recognized	\$ (65.9)	\$ (103.9)	\$ (115.3)	\$ (73.8)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS				
Prepaid benefit cost	\$ 47.6	\$ 29.2	\$ 107.6	\$ 106.8
Accrued benefit liability	(117.6)	(141.7)	(255.8)	(222.1)
Intangible asset	0.8	1.0	4.9	6.3
Accumulated other comprehensive income	3.3	7.6	28.0	35.2
Net amount recognized	\$ (65.9)	\$ (103.9)	\$ (115.3)	\$ (73.8)
WEIGHTED-AVERAGE ASSUMPTIONS				
Discount rate	8.00%	7.75%	5.75%	5.65%
Expected return on plan assets	9.75	8.60	7.40	7.39
Rate of compensation increase	4.40	4.30	4.07	4.03

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for U.S. pension plans with accumulated benefit obligations in excess of plan assets were \$30.3 million, \$29.3 million and \$9.3 million, respectively, as of September 30, 2000 and \$186.7 million, \$173.4 million and \$130.7 million, respectively, as of September 30, 1999.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for non-U.S. pension plans with accumulated benefit obligations in excess of plan assets were \$543.8 million, \$464.0 million and \$256.1 million, respectively, as of September 30, 2000 and \$563.5 million, \$517.1 million and \$314.6 million, respectively, as of September 30, 1999.

The Company also participates in a number of multi-employer defined benefit plans on behalf of certain employees. Pension expense related to multi-employer plans was \$8.2 million, \$7.5 million and \$1.7 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively.

DEFINED CONTRIBUTION RETIREMENT PLANS

The Company maintains several defined contribution retirement plans, which include 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Pension expense for the defined contribution plans is computed as a percentage of participants' compensation and was \$132.7 million, \$73.2 million and \$57.1 million for Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively. The Company also maintains an unfunded Supplemental Executive Retirement Plan ("SERP"). This plan is nonqualified and restores the employer match that certain employees lose due to IRS limits on eligible compensation under the defined contribution plans. Expense related to the SERP was \$10.8 million, \$6.9 million and \$3.7 million in Fiscal 2000, Fiscal 1999 and Fiscal 1998, respectively.

POSTRETIREMENT BENEFIT PLANS

The Company generally does not provide postretirement benefits other than pensions for its employees. Certain of Former Tyco's acquired operations provide these benefits to employees who were eligible at the date of acquisition. In addition, ADT's electronic security services operation in the United States sponsors an unfunded defined benefit postretirement plan which covers both salaried and non-salaried employees and which provides medical and other benefits. This postretirement health care plan is contributory, with retiree contributions adjusted annually. The Company recorded a gain of \$8.8 million related to the curtailment of this plan in Fiscal 1998 which was included in selling, general and administrative expenses.

AMP provides postretirement health care coverage to qualifying U.S. retirees. As a result of the merger with Tyco, a \$13.7 million adjustment was recorded to conform AMP's accounting method for postretirement benefits to Tyco's method, regarding the initial recognition of such benefits upon adoption of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

In the second quarter of Fiscal 1999, AMP offered enhanced postretirement benefits to terminated employees totaling \$16.0 million, which was recorded as part of AMP's second quarter restructuring charge. This amount has not been included in the determination of net periodic benefit cost presented below.

Net periodic postretirement benefit cost reflects the following components:

(IN MILLIONS)	2000	1999	1998
Service cost (with interest)	\$ 1.1	\$ 3.5	\$ 3.2
Interest cost	12.7	12.0	9.5
Amortization of prior service cost	(1.9)	(2.2)	(2.5)
Amortization of net gain	(1.6)	(0.7)	(1.4)
Curtailment gain	(3.2)	(5.8)	(8.8)
Net periodic postretirement benefit cost	\$ 7.1	\$ 6.8	\$ —

The components of the accrued postretirement benefit obligation, all of which are unfunded, are as follows:

(IN MILLIONS)	2000	1999
Benefit obligation at beginning of year	\$ 168.2	\$ 174.1
Service cost	1.1	3.5
Interest cost	12.7	12.0
Amendments	(3.1)	4.5
Actuarial gain	(1.7)	(4.1)
Acquisition	8.4	11.2
Curtailment gain (loss)	1.7	(15.3)
Expected net benefits paid	(19.6)	(17.8)
Currency fluctuation (gain) loss	(0.1)	0.1
Benefit obligation at end of year	\$ 167.6	\$ 168.2
Funded status	\$ (167.6)	\$ (168.2)
Unrecognized net gain	(29.6)	(24.5)
Unrecognized prior service cost	(11.1)	(13.8)
Accrued postretirement benefit cost	\$ (208.3)	\$ (206.5)

For measurement purposes, in Fiscal 2000, an 8.15% composite annual rate of increase in the per capita cost of covered health care benefits was assumed. The rate was assumed to decrease gradually to 5.00% by the year 2008 and remain at that level thereafter. The health care cost trend rate assumption may have a significant effect on the amounts reported. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

(IN MILLIONS)	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
Effect on total of service and interest cost components	\$0.5	\$(0.5)
Effect on postretirement benefit obligation	6.2	(5.4)

The combined weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.00% at September 30, 2000 (7.75% at September 30, 1999).

[19] Consolidated Segment Data

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. Segment data have been presented on a basis consistent with how business activities are reported internally to management. Certain corporate expenses were allocated to each operating segment's operating income, based generally on net sales and other factors. For additional information, including a description of the products and services included in each segment, see Note 1.

Selected information by industry segment is presented below.

(IN MILLIONS)	AS AT AND FOR THE YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
NET SALES:			
Electronics	\$ 9,909.8	\$ 6,087.4	\$ 5,787.3
Telecommunications	2,539.7	1,623.8	1,280.0
Healthcare and Specialty Products	6,467.9	5,742.7	4,672.4
Fire and Security Services	6,076.6	5,534.0	4,393.5
Flow Control Products and Services	3,937.9	3,508.6	2,928.5
	\$28,931.9	\$22,496.5	\$19,061.7
OPERATING INCOME (LOSS):			
Electronics	\$ 2,538.6 ⁽¹⁾	\$ (225.9) ⁽⁶⁾	\$ 403.1 ⁽⁹⁾
Telecommunications	516.6 ⁽²⁾	325.1	268.3
Healthcare and Specialty Products	1,439.8 ⁽³⁾	890.9 ⁽⁷⁾	389.3 ⁽¹⁰⁾
Fire and Security Services	1,040.5 ⁽⁴⁾	934.2 ⁽⁸⁾	630.6
Flow Control Products and Services	746.9	605.5	456.9
	6,282.4	2,529.8	2,148.2
Less: Corporate expenses	(463.6) ⁽⁵⁾	(122.9)	(68.3)
Goodwill amortization expense	(344.4)	(216.1)	(131.8)
	\$ 5,474.4	\$ 2,190.8	\$ 1,948.1
TOTAL ASSETS:			
Electronics	\$12,248.1	\$ 8,326.9	\$ 4,995.1
Telecommunications	2,029.9	2,392.2	1,366.8
Healthcare and Specialty Products	8,925.6	8,696.2	7,256.8
Fire and Security Services	9,298.5	8,219.4	6,606.2
Flow Control Products and Services	5,748.4	3,858.6	2,960.3
Corporate	2,153.8	851.0	255.5
	\$40,404.3	\$32,344.3	\$23,440.7
DEPRECIATION AND AMORTIZATION:			
Electronics	\$ 563.0	\$ 421.3	\$ 430.0
Telecommunications	67.4	47.1	36.5
Healthcare and Specialty Products	330.1	287.6	262.5
Fire and Security Services	531.6	417.2	269.8
Flow Control Products and Services	144.7	130.0	120.0
Corporate	7.6	8.0	18.9
	\$ 1,644.4	\$ 1,311.2	\$ 1,137.7

(IN MILLIONS)	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
CAPITAL EXPENDITURES:			
Electronics	\$ 293.8	\$ 391.1	\$ 492.0
Telecommunications	316.0 ⁽¹¹⁾	97.4	28.2
Healthcare and Specialty Products	251.1	235.9 ⁽¹²⁾	202.9
Fire and Security Services	764.3	746.3	491.4
Flow Control Products and Services	142.1	135.1	92.6
Corporate	47.6	26.7	10.4
	\$ 1,814.9	\$ 1,632.5	\$ 1,317.5

(1) Includes a restructuring charge of \$16.9 million, of which \$0.9 million is included in cost of sales, related to AMP's Brazilian operations and wireless communications business and a credit of \$107.8 million, of which \$6.3 million is included in cost of sales, primarily representing a revision of estimates of merger, restructuring, and other non-recurring accruals related to the merger with AMP and AMP's profit improvement plan.

(2) Includes a non-recurring charge of \$13.1 million incurred in connection with the TyCom IPO.

(3) Includes charges for the impairment of long-lived assets of \$99.0 million and restructuring and other non-recurring charges of \$7.9 million, of which \$6.4 million is included in cost of sales, related to exiting USSC's interventional cardiology business. Includes restructuring and other non-recurring charges of \$11.1 million related to USSC's suture business. Also includes a credit of \$29.9 million representing a revision in estimates of merger, restructuring, and other non-recurring accruals consisting of \$19.7 million related primarily to the merger with USSC and \$10.2 million related to the Company's 1997 restructuring accruals.

(4) Includes a merger, restructuring and other non-recurring credit of \$11.2 million representing a revision in estimates related to the Company's 1997 restructuring accruals.

(5) Includes a non-recurring charge of \$275.0 million as a reserve for certain claims relating to a merged company in the Healthcare business and other non-recurring charges of \$1.2 million.

(6) Includes merger, restructuring and other non-recurring charges of \$643.3 million, of which \$106.4 million is included in cost of sales, and charges for the impairment of long-lived assets of \$431.5 million primarily related to the merger with AMP and AMP's profit improvement plan.

(7) Includes merger, restructuring and other non-recurring charges of \$423.8 million and charges for the impairment of long-lived assets of \$76.0 million, primarily related to the merger with USSC, and a credit of \$4.7 million representing a revision of estimates related to Tyco's 1997 restructuring and other non-recurring accruals.

(8) Includes a credit of \$27.2 million representing a revision of estimates related to Tyco's 1997 restructuring and other non-recurring accruals.

(9) Includes restructuring and other non-recurring charges recorded by AMP of \$185.8 million related to its profit improvement plan and a credit of \$21.4 million to restructuring charges representing a revision of estimates related to AMP's 1996 restructuring activities.

(10) Includes non-recurring charges of \$80.5 million primarily related to business exit costs and restructuring charges of \$12.0 million related to USSC's operations.

(11) Includes \$111.1 million in spending for construction of the TyCom Global Network.

(12) Excludes \$234.0 million related to the purchase of property previously leased by USSC.

[20] Consolidated Geographic Data

Selected information by geographic area is presented below.

(IN MILLIONS)	AS AT AND FOR THE YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Net sales:			
Americas (primarily U.S.)	\$18,457.5	\$14,409.0	\$12,518.4
Europe	6,610.1	5,362.4	4,431.4
Asia-Pacific	3,864.3	2,725.1	2,111.9
	\$28,931.9	\$22,496.5	\$19,061.7
Long-Lived Assets:			
Americas (primarily U.S.)	\$17,655.4	\$13,849.4	
Europe	5,453.3	4,084.6	
Asia-Pacific	1,751.5	1,838.3	
Corporate	435.0	311.3	
	\$25,295.2	\$20,083.6	

[21] Supplementary Balance Sheet Information

Selected supplementary balance sheet information is presented below.

(IN MILLIONS)	SEPTEMBER 30,	
	2000	1999
Inventories:		
Purchased materials and manufactured parts	\$ 1,076.5	\$ 719.1
Work in process	1,105.1	774.2
Finished goods	1,663.5	1,355.8
	\$ 3,845.1	\$ 2,849.1
Property, Plant and Equipment:		
Land	\$ 538.8	\$ 386.8
Buildings	2,416.1	2,414.0
Subscriber systems	3,200.7	2,703.3
Machinery and equipment	7,089.5	7,005.3
Leasehold improvements	295.8	224.4
Construction in progress	727.6	573.0
Accumulated depreciation	(6,050.1)	(5,984.4)
	\$ 8,218.4	\$ 7,322.4
Accrued expenses and other current liabilities include the following:		
Accrued payroll and payroll related costs (including bonuses)	\$ 808.9	\$ 723.5

[22] Supplementary Income Statement Information

Selected supplementary income statement information is presented below.

(IN MILLIONS)	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Research and development	\$527.5	\$450.5	\$511.4
Advertising	\$149.3	\$133.1	\$110.8

[23] Summarized Quarterly Financial Data (Unaudited)

Summarized quarterly financial data is presented below.

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30, 2000			
	1ST QTR. (1)	2ND QTR. (2)	3RD QTR. (3)	4TH QTR. (4)
Net sales	\$6,638.8	\$7,070.0	\$7,417.8	\$7,805.3
Gross profit	2,446.9	2,614.7	2,868.0	3,071.1
(Loss) income before extraordinary items	757.2	855.5	997.3	1,910.1
Net income ⁽⁹⁾	757.0	855.5	997.3	1,910.1
Basic income per common share:				
Income before extraordinary items	\$ 0.45	\$ 0.51	\$ 0.59	\$ 1.13
Net income per common share	0.45	0.51	0.59	1.13
Diluted income per common share:				
Income before extraordinary items	\$ 0.44	\$ 0.50	\$ 0.58	\$ 1.12
Net income per common share	0.44	0.50	0.58	1.12

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 30, 1999			
	1ST QTR. (5)	2ND QTR. (6)	3RD QTR. (7)	4TH QTR. (8)
Net sales	\$5,213.5	\$5,238.7	\$5,819.8	\$6,224.5
Gross profit	1,796.9	1,849.0	2,036.5	2,381.0
(Loss) income before extraordinary items	(89.6)	164.3	212.2	780.8
Net (loss) income ⁽⁹⁾	(92.0)	121.8	211.7	780.5
Basic (loss) income per common share:				
(Loss) income before extraordinary items	\$ (0.06)	\$ 0.10	\$ 0.13	\$ 0.47
Net (loss) income per common share	(0.06)	0.07	0.13	0.47
Diluted (loss) income per common share:				
(Loss) income before extraordinary items	\$ (0.06)	\$ 0.10	\$ 0.13	\$ 0.46
Net (loss) income per common share	(0.06)	0.07	0.13	0.46

(1) Includes charges for the impairment of long-lived assets of \$99.0 million and restructuring and other non-recurring charges of \$79 million, of which \$6.4 million is included in cost of sales, related to exiting USSC's interventional cardiology business; restructuring and other non-recurring charges of \$7.7 million related to USSC's suture business; and a restructuring charge of \$6.5 million related to AMP's Brazilian operations. Also includes a credit of \$94.7 million representing a revision in estimates of merger, restructuring and other non-recurring accruals, consisting of \$57.8 million related to the merger with AMP and AMP's profit improvement plan, \$15.5 million related primarily to the merger with USSC and \$21.4 million related to the Company's 1997 restructuring accruals.

(2) Includes merger, restructuring and other non-recurring charges of \$10.4 million, of which \$0.9 million is included in cost of sales, primarily related to activities in AMP's wireless communications business and restructuring and other non-recurring charges of \$0.5 million related to USSC's suture business. Also includes a credit of \$12.7 million, of which \$6.3 million is included in cost of sales, primarily representing a revision of estimates of merger, restructuring and other non-recurring accruals related to the merger with AMP and AMP's profit improvement plan.

(3) Includes restructuring and other non-recurring charges of \$29 million related to USSC's suture business. Also includes a merger, restructuring and other non-recurring credit of \$9.8 million representing a revision of estimates of merger, restructuring and other non-recurring accruals related to the merger with AMP and AMP's profit improvement plan.

(4) Includes non-recurring charges of \$275.0 million as a reserve for certain claims relating to a merged company in the Healthcare business, \$13.1 million related to a non-recurring charge incurred in connection with the TyCom IPO and \$1.2 million of other non-recurring charges. Also includes credits of \$27.5 million and \$4.2 million representing a revision of estimates of merger, restructuring and other non-recurring accruals related to the merger with AMP and AMP's profit improvement plan and the merger with USSC, respectively.

(5) Includes merger, restructuring and other non-recurring charges of \$412.6 million and charges for the impairment of long-lived assets of \$76.0 million, primarily related to the merger with USSC, and restructuring and other non-recurring charges of \$116.5 million, of which \$28.3 million is included in cost of sales, and charges for the impairment of long-lived assets of \$65.6 million related to AMP's profit improvement plan. Also includes a credit of \$3.0 million representing a revision of estimates related to Tyco's 1997 merger, restructuring and other non-recurring accruals.

(6) Includes restructuring and other non-recurring charges of \$158.8 million, of which \$26.9 million is included in cost of sales, and charges for the impairment of long-lived assets of \$171.1 million related to AMP's profit improvement plan. Also includes restructuring and other non-recurring charges of \$2.0 million related to the merger with USSC and a credit of \$5.3 million representing a revision of estimates related to Tyco's 1997 merger, restructuring and other non-recurring accruals.

(7) Includes merger, restructuring and other non-recurring charges of \$368.0 million, of which \$51.2 million is included in cost of sales, and charges for the impairment of long-lived assets of \$194.8 million, related to the merger with AMP and AMP's profit improvement plan. Also includes restructuring and other non-recurring charges of \$2.8 million related to the merger with USSC and a credit of \$19.7 million representing a revision of estimates related to Tyco's 1997 merger, restructuring and other non-recurring accruals.

(8) Includes restructuring and other non-recurring charges of \$6.4 million related to the merger with USSC. Also includes a credit of \$3.9 million representing a revision of estimates related to Tyco's 1997 merger, restructuring and other non-recurring accruals.

(9) Extraordinary items relate principally to the Company's debt tender offers and the write-off of net unamortized deferred refinancing costs relating to the early extinguishment of debt.

[24] Tyco International Group S.A.

During Fiscal 2000 and Fiscal 1999, Tyco International Group S.A. ("TIG"), a wholly-owned subsidiary of the Company, issued public debt securities (See Note 4) which are fully and unconditionally guaranteed by Tyco. In accordance with SEC rules promulgated in August 2000, the following presents condensed consolidating financial information for TIG and its subsidiaries, as if TIG and its current organizational structure were in place for all periods presented. Condensed financial information for Tyco and TIG on a stand-alone basis are presented using the equity method of accounting for subsidiaries in which it owns or controls twenty percent or more of the voting shares.

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2000					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TOTAL
CURRENT ASSETS:					
Cash and cash equivalents	\$ 34.2	\$ 3.6	\$ 1,227.0	\$ —	\$ 1,264.8
Accounts receivable, net	1.2	—	5,629.2	—	5,630.4
Inventory, net	—	—	3,845.1	—	3,845.1
Intercompany receivables	802.4	51.3	3,661.3	(4,515.0)	—
Other current assets	—	14.4	2,061.0	—	2,075.4
Total current assets	837.8	69.3	16,423.6	(4,515.0)	12,815.7
PROPERTY, PLANT AND EQUIPMENT, NET	6.7	—	8,322.8	—	8,329.5
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	—	0.7	16,331.9	—	16,332.6
INVESTMENT IN SUBSIDIARIES	31,307.9	16,133.2	—	(47,441.1)	—
INTERCOMPANY LOANS RECEIVABLE	269.2	10,678.8	—	(10,948.0)	—
OTHER ASSETS	1.4	9.2	4,524.8	(1,608.9)	2,926.5
TOTAL ASSETS	\$32,423.0	\$26,891.2	\$45,603.1	\$(64,513.0)	\$40,404.3
CURRENT LIABILITIES:					
Loans payable and current maturities of long-term debt	\$ —	\$ 1,248.9	\$ 288.3	\$ —	\$ 1,537.2
Accounts payable	0.3	0.2	3,291.4	—	3,291.9
Accrued expenses and other current liabilities	25.3	118.3	3,894.6	—	4,038.2
Intercompany payables	2,447.8	1,213.5	853.7	(4,515.0)	—
Other	—	0.5	2,377.3	433.8	2,811.6
Total current liabilities	2,473.4	2,581.4	10,705.3	(4,081.2)	11,678.9
LONG-TERM DEBT	—	8,144.3	1,317.5	—	9,461.8
INTERCOMPANY LOANS PAYABLE	—	—	10,948.0	(10,948.0)	—
OTHER LONG-TERM LIABILITIES	—	3.9	1,883.0	—	1,886.9
MINORITY INTEREST	—	—	343.5	—	343.5
SHAREHOLDERS' EQUITY:					
Common shares	345.0	—	5.1	(13.2)	336.9
Capital in excess:					
Share premium	16,031.2	—	—	(10,797.9)	5,233.3
Contributed surplus	5,973.3	12,665.0	14,365.6	(30,217.6)	2,786.3
Accumulated earnings	7,600.1	3,496.6	5,786.0	(8,455.1)	8,427.6
Accumulated other comprehensive income	—	—	249.1	—	249.1
TOTAL SHAREHOLDERS' EQUITY	29,949.6	16,161.6	20,405.8	(49,483.8)	17,033.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$32,423.0	\$26,891.2	\$45,603.1	\$(64,513.0)	\$40,404.3

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 1999

(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TOTAL
CURRENT ASSETS:					
Cash and cash equivalents	\$ 22.8	\$ 15.4	\$ 1,723.8	\$ —	\$ 1,762.0
Accounts receivable, net	2.2	—	4,580.1	—	4,582.3
Inventory, net	—	—	2,849.1	—	2,849.1
Intercompany receivables	704.5	42.1	51.1	(797.7)	—
Other current assets	0.4	3.6	1,948.1	—	1,952.1
Total current assets	729.9	61.1	11,152.2	(797.7)	11,145.5
PROPERTY, PLANT AND EQUIPMENT, NET	0.5	—	7,321.9	—	7,322.4
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	—	—	12,158.9	—	12,158.9
INVESTMENT IN SUBSIDIARIES	25,220.7	13,577.1	—	(38,797.8)	—
INTERCOMPANY LOANS RECEIVABLE	265.4	8,255.1	—	(8,520.5)	—
OTHER ASSETS	1.4	8.2	2,434.2	(726.3)	1,717.5
TOTAL ASSETS	\$26,217.9	\$21,901.5	\$33,067.2	\$(48,842.3)	\$32,344.3
CURRENT LIABILITIES:					
Loans payable and current maturities of long-term debt	\$ —	\$ 589.0	\$ 423.8	\$ —	\$ 1,012.8
Accounts payable	—	—	2,530.8	—	2,530.8
Accrued expenses and other current liabilities	24.8	100.3	3,420.6	—	3,545.7
Intercompany payables	44.1	7.0	746.6	(797.7)	—
Other	—	—	1,730.7	305.0	2,035.7
Total current liabilities	68.9	696.3	8,852.5	(492.7)	9,125.0
LONG-TERM DEBT	—	7,594.8	1,514.6	—	9,109.4
INTERCOMPANY LOANS PAYABLE	—	—	8,520.5	(8,520.5)	—
OTHER LONG-TERM LIABILITIES	—	4.9	1,735.7	—	1,740.6
SHAREHOLDERS' EQUITY:					
Common shares	342.2	—	1.0	(5.2)	338.0
Capital in excess:					
Share premium	15,967.2	—	—	(11,085.7)	4,881.5
Contributed surplus	5,542.3	12,665.0	12,979.6	(27,579.3)	3,607.6
Accumulated earnings (loss)	4,297.3	940.5	(86.6)	(1,158.9)	3,992.3
Accumulated other comprehensive loss	—	—	(450.1)	—	(450.1)
TOTAL SHAREHOLDERS' EQUITY	26,149.0	13,605.5	12,443.9	(39,829.1)	12,369.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$26,217.9	\$21,901.5	\$33,067.2	\$(48,842.3)	\$32,344.3

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 2000					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES ⁽¹⁾	CONSOLIDATING ADJUSTMENTS	TOTAL
NET SALES	\$ —	\$ —	\$28,931.9	\$ —	\$28,931.9
Cost of sales	—	—	17,931.2	—	17,931.2
Selling, general and administrative expenses	12.5	9.9	5,229.6	—	5,252.0
Merger, restructuring and other non-recurring charges	—	—	175.3	—	175.3
Charge for the impairment of long-lived assets	—	—	99.0	—	99.0
OPERATING INCOME (LOSS)	(12.5)	(9.9)	5,496.8	—	5,474.4
Interest income (expense), net	3.5	(698.9)	(74.2)	—	(769.6)
Gain on issuance of common shares by subsidiary	—	—	1,760.0	—	1,760.0
Equity in net income of unconsolidated subsidiaries	4,672.1	2,556.1	—	(7,228.2)	—
Intercompany dividends, interest and fees	29.8	709.0	(694.6)	(44.2)	—
Income before income taxes, minority interest and extraordinary items	4,692.9	2,556.3	6,488.0	(7,272.4)	6,464.8
Income taxes	—	(0.2)	(1,797.0)	(128.8)	(1,926.0)
Minority interest	—	—	(18.7)	—	(18.7)
Income before extraordinary items	4,692.9	2,556.1	4,672.3	(7,401.2)	4,520.1
Extraordinary items, net of taxes ⁽²⁾	—	—	(0.2)	—	(0.2)
NET INCOME	\$4,692.9	\$2,556.1	\$ 4,672.1	\$(7,401.2)	\$ 4,519.9

(1) Operating income includes a net charge of \$176.3 million, of which \$1.0 million is included in cost of sales, for restructuring and other non-recurring charges, and charges of \$99.0 million for the impairment of long-lived assets related to the Company exiting the interventional cardiology business of USSC. The net charge is comprised of charges of \$325.2 million, of which \$7.3 million is included in cost of sales, primarily for non-recurring claims related to a merged company in the Healthcare business, the restructuring activities in AMP's Brazilian operations and wireless communications business, a non-recurring charge incurred in connection with TyCom's initial public offering and credits of \$148.9 million, of which \$6.3 million is included in cost of sales, primarily related to a revision in estimates associated with the AMP merger and AMP's profit improvement plan, the Company's 1997 restructuring plan and the merger with USSC. Income from continuing operations includes a one-time pre-tax gain of \$1,760.0 million related to the issuance of common shares by a subsidiary.

(2) Extraordinary items relate principally to the write-off of net unamortized deferred refinancing costs relating to the early extinguishment of debt.

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 1999					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES ⁽¹⁾	CONSOLIDATING ADJUSTMENTS	TOTAL
NET SALES	\$ —	\$ —	\$22,496.5	\$ —	\$22,496.5
Cost of sales	—	—	14,433.1	—	14,433.1
Selling, general and administrative expenses	2.9	1.1	4,432.3	—	4,436.3
Merger, restructuring and other non-recurring charges	—	—	928.8	—	928.8
Charge for the impairment of long-lived assets	—	—	507.5	—	507.5
OPERATING INCOME (LOSS)	(2.9)	(1.1)	2,194.8	—	2,190.8
Interest income (expense), net	3.0	(401.9)	(86.7)	—	(485.6)
Equity in net income of unconsolidated subsidiaries	663.0	244.7	—	(907.7)	—
Intercompany dividends, interest and fees	1,656.0	403.2	(999.7)	(1,059.5)	—
Income before income taxes and extraordinary items	2,319.1	244.9	1,108.4	(1,967.2)	1,705.2
Income taxes	—	(0.2)	(399.7)	(237.6)	(637.5)
Income before extraordinary items	2,319.1	244.7	708.7	(2,204.8)	1,067.7
Extraordinary items, net of taxes ⁽²⁾	—	—	(45.7)	—	(45.7)
NET INCOME	\$2,319.1	\$244.7	\$ 663.0	\$(2,204.8)	\$ 1,022.0

(1) Operating income includes merger, restructuring and other non-recurring charges of \$643.3 million, of which \$106.4 million is included in cost of sales, and charges for the impairment of long-lived assets of \$431.5 million primarily related to the merger with AMP and AMP's profit improvement plan. Also included are merger, restructuring and other non-recurring charges of \$423.8 million and charges for the impairment of long-lived assets of \$76.0 million, primarily related to the USSC merger and a credit of \$31.9 million representing a revision of estimates related to Tyco's 1997 restructuring and other non-recurring accruals.

(2) Extraordinary items relate principally to the Company's debt tender offers and the write-off of net unamortized deferred refinancing costs relating to the early extinguishment of debt.

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 1998					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES ⁽¹⁾	CONSOLIDATING ADJUSTMENTS	TOTAL
NET SALES	\$ —	\$ —	\$19,061.7	\$ —	\$19,061.7
Cost of sales	—	—	12,694.8	—	12,694.8
Selling, general and administrative expenses	18.2	58.9	4,084.8	—	4,161.9
Merger, restructuring and other non-recurring charges	—	—	256.9	—	256.9
OPERATING INCOME (LOSS)	(18.2)	(58.9)	2,025.2	—	1,948.1
Interest income (expense), net	4.0	(65.3)	(184.0)	—	(245.3)
Equity in net income of unconsolidated subsidiaries	902.4	721.5	—	(1,623.9)	—
Intercompany dividends, interest and fees	613.8	98.5	(443.9)	(268.4)	—
Income before income taxes and extraordinary items	1,502.0	695.8	1,397.3	(1,892.3)	1,702.8
Income taxes	—	—	(466.8)	(67.4)	(534.2)
Income before extraordinary items	1,502.0	695.8	930.5	(1,959.7)	1,168.6
Extraordinary items, net of taxes ⁽²⁾	—	—	(2.4)	—	(2.4)
NET INCOME	\$1,502.0	\$695.8	\$ 928.1	\$(1,959.7)	\$ 1,166.2

(1) Operating income includes restructuring and other non-recurring charges recorded by AMP of \$185.8 million related to its profit improvement plan and a credit of \$21.4 million to restructuring charges representing a revision of estimates related to AMP's 1996 restructuring activities. Also included are non-recurring charges of \$80.5 million and restructuring charges of \$12.0 million related to USSC's operations.

(2) Extraordinary items relate principally to the write-off of net unamortized deferred refinancing costs relating to the early extinguishment of debt.

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2000					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	\$ 893.7	\$ 1,201.3	\$ 3,180.0	\$ —	\$ 5,275.0
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment, net	(6.4)	—	(1,808.5)	—	(1,814.9)
Acquisition of businesses, net of cash acquired	—	—	(4,790.7)	—	(4,790.7)
Disposal of businesses	—	—	74.4	—	74.4
Net decrease (increase) in investments	16.4	—	(369.8)	—	(353.4)
(Increase) in intercompany loans	—	(2,421.8)	—	2,421.8	—
(Increase) in investment in subsidiaries	(900.7)	—	—	900.7	—
Other	—	(0.7)	(52.2)	—	(52.9)
Net cash utilized by investing activities	(890.7)	(2,422.5)	(6,946.8)	3,322.5	(6,937.5)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (payments) of short-term debt	—	(587.3)	(148.7)	—	(736.0)
Repayment of long-term debt, including debt tenders	—	(376.8)	(380.3)	380.3	(376.8)
Proceeds from long-term debt	—	2,173.5	—	(380.3)	1,793.2
Proceeds from exercise of options and warrants	64.6	—	290.7	—	355.3
Net proceeds from issuance of common shares by subsidiary	—	—	2,130.7	—	2,130.7
Dividends paid	(86.2)	—	—	—	(86.2)
Intercompany dividends received (paid)	30.0	—	(30.0)	—	—
Purchase of treasury shares	—	—	(1,885.1)	—	(1,885.1)
Financing from parent	—	—	2,421.8	(2,421.8)	—
Capital contributions	—	—	900.7	(900.7)	—
Other	—	—	(29.8)	—	(29.8)
Net cash provided by financing activities	8.4	1,209.4	3,270.0	(3,322.5)	1,165.3
Net increase (decrease) in cash and cash equivalents	11.4	(11.8)	(496.8)	—	(497.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22.8	15.4	1,723.8	—	1,762.0
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 34.2	\$ 3.6	\$ 1,227.0	\$ —	\$ 1,264.8

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 1999					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	\$ 254.3	\$ 60.7	\$ 3,234.8	\$ —	\$ 3,549.8
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment, net	(0.5)	—	(1,632.0)	—	(1,632.5)
Acquisition of businesses, net of cash acquired	—	—	(4,901.2)	—	(4,901.2)
Disposal of businesses	—	—	926.8	—	926.8
Net decrease (increase) in investments	81.7	—	(71.2)	—	10.5
(Increase) in intercompany loans	—	(4,132.4)	—	4,132.4	—
(Increase) in investment in subsidiaries	(1,013.6)	—	—	1,013.6	—
Other	—	—	(247.7)	—	(247.7)
Net cash utilized by investing activities	(932.4)	(4,132.4)	(5,925.3)	5,146.0	(5,844.1)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net receipts (payments) of short-term debt	—	589.0	(426.7)	—	162.3
Net proceeds from issuance of public debt	—	1,173.7	—	—	1,173.7
Repayment of long-term debt, including debt tenders	—	(2,057.8)	(791.3)	791.3	(2,057.8)
Proceeds from long-term debt	—	4,375.5	81.4	(791.3)	3,665.6
Proceeds from exercise of options and warrants	714.5	—	157.9	—	872.4
Dividends (paid)	(75.0)	—	(112.9)	—	(187.9)
Intercompany dividends received (paid)	59.5	—	(59.5)	—	—
Purchase of treasury shares	—	—	(637.8)	—	(637.8)
Financing from parent	—	—	4,132.4	(4,132.4)	—
Capital contributions	—	—	1,013.6	(1,013.6)	—
Other	(0.6)	—	(6.5)	—	(7.1)
Net cash provided by financing activities	698.4	4,080.4	3,350.6	(5,146.0)	2,983.4
Net increase in cash and cash equivalents	20.3	8.7	660.1	—	689.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2.5	6.7	1,063.7	—	1,072.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22.8	\$ 15.4	\$ 1,723.8	\$ —	\$ 1,762.0

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 1998					
(IN MILLIONS)	TYCO INTERNATIONAL LTD.	TYCO INTERNATIONAL GROUP, S.A.	OTHER SUBSIDIARIES	CONSOLIDATING ADJUSTMENTS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	\$ 177.8	\$ (5.8)	\$ 2,109.8	\$ —	\$ 2,281.8
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment, net	—	—	(1,317.5)	—	(1,317.5)
Acquisition of businesses, net of cash acquired	—	—	(4,251.8)	—	(4,251.8)
Net decrease (increase) in investments	65.3	—	(58.9)	—	6.4
(Increase) in intercompany loans	—	(4,090.9)	—	4,090.9	—
(Increase) in investment in subsidiaries	(1,805.2)	(1,110.7)	—	2,915.9	—
Other	—	—	(83.1)	—	(83.1)
Net cash utilized by investing activities	(1,739.9)	(5,201.6)	(5,711.3)	7,006.8	(5,646.0)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net receipts of short-term debt	—	—	287.1	—	287.1
Net proceeds from issuance of public debt	—	2,744.5	—	—	2,744.5
Repayment of long-term debt, including debt tenders	—	—	(2,214.5)	1,139.9	(1,074.6)
Proceeds from long-term debt	—	1,358.9	583.0	(1,139.9)	802.0
Proceeds from the sale of common shares	1,245.0	—	—	—	1,245.0
Proceeds from exercise of options and warrants	304.9	—	43.8	—	348.7
Dividends paid	(56.5)	—	(246.5)	—	(303.0)
Purchase of treasury shares	—	—	(283.9)	—	(283.9)
Financing from parent	—	—	4,090.9	(4,090.9)	—
Capital contributions	—	1,110.7	1,805.2	(2,915.9)	—
Other	—	—	(36.5)	—	(36.5)
Net cash provided by financing activities	1,493.4	5,214.1	4,028.6	(7,006.8)	3,729.3
Net (decrease) increase in cash and cash equivalents	(68.7)	6.7	427.1	—	365.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	71.2	—	636.6	—	707.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2.5	\$ 6.7	\$ 1,063.7	\$ —	\$ 1,072.9

[25] Subsequent Events

On October 4, 2000, the Company entered into an agreement to acquire InnerDyne, Inc. ("InnerDyne"), a manufacturer and distributor of patented radial dilating access devices used in minimally invasive medical surgical procedures. The purchase price is approximately \$180 million payable in Tyco common shares. InnerDyne will be integrated within Tyco's Healthcare business. Tyco intends to account for the acquisition as a purchase.

On October 6, 2000, the Company sold its ADT Automotive business to Manheim Auctions, Inc., a wholly-owned subsidiary of Cox Enterprises, Inc., for approximately \$1 billion in cash. The sale is expected to generate a one-time pre-tax gain to the Company in excess of \$300 million in the first quarter of Fiscal 2001.

On October 17, 2000, the Company acquired Mallinckrodt Inc. ("Mallinckrodt"), a global healthcare company with products used primarily for respiratory care, diagnostic imaging and pain relief. The Company issued approximately 64.8 million common shares, valued at approximately \$3.2 billion, and assumed approximately \$1.0 billion in debt. Mallinckrodt is being integrated within the Company's Healthcare business. The Company is accounting for the acquisition as a purchase.

On November 13, 2000, the Company agreed to acquire the Lucent Power Systems ("LPS") business unit of Lucent Technologies, Inc. for \$2.5 billion in cash. LPS provides a full line of energy solutions and power products for telecommunications service

providers and for the computer industry and will be integrated within the Electronics segment. LPS products include AC/DC and DC/DC switching power supplies, batteries, power supplies and back-up power systems. The acquisition is subject to customary regulatory approvals.

On November 17, 2000, the Company completed a private placement offering of \$4,657,500,000 principal at maturity of zero-coupon debt securities due 2020 for aggregate net proceeds of approximately \$3,374,000,000. Each \$1,000 principal amount at maturity security was issued at 74.165% of principal amount at maturity, accretes at a rate of 1.5% per annum and is convertible into 10.3014 Tyco common shares if certain conditions are met. The Company may be required to repurchase the securities at the accreted value at the option of the holders on November 17, 2001, 2003, 2005, 2007 or 2014. The proceeds of this offering will be used to finance the LPS acquisition and to repay commercial paper.

On December 4, 2000, the Company agreed to acquire Simplex Time Recorder Co. ("Simplex") for approximately \$1.15 billion in cash. Simplex manufactures fire and security products and communications systems including control panels, detection devices and system software. Simplex also installs, monitors and services fire alarms, security systems and access control systems and will be integrated within the Fire and Security Services segment. The acquisition is subject to customary regulatory approvals.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TYCO INTERNATIONAL LTD.

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Tyco International Ltd. and its subsidiaries at September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of AMP Incorporated, a wholly owned subsidiary, as of September 30, 1998, and for the year ended September 30, 1998, which statements reflect total assets of 20.1% of the related consolidated total assets as of September 30, 1998, and net sales of 29.0% of the related consolidated total sales for the year ended September 30, 1998. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for AMP Incorporated, as of and for the period described above, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.



PRICEWATERHOUSECOOPERS

Hamilton, Bermuda
October 24, 2000, except as
to Note 25 which is as of
December 4, 2000

Common Shares and Dividends

The number of registered holders of Tyco's common shares at November 13, 2000 was 34,675.

Tyco common shares are listed and traded on the New York Stock Exchange ("NYSE"), the London Stock Exchange and the Bermuda Stock Exchange. The following table sets forth the high and low sales prices per Tyco common share as reported by the NYSE and the dividends paid on Tyco common shares, for the quarterly periods presented below. The price and dividends for Tyco common shares have been restated to reflect a two-for-one stock split distributed on October 21, 1999, which was effected in the form of a stock dividend.

QUARTER	FISCAL 2000			FISCAL 1999		
	MARKET PRICE RANGE		DIVIDEND PER COMMON SHARE	MARKET PRICE RANGE		DIVIDEND PER COMMON SHARE
	HIGH	LOW		HIGH	LOW	
First	\$53.8750	\$23.0625	\$0.0125	\$39.5938	\$20.1563	\$0.0125
Second	53.2500	32.0000	0.0125	39.9688	33.7500	0.0125
Third	51.3750	41.0000	0.0125	47.4063	35.1875	0.0125
Fourth	59.1875	45.5625	0.0125	52.9375	47.1250	0.0125
			\$ 0.05			\$ 0.05

Directors, Officers and Key Management

Directors

L. Dennis Kozlowski
Chairman of the Board

Lord Ashcroft KCMG
Chairman
Carlisle Holdings Limited

Joshua M. Berman

Richard S. Bodman
Managing General Partner
VMS Group

John F. Fort

Stephen W. Foss
Chairman and Chief Executive Officer
Foss Manufacturing Company, Inc.

Philip M. Hampton
Co-Managing Director
R.H. Arnold & Co.

Wendy E. Lane
Chairman
Lane Holdings, Inc.

James S. Pasman, Jr.

W. Peter Slusser
President
Slusser Associates, Inc.

Frank E. Walsh, Jr.
Chairman
Sandy Hill Foundation

Corporate Officers

L. Dennis Kozlowski
President
Chief Executive Officer

Mark A. Belnick
Executive Vice President
Chief Corporate Counsel

Joshua M. Berman
Vice President

Michael L. Jones
Secretary

Mark H. Swartz
Executive Vice President
Chief Financial Officer

Key Operating Management

Jerry R. Boggess
President—Tyco Fire and
Security Services

Diane Creel
President—Earth Tech

Neil R. Garvey
President—TyCom Ltd.

Jürgen W. Gromer
President—Tyco Electronics

Richard A. Kashnow
President—Tyco Ventures

Stephen B. McDonough
President—Tyco Flow Control
and Tyco Plastics and Adhesives

Richard J. Meelia
President—Tyco Healthcare

Tyco International (US) Inc.
Key Management

Judith A. Czelusniak
Senior Vice President
Corporate Relations

Mark D. Foley
Senior Vice President
Finance

Jeffrey D. Mattfolk
Senior Vice President
Business Development

J. Brad McGee
Executive Vice President
Chief Strategy Officer

Patricia A. Prue
Senior Vice President
Human Resources

Michael A. Robinson
Senior Vice President
Corporate Treasurer

Scott Stevenson
Senior Vice President
Taxes

tyco

THE ZURICH CENTRE

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PEMBROKE HM08

BERMUDA

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