CANCERVAX CORP
Form 10-K
March 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the year ended December 31, 2004

or

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

For the transition period from to

Commission file number: 0-50440
CancerVax Corporation
(Exact name of registrant as specified in its charter)

Delaware	**52-2243564**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
2110 Rutherford Road, Carlsbad, CA	**92008**
(Address of principal executive offices)	*(Zip Code)*

(760) 494-4200
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.00004 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past

90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

As of June 30, 2004, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $132.1 million, based on the closing price of the registrant s common stock on the Nasdaq National Market.

The number of outstanding shares of the registrant s common stock, par value $0.00004 per share, as of February 1, 2005 was 27,809,748.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after registrant s fiscal year end December 31, 2004 are incorporated by reference into Part III of this report.

CANCERVAX CORPORATION
FORM 10-K ANNUAL REPORT
For the Year Ended December 31, 2004
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PART I

Forward-Looking Statements

Any statements in this report and the information incorporated herein by reference about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. You can identify these forward-looking statements by the use of words or phrases such as believe, may, could, will, estimate, continue, anticipate, intend, seek, plan, expect, should, or would. Among cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties inherent in our business including, without limitation, statements about the progress and timing of our clinical trials; difficulties or delays in development, testing, obtaining regulatory approvals, producing and marketing our products; unexpected adverse side effects or inadequate therapeutic efficacy of our products that could delay or prevent product development or commercialization, or that could result in product recalls or product liability claims; the scope and validity of patent protection for our products; competition from other pharmaceutical or biotechnology companies; our ability to obtain additional financing to support our operations; and other risks detailed below under the caption Business Risk Factors.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Corporate Information

Unless the context requires otherwise, in this report the terms we, us and our refer to CancerVax Corporation and its wholly owned or indirect subsidiaries, Cell-Matrix, Inc., Tarcanta, Inc., and Tarcanta, Ltd., and their predecessors.

We have registered the CancerVax® trademark and also use Canvaxin™ and our logo as trademarks in the United States and other countries. All other brand names or trademarks appearing in this report are the property of their respective holders. Use or display by us of other parties trademarks, trade dress or products is not intended to and does not imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owners.

Item 1. Business

Overview

We are a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment and control of cancer. We were incorporated in Delaware in June 1998 and commenced substantial operations in the third quarter of 2000. Our lead product candidate, Canvaxin, is one of a new class of products being developed in the area of specific active immunotherapy, also known as therapeutic cancer vaccines. Canvaxin, which is currently being studied in two Phase 3 clinical trials at 80 sites worldwide for the treatment of patients with Stage III and Stage IV, or advanced-stage, melanoma, the deadliest form of skin cancer. Canvaxin has received fast track designation from the Food and Drug Administration, or FDA, for the treatment of patients with advanced-stage melanoma and orphan drug designation from the FDA for the treatment of invasive melanoma.

In September 2004 we completed the target enrollment of 1,118 patients in the Phase 3 clinical trial in patients with Stage III melanoma. An additional 42 patients who had consented to participate in this clinical trial prior to the time that we reached the target enrollment were also enrolled, bringing the total enrollment to 1,160 patients. As of March 1, 2005, 485 patients out of a planned total enrollment of 670 patients had been enrolled in the Phase 3 clinical trial in Stage IV melanoma, which is being conducted at approximately 70 clinical trial sites. If the FDA and foreign regulatory authorities accept a positive result in a single Phase 3 clinical trial as sufficient for approval, and if our manufacturing processes and facility are approved by the FDA and European regulatory authorities in connection with our

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marketing applications, we anticipate launching Canvaxin for advanced-stage melanoma in the United States and in Europe in 2007.

In December 2004, we announced an exclusive worldwide collaboration with Serono Technologies, S.A., a Swiss corporation, for the development and commercialization of Canvaxin. Serono made an initial cash payment of $37 million to us, which included a $25 million up-front license fee, received in January 2005, and $12 million for the purchase of 1 million shares of our common stock, which was received in December 2004. Serono also agreed to make up to $253 million in additional payments to us, which are dependent on the achievement of specified development, regulatory and commercial milestones. The portion of these milestone payments related to the receipt of marketing authorization for Canvaxin solely in Stage III and Stage IV melanoma in the United States and the European Union, or EU, could amount to $100 million. Under the collaboration agreement, we will jointly develop Canvaxin with Serono for melanoma, as well as for other indications. We will share equally the costs of developing and seeking regulatory approvals for Canvaxin from the date of our collaboration agreement going forward. We will co-promote Canvaxin in the United States with Serono, and share equally specified expenses and profits. We will distribute Canvaxin to customers and record sales in the United States, if any. Outside the United States, Serono will have the exclusive right to commercialize Canvaxin and will pay royalties to us based on its sales of the product, if any. Initially, we will manufacture Canvaxin for supply throughout the world, although Serono may eventually establish a second manufacturing site for Canvaxin to supply, primarily, markets outside of the United States.

In retrospective analyses of pooled data from Phase 2 clinical trials in patients with melanoma, Canvaxin demonstrated:

- a statistically significant improvement in survival in a matched pair analysis of 739 patients who received Canvaxin at JWCI or UCLA for Stage III melanoma versus 739 historical control patients with Stage III melanoma who were treated at JWCI or UCLA but did not receive Canvaxin. These results were published in the October 2002 issue of the *Annals of Surgery*;

- a statistically significant improvement in survival in a matched pair analysis of 107 patients who received Canvaxin at JWCI or UCLA for Stage IV melanoma versus 107 historical control patients with Stage IV melanoma who were treated at JWCI or UCLA but did not receive Canvaxin. These results were published in the December 2002 issue of the *Journal of Clinical Oncology*; and

- a favorable safety and side effect profile relative to existing therapies for the treatment of patients with advanced-stage melanoma.

In addition to Canvaxin, we have one product candidate in clinical development and a number of product candidates in research and preclinical development for the treatment or prevention of cancer, including three specific active immunotherapeutic product candidates that target the epidermal growth factor, or EGF, receptor signal transduction pathway, humanized monoclonal antibodies and peptides that use extracellular matrix approaches to inhibit tumor angiogenesis, and T-oligonucleotides, which are short DNA sequences that appear to activate natural protective pathways in cells that cause malignant cells to stop growing and die.

We are targeting large disease markets with significant unmet medical needs. Melanoma is the sixth most commonly diagnosed cancer in the United States, and existing therapeutic alternatives have had inconsistent efficacy results and involve serious toxicity. We manufacture clinical supplies of Canvaxin at our biologics manufacturing facility, which is being expanded to provide sufficient capacity to satisfy anticipated commercial demand for Canvaxin for several years after launch.

Industry Background

Cancer

The World Health Organization estimated that more than 10 million people were diagnosed with cancer worldwide in the year 2000 and that this number will increase to 15 million by 2020. In addition, the World Health Organization estimated that 6 million people died from the disease in 2000. The American Cancer Society estimated that over 1.3 million people in the United States were diagnosed with

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cancer in 2004 and over 500,000 people died from the disease. In 2004, the American Cancer Society announced that cancer has become the leading cause of death in people over age 85.

As the incidence of cancer grows, it is estimated that revenues from cancer drugs will increase in the United States, from $7 billion in 2001 to $11 billion in 2006, a 9% compounded annual growth rate. On a world-wide basis, revenues from cancer drugs are estimated to grow from $15 billion in 2001 to $25 billion in 2006, an 11% compounded annual growth rate.

Melanoma

The World Health Organization reports the worldwide incidence, or number of newly diagnosed cases, of melanoma in 2000 was 132,600, with 37,000 people dying of the disease. According to the American Cancer Society, melanoma is the sixth most commonly diagnosed cancer in the United States. The American Cancer Society estimated that in the United States, approximately 55,000 people were diagnosed with melanoma in 2004 and 7,900 died as a result of the disease. The American Cancer Society also estimated that in 2000, over 510,000 patients in the United States were alive who had been diagnosed with melanoma. For the years 1998 to 2000, the National Cancer Institute s Statistical Research and Applications Branch calculated the lifetime risk of developing melanoma in the United States as 1 in 55 for men, and 1 in 82 for women. Furthermore, according to the National Cancer Institute, since 1997 the incidence of new melanoma cases in the United States has increased at an average rate of more than 5% per year, one of the highest growth rates for any type of cancer. Melanoma is classified into four stages, which are based on well-defined criteria, including characteristics of the primary tumors, presence of disease in regional lymph nodes and presence or absence of metastases. When melanoma is discovered and treated in the early stages, where the cancer is confined to a local area, patients have a relatively high rate of survival. According to an August 2001 study in the *Journal of Clinical Oncology*, Stage I patients have a five-year survival rate of over 90%. Once melanoma has advanced to Stage III, where the cancer has spread to the regional lymph nodes, or Stage IV, where the cancer has spread to distant organs, the prognosis for patients is much worse. The August 2001 study found five-year survival rates for patients with Stage IV melanoma are between 7% and 19%. In 2001, the American Joint Committee on Cancer estimated that approximately 15% of patients with melanoma were initially diagnosed with advanced-stage melanoma, which consists of Stage III and IV melanoma. However, recent scientific articles suggest that increased use of more sensitive diagnostic techniques may increase this percentage. In a February 2003 study in the *Journal of American College of Surgeons*, approximately 38% of 175 patients originally diagnosed with Stage I or Stage II melanoma should have been categorized as having Stage III melanoma.

Surgery is widely-accepted as the standard of care for patients with Stage III melanoma. For patients with Stage IV melanoma, surgery is generally of limited benefit because, in many patients, not all tumors can be removed. Careful patient selection is critical to successful curative surgical resection in patients with Stage IV melanoma.

Although interferon alpha-2b is approved for patients with metastatic melanoma, its use has been limited due to significant toxicity and inconsistent efficacy results in clinical trials. Dacarbazine and Proleukin, or IL-2, have been approved for the treatment of patients with Stage IV melanoma, but neither of these drugs has been shown to increase overall survival in these patients and both drugs are associated with significant toxicity.

Non-small-cell Lung Cancer

According to the World Health Organization, lung cancer is the most frequently diagnosed cancer in the world, with over 1.2 million cases reported in 2000, and is the leading cause of cancer deaths, with over 1.1 million deaths reported in 2000. The American Cancer Society estimates that more than 173,000 cases of lung cancer were diagnosed in the United States in 2004. The National Cancer Institute reports that non-small-cell lung cancer, or NSCLC, represents approximately 80% of all cases of lung cancer in the United States, and represents a significant, unmet medical need. The five-year overall survival of patients with all stages of NSCLC is approximately 15%.

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Immunotherapy for the Treatment of Cancer

The body s immune system is a natural defense mechanism tasked with recognizing and combating cancer cells, viruses, bacteria and other disease-causing organisms. This defense is carried out mainly by white blood cells in the immune system. Specific types of white blood cells, known as T-cells and B-cells, are responsible for carrying out two types of immune responses in the body, the cell-mediated immune response, and the humoral, or antibody-based, immune response, respectively.

Cancer cells produce molecules known as tumor-associated antigens, which are present in normal cells but may be over-produced in cancer cells. The T-cells and B-cells have receptors on their surfaces that may enable them to recognize the tumor-associated antigens. For instance, once a B-cell recognizes a tumor-associated antigen, it may trigger the production of antibodies that kill the tumor cells. T-cells play more diverse roles, including the identification and destruction of tumor cells.

While cancer cells may naturally trigger a T-cell-based immune response during the initial appearance of the disease, the immune system response may not be sufficiently robust to eradicate the cancer. The human body has developed numerous immune suppression mechanisms to prevent the immune system from destroying the body s normal tissues. Cancer cells have been shown to utilize these mechanisms to suppress the body s immune response against cancer cells. Even with an activated immune system, the number and size of tumors can overwhelm the immune system.

Research focused on the activation of the immune system in the treatment of cancer has increased significantly in recent years. Unlike traditional chemotherapeutic or radiotherapeutic approaches to cancer treatment that are designed to kill cancer cells directly, immunotherapy approaches to cancer are intended to activate and stimulate the body s immune system to fight the cancer. For example, data published in the 1998 issue of the *Journal of Clinical Oncology* indicated that Canvaxin, which is a whole cell-based specific active immunotherapeutic that expresses a number of tumor-associated antigens, elicited an immune response in over 85% of patients to whom it was administered.

The immune system may also be harnessed to inactivate tumor-promoting signaling pathways, such as the EGF receptor signaling pathway, which may interfere with cancer cell growth, and to target specific molecules in the bloodstream or receptors on the surface of cells. EGF is one of several molecules that bind to the EGF receptor, and may be responsible for activating a series of intracellular processes that stimulate cell growth, enhance metastasis, and protect the tumor cells from cell death from treatments such as chemotherapy. While many cells in the human body express the EGF receptor, most solid tumor cell types express the EGF receptor in excessive quantities. By targeting EGF or the EGF receptor with specific active immunotherapies, cancer cell growth and proliferation may be suppressed or eliminated.

Immunotherapy approaches for treating cancer generally fall into three categories:

Passive immunotherapy generally relies on the direct administration of monoclonal antibodies designed to target a specific receptor on the surface of a cell or a secreted protein. Administering the antibodies to patients interferes with the functioning of cancer cells or binds to cancer cells and activates various cytotoxic mechanisms that may help destroy the cancer.

Non-specific active immunotherapy elicits a general immune system response to cancer and includes the use of stimulatory proteins, known as cytokines, such as interferons and interleukins. Cytokines that have been approved for treating cancer in humans to date have been associated with significant side effects. Non-specific active immunotherapy also includes immune stimulatory agents such as bacillus Calmette-Guérin, known as BCG.

Specific active immunotherapy, such as Canvaxin, generates targeted, cell-mediated and antibody-mediated immune responses focused on specific antigens expressed by cancer cells, on specific proteins that may activate tumor-promoting signaling pathways, or on specific receptors found on cancer or normal cells. Specific active immunotherapy is an emerging immunotherapeutic approach to the treatment of cancer that includes the use of whole cells, peptides, antigens, cell fragments and viral vectors.

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Anti-Angiogenesis for the Treatment of Cancer

In a process known as angiogenesis, cancer cells stimulate the formation of new blood vessels in order to bring oxygen and nutrients to rapidly-growing tumor tissue. Angiogenesis involves proliferation of cells that form new blood vessels and are involved in the remodeling of the extracellular matrix, a dense protein network that provides support and growth signals to blood vessels and tumors, and regulates cellular processes such as adhesion, migration, gene expression and differentiation.

During angiogenesis, cancer cells secrete growth factors that activate endothelial cells on the blood vessels supplying the tumor. Activation of these endothelial cells results in growth and proliferation of new blood vessels. In addition, the extracellular matrix is degraded by proteolytic enzymes. Degradation of the extracellular matrix contributes to the release of additional growth factors, facilitates the movement of activated endothelial cells, and supports the growth of new blood vessels. These processes encourage tumor growth through nourishment of the existing tumor, as well as by creating pathways for metastasis of the tumor. By inhibiting the angiogenesis process, it may be possible to restrict blood supply to a tumor and limit its ability to grow and metastasize.

Telomere Signaling Disruption in the Treatment of Cancer

Genetic information communicated through DNA is organized into strands called chromosomes, which end in long, repeating, single strand chains of a specific nucleotide sequence, called the telomere. The proximal end of the telomere is tucked within the DNA to form a loop. In normal cells, disruption of this telomere loop may signal DNA damage or aging, which activates natural protective pathways to prevent excessive replication of compromised cells. In cancer cells, however, these responses are impaired, and cells with gross DNA abnormalities continue to proliferate. Telomere homolog oligonucleotides, or T-oligonucleotides, are short DNA sequences that appear to mimic the effect of telomere loop disruption. It is hypothesized that treatment of cancer cells with T-oligonucleotides may activate natural protective pathways in the cell that cause malignant cells to stop growing and die.

Our Pipeline

The table below lists our principal product candidates:

Product Candidates	Targeted Disease	Status	Commercialization Rights
Specific Active Immunotherapy			
Canvaxin	Stage III melanoma	Phase 3	CancerVax/Serono(a)
Canvaxin	Stage IV melanoma	Phase 3	CancerVax/Serono(a)
SAI-EGF	Non-small-cell lung cancer	Phase 1/2	CancerVax(b)
SAI-TGF-a	Solid tumors	Preclinical	CancerVax(b)
SAI-EGFR-ECD	Solid tumors	Preclinical	CancerVax(b)
Anti-Angiogenesis			
Humanized monoclonal antibodies	Solid tumors, ophthalmic diseases	Preclinical	CancerVax
Various peptides	Solid tumors, ophthalmic diseases	Research	CancerVax
T-oligonucleotides	Cancer	Research	CancerVax

(a) *Serono has the right to co-promote Canvaxin with CancerVax in the United States, and to exclusively commercialize Canvaxin outside the United States.*

(b) *CancerVax has the right to commercialize SAI-EGF, SAI-TGF-a and SAI-EGFR-ECD in the United States, Canada, Japan, Australia, New Zealand, Mexico and specified countries in Europe, including Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands,* *Norway, Poland, Portugal, Spain, Sweden, and the United Kingdom.*

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Specific Active Immunotherapy Programs

Canvaxin Specific Active Immunotherapy Product Candidates

Canvaxin, initially developed by our founder, Donald L. Morton, M.D., is a specific active immunotherapy designed to stimulate a patient s immune system to fight cancer. Canvaxin is composed of three carefully selected human tumor cell lines that contain a broad array of tumor-related antigens and invoke a strong immune response in most patients with melanoma. Since 1984, over 2,600 patients have been treated with Canvaxin in a number of Phase 1 and Phase 2 clinical trials, primarily supported by the National Institutes of Health through peer-reviewed grants.

Published data indicate that non-patient specific, or allogeneic, melanoma cells can induce an immune response to tumor antigens by both indirect presentation of tumor antigens by host dendritic cells and direct presentation of antigens to host T-cells. Canvaxin is administered with BCG, an immunologic adjuvant, for the first two doses to boost the immune system s ability to mount an immune response to Canvaxin. The anti-tumor immune response that occurs following administration of Canvaxin may result in the destruction of tumor cells that persist or recur following surgery.

Canvaxin can be conveniently administered in an outpatient setting as an injection within the layers of the skin, which is referred to as an intradermal injection. Dendritic cells, which are important in presenting antigens to the immune system, are found in high concentrations below the skin and therefore may be activated upon administration of Canvaxin to these sites. Unlike many other active immunotherapy approaches, which require the removal of tissue from the patient s tumor to manufacture the immunotherapeutic, it is not necessary to remove tumor tissue from patients to manufacture Canvaxin. Therefore, Canvaxin can be manufactured for use by any patient using standardized cell culture process.

Canvaxin is manufactured in our biologics manufacturing facility in the Los Angeles, California area, and manufacturing-related materials are stored in a nearby warehouse facility. Both facilities are operated according to the FDA s current good manufacturing practices, or cGMP regulations. In 2004, we initiated a program to expand our production capabilities, which we plan to complete in 2005.

Advantages of Our Specific Active Immunotherapy Platform

Our specific active immunotherapy technology, on which Canvaxin is based, is a proprietary platform that can potentially be applied to treat a number of solid tumor cancers. We believe our technology may be effective because of the following characteristics:

Use of Whole Cells. This technology uses whole cells that are irradiated during the manufacturing process to prevent replication when administered to patients, but that continue to produce antigens and stimulate the immune system for a period of days to weeks after they have been injected into a patient as they undergo apoptosis, or cell death. We believe that whole cell approaches such as that taken with Canvaxin, may stimulate a more enduring response than cell fragments, peptides and antigens. The use of whole cells may enhance Canvaxin s ability to stimulate a cross reactive immune response against the patient s own tumor cells.

Polyvalence. Administering a polyvalent technology exposes the patient s immune system to multiple antigens that are associated with a wide range of solid tumors. These antigens appear in unpredictable patterns and concentrations among different people and within an individual as their cancer evolves over time. We believe the presentation of numerous antigens, termed polyvalence, is an important element in eliciting a therapeutic immune response in most patients and reducing a tumor cell s ability to escape the immune response. Canvaxin contains at least 38 antigens that may be associated with tumors and may induce an immune response. Other approaches based upon a single tumor-associated antigen or a few tumor-associated antigens may not demonstrate therapeutic value if they do not stimulate a sufficiently broad immune response to cross react with the patient s own tumor, particularly as the tumor changes over time.

Allogeneity. This technology employs non-patient-specific, or allogeneic, tumor cell lines selected for their ability to elicit an immune response and their expression of a large number of tumor-

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associated antigens. This is distinct from the autologous, or patient-specific, approach in which a specific active immunotherapy product is created from cells extracted from a patient s own tumor. Because it relies on cells harvested from the patient, the autologous approach may result in the availability of only a limited number of doses for administration to the patient. We believe there are numerous other potential advantages to our allogeneic approach, including a standardized manufacturing procedure, reduced costs, simplified distribution and improved quality control. Additionally, since allogeneic specific active immunotherapeutics contain a different profile of antigens than the profile to which a recipient has previously been exposed, we believe that these allogeneic immunotherapeutics may induce a stronger anti-tumor immune response than autologous immunotherapeutics.

Canvaxin for the Treatment of Patients with Melanoma

On-Going Phase 3 Clinical Trials for Advanced-Stage Melanoma

Canvaxin is currently being evaluated in two Phase 3 clinical trials for Stage III and Stage IV melanoma at 80 sites worldwide, including many of the leading melanoma treatment centers in the United States, Europe and Australia. In September 2004 we completed the target enrollment of 1,118 patients in the Phase 3 clinical trial in patients with Stage III melanoma. An additional 42 patients who had consented to participate in this clinical trial prior to the time that we reached the target enrollment were also enrolled, bringing the total enrollment to 1,160 patients. We continue to make progress in our Phase 3 clinical trial in patients with Stage IV melanoma and, as of March 1 2005, 485 out of a planned total enrollment of 670 patients had been enrolled in this clinical trial.

The Phase 3 clinical trials are randomized, double-blind, placebo-controlled studies designed to detect a statistically significant increase in overall survival in patients treated with Canvaxin plus BCG, an immunologic adjuvant, compared to those treated with a placebo plus BCG. An immunologic adjuvant is a substance that is administered with another therapy, such as Canvaxin, to enhance the immune response. In the protocols for both clinical trials, patients are required to have their primary tumor and all clinically detectable metastases surgically removed prior to randomization. The treatment protocols call for a total of 33 doses of Canvaxin over a five-year course of therapy, with 15 doses administered in the first year, six in the second year and four doses in each of the third, fourth and fifth years of treatment. In these clinical trials, Canvaxin is administered along with BCG with the first two doses of therapy.

Both Phase 3 clinical trials were designed with three interim analyses. At each interim analysis, an independent DSMB will review unblinded data from one of the clinical trials, primarily to determine whether there are any unexpected safety issues with the product being tested, and to consider whether the clinical trial should continue as originally designed, should be changed, or should be closed early based on these data. The DSMB consists of experts in medical and surgical oncology, statistics and medical ethics who are not participating in our clinical trials, whose primary responsibility is to oversee the studies and safeguard the interests of current and future patients in the trials. If the DSMB recommends that a study be closed early due to demonstration of efficacy at an interim analysis, the FDA must be consulted before a decision is made to do so, since consideration may still need to be given to the regulatory and scientific implications of that decision, such as the adequacy of data with regard to safety, duration of benefit, outcomes in important subgroups, and secondary endpoints. Strict confidentiality must be maintained during these discussions and, pending FDA consultation and review, it is likely that the DSMB would recommend continuation of the clinical trial. In the event that statistical significance in the efficacy of Canvaxin is observed, and if the FDA agrees that we should stop the clinical trials, we would discuss filing a biologics license application, or BLA, with the FDA based on the clinical data accumulated at that time. It is possible that in connection with any of the interim analyses or at any other stage of the trials, the DSMB may determine that there are safety risks associated with Canvaxin, that it is not sufficiently efficacious to continue the trials, or that the data from the trials has been shown to meet the pre-established efficacy endpoint and continuing the trial would not be in the best interests of the patients who are receiving the placebo as opposed to the active agent. The DSMB may also recommend the discontinuation of the trials for safety reasons at any other time.

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In February 2004, the independent DSMB completed its planned, second interim analysis of our Phase 3 clinical trial of Canvaxin in Stage III melanoma. The interim analysis was conducted on data from 842 patients enrolled in the trial. The DSMB recommended that we continue the trial as planned. We anticipate that the DSMB will complete its review of the planned, third interim analysis of data from our Phase 3 clinical trial of Canvaxin in patients with Stage III melanoma in the third quarter of 2005, and that the final analysis of this data will occur in mid-2006. We also expect that the DSMB will complete its review of the planned, second interim analysis of data from our Phase 3 clinical trial of Canvaxin in patients with Stage IV melanoma in the first quarter of 2005, that the third interim analysis will be reviewed by the DSMB in early 2006, and that the final analysis of this data will occur by mid-2007. The interim analyses of data from our Phase 3 clinical trials may only be performed after the required number of patients participating in each of these clinical trials has expired. Thus, these dates are only estimates based on our periodic analyses of the rate of patient deaths in each of these clinical trials, and may be delayed or accelerated if these rates change.

Analysis of Phase 2 Data

Canvaxin has been studied in over 2,600 patients in Phase 1 and Phase 2 clinical trials at JWCI and UCLA, primarily in patients with advanced-stage melanoma and also in a small number of patients with advanced-stage colorectal cancer. A database has been compiled by JWCI of approximately 11,000 patients with melanoma treated at JWCI and UCLA, including over 2,600 patients who received Canvaxin. Using this database, clinicians and statisticians at JWCI and other institutions performed a number of analyses comparing the difference in survival of patients who received Canvaxin to patients who did not receive Canvaxin. Several analyses were recently published in the *Annals of Surgery* and the *Journal of Clinical Oncology*. The following chart depicts the results from the principal retrospective survival analyses:

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Patients Treated with Canvaxin vs. Patients Not Treated with Canvaxin

Disease Stage		Number of Patients		Patient Population	Median Overall Survival *(p-vales)*(1)	Five-Year Survival
Melanoma	Stage III	Canvaxin	935	All patients(2)	56.4 vs. 31.9 mos.	49% vs. 37%
		Non-Canvaxin	1,667		*(p-value = 0.0001)*	
		Total	2,602			
Melanoma	Stage III	Canvaxin	739	All patients matched	55.3 vs. 31.6 mos.	48.8% vs. 36.8%
		Non-Canvaxin	739	according to key	*(p-value = 0.0001)*	
		Total	1,478	prognostic factors(2)		
Melanoma	Stage IV	Canvaxin	150	All patients(3)	36 vs. 18 mos.	39% vs. 19%
		Non-Canvaxin	113		*(p-value = 0.0001)*	
		Total	263			
Melanoma	Stage IV	Canvaxin	107	All patients matched	38 vs. 19 mos.	39% vs. 20%
		Non-Canvaxin	107	according to key	*(p-value = 0.0009)*	
		Total	214	prognostic factors(3)		

(1) P-values indicate the likelihood that the results were due to random statistical fluctuations rather than a true cause and effect relationship. The lower the p-value, the more likely there is a true cause and effect relationship. Therefore, p-values provide a sense of the reliability of the results of the study in question, however, the significance of p-values is dependent on the underlying study. When the underlying study is a retrospective analysis of pooled data, the p-value is of more limited significance than for a prospective, controlled study. Typically, the FDA requires a p-value of less than 0.05 to establish the statistical significance of a clinical trial.

(2) All patients with Stage III melanoma who were included in the JWCI database and had their primary tumor and regional lymph nodes resected, or removed, between 1971 and 1998 were included in the analysis. Historical control patients in the Canvaxin-treated group received the product candidate between 1984 and 1998. The 1,478 patients that were matched according to key prognostic factors are a subset of the 2,602 total patient population with Stage III melanoma.

(3)

All patients with Stage IV melanoma who were included in the JWCI database and had their primary tumor and all known metastases resected between 1971 and 1997 are included in the analysis. Patients in the Canvaxin-treated group received the product candidate between 1984 and 1997. The 214 patients that were matched according to key prognostic factors are a subset of the 263 total patient population with surgically resected Stage IV melanoma.

Results of these analyses suggest that Canvaxin may have a favorable safety and side effect profile relative to existing therapies for the treatment of patients with advanced-stage melanoma. Canvaxin is generally well tolerated by patients and the most common adverse event is injection site reaction which is more severe with the first two injections that are administered with BCG. Other common side effects include fatigue, chills, myalgia and headaches, but these are usually mild.

Retrospective analyses are not generally deemed sufficient by the FDA and most foreign regulatory authorities as a basis for approval. Such approvals require prospective, randomized, double-blinded, placebo-controlled clinical trials.

Stage III Melanoma. A series of retrospective analyses was published in the *Annals of Surgery* in October 2002 comparing the survival of post-surgical patients with Stage III melanoma who received Canvaxin with historical control patients treated at JWCI or UCLA who did not receive Canvaxin.

One analysis evaluated survival in patients with Stage III melanoma who underwent surgery to completely remove their primary tumors and regional lymph nodes at UCLA and JWCI between 1971 and 1998. In this analysis, 935 patients received Canvaxin and 1,667 historical control patients treated at JWCI or UCLA did not receive Canvaxin. The median overall survival was 56.4 months for patients who received Canvaxin compared to 31.9 months for patients who did not receive Canvaxin. This increase in median overall survival of 24.5 months for patients who received Canvaxin is statistically significant, with a p-value of 0.0001.

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The survival benefit suggested by this analysis of Canvaxin in the treatment of patients with Stage III melanoma was also assessed in a matched-pair analysis, where patients who received Canvaxin were matched on a one-to-one basis by a computer program with historical control patients treated at JWCI or UCLA who did not receive Canvaxin. Patients were matched according to the following six key prognostic factors: the number and degree of palpability of lymph node metastases, ulceration status, primary tumor stage, and the patient s age and gender. We believe that melanoma is particularly well suited for retrospective matched-pair analyses because the key prognostic factors have been thoroughly studied and documented by the American Joint Committee on Cancer based on analyses of over 17,000 patients, which was published in the *Journal of Clinical Oncology* in August, 2001. In this matched-pair analysis using the JWCI database, patients were evaluated after surgical removal of their primary tumors and regional lymph nodes. Results comparing 739 patients who received Canvaxin to the same number of historical control patients treated at JWCI or UCLA who did not receive Canvaxin indicated an increase in median overall survival of 23.7 months, with a p-value of 0.0001. The median overall survival for the Canvaxin-treated group was 55.3 months compared to 31.6 months for the group of historical control patients treated at JWCI or UCLA who had not received Canvaxin. In addition, the five-year survival rate in the Canvaxin-treated group was 48.8% compared to 36.8% in historical control patients treated at JWCI or UCLA who had not received Canvaxin. In these analyses, survival was measured from the time of surgery. The following chart depicts the overall survival rate for the patients studied in the matched-pair analysis:

Stage III Melanoma Matched Pair Survival Analysis

Additionally, a regression analysis was used to calculate the relative impact of various factors on a patient s risk of dying, which is known as a hazard ratio. In this analysis, patients receiving Canvaxin in Phase 2 clinical trials had a hazard ratio of 0.64 relative to patients who did not receive Canvaxin, which means that patients in this analysis who did not receive Canvaxin had a 56% increased risk of death compared to the historical control patients treated at JWCI or UCLA who did receive Canvaxin. These results were statistically significant, with a p-value of 0.0001.

Stage IV Melanoma. Similar retrospective analyses for patients with Stage IV melanoma who received Canvaxin in Phase 2 clinical trials were presented in the *Journal of Clinical Oncology* in December 2002. In an analysis of 263 patients from the JWCI database with Stage IV melanoma who had their tumors removed between 1971 and 1997, those patients who received Canvaxin demonstrated approximately a doubling in median overall survival versus historical control patients treated at JWCI or UCLA who did not receive Canvaxin, 36 months for Canvaxin-treated patients compared to 18 months for non-treated patients. These results were statistically significant, with a p-value of 0.0001.

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A further survival analysis was performed on this group of 263 patients by matching patients according to three prognostic factors: gender, site of initial distant metastases and number of involved sites. Using a computerized program, 107 pairs of patients were matched according to these prognostic factors. Results of this retrospective matched-pair analysis comparing 107 patients with Stage IV melanoma who received Canvaxin in Phase 2 clinical trials to the same number of historical control patients from the JWCI database who did not receive Canvaxin indicated that those patients who received Canvaxin experienced an approximate doubling in median overall survival when compared to similar historical control patients treated at JWCI or UCLA who did not receive Canvaxin. The median overall survival for the Canvaxin-treated group was 38 months compared to 19 months for the patients who did not receive Canvaxin. The results were statistically significant, with a p-value of 0.0009. The five-year survival rate in the Canvaxin-treated group was 39% compared to 20% in the historical control patient group treated at JWCI or UCLA that did not receive Canvaxin. In these analyses, survival of the Canvaxin-treated group was measured from the time of the first administration of Canvaxin following surgery, while survival of the non-Canvaxin-treated historical control group treated at JWCI or UCLA was measured from the time of surgery. The following chart depicts the overall survival rate for the patients studied in the matched-pair analysis:

Stage IV Melanoma Matched Pair Survival Analysis

Tumor Response Data. Canvaxin s ability to produce an immune response that causes melanoma tumors to regress was demonstrated in patients with *in-transit* melanoma who received Canvaxin in Phase 2 clinical trials. *In-transit* melanoma is a rare condition in which multiple subcutaneous or intradermal metastases are visible. As a result, tumor responses in these patients can be readily assessed.

As reported in the May 1999 edition of *Cancer*, 54 patients with *in-transit* melanoma were treated at JWCI with Canvaxin between 1985 and 1997. In this patient population, 41% of patients treated with Canvaxin experienced stabilization of their disease or an improvement in their disease status, including 13% who demonstrated a complete response, with a median duration of complete response greater than 22 months.

Immune Response Data. In the September 1998 *Journal of Clinical Oncology*, it was reported that approximately 85% of patients generated an immune response to Canvaxin that correlated with improved overall survival. This study demonstrated that patients who generated both cellular and humoral immune responses to Canvaxin had a longer survival rate than patients who did not generate an immune response. In addition, patients who had only a cellular or a humoral immune response demonstrated a decreased overall survival rate when compared with patients who demonstrated both. Patients who did not generate an immune response to Canvaxin experienced the shortest overall survival rate of the three groups.

High-Dose Interferon Data. A multi-center, randomized Phase 3 clinical trial of Canvaxin was initiated in the treatment of patients with Stage III melanoma compared to patients who received high-dose interferon. As a result of the substantial toxicity of high-dose interferon, many patients who were

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randomized to the high-dose interferon arm dropped out of the clinical trial. In agreement with the National Cancer Institute and the FDA, enrollment in the clinical trial was discontinued and the design was modified to the current Phase 3 clinical trial design, which compares patients treated with Canvaxin and BCG to patients who receive a placebo and BCG. Prior to the change in the protocol, 43 patients were enrolled at six clinical trial sites. The survival data for patients who received Canvaxin in this clinical trial were consistent with the survival trends observed for patients who received Canvaxin in a retrospective matched-pair analysis of JWCI data from Phase 2 clinical trials in patients with Stage III melanoma, described above.

Canvaxin with GM-CSF. In association with JWCI, we recently completed a randomized Phase 2 clinical trial to determine whether administering granulocyte macrophage colony stimulating factor, or GM-CSF, an immune system stimulatory protein, with Canvaxin and BCG could significantly amplify Canvaxin-induced immune responses in patients with various stages of melanoma. Patients with Stage II, III or IV melanoma were included who were not eligible for our ongoing Phase 3 clinical trials. In this trial, 97 patients were randomized to receive Canvaxin and BCG, or Canvaxin, BCG and GM-CSF. BCG was administered to all patients during the first two doses of therapy. GM-CSF, a stimulatory protein, was administered in addition to Canvaxin and BCG during the first four months to patients randomized to that arm of the study. This clinical trial was supported, in part, by a grant to JWCI from the National Cancer Institute. A delayed-type hypersensitivity, or DTH, skin test for response to Canvaxin was performed at each treatment dose and measured 48 hours later. The level of antibodies developed by each patient against the tumor-associated glycoprotein, or TA90, antigen were also evaluated in serum samples obtained from patients during treatment. Logistic regression showed that the addition of GM-CSF to the Canvaxin/ BCG treatment regimen did not significantly change maximal DTH response to Canvaxin, but it did increase maximal IgM response to the TA90 antigen. Adverse events were generally mild and consistent with known GM-CSF side effects. The investigators concluded that the addition of GM-CSF to Canvaxin/ BCG does not appear to change the DTH cellular immune response to Canvaxin immunotherapy, but may enhance the initial humoral immune response to Canvaxin, as suggested by the enhanced IgM anti-TA90 antibody response.

We plan to study Canvaxin in conjunction with other adjuvants and co-stimulatory molecules to determine whether these approaches may enhance the efficacy of Canvaxin.

Non-Resectable Stage IV Melanoma. At the same 2003 American Society of Clinical Oncologists meeting, Dr. Morton also presented data from a retrospective matched-pair analysis comparing 203 patients with Stage IV melanoma whose disease was not fully surgically resectable. Patients were matched in the analysis by gender, specific site of metastasis and number of tumor-involved organ sites. Median overall survival was significantly higher in patients who received Canvaxin compared to historical control patients treated at JWCI or UCLA who did not receive Canvaxin. The median overall survival rates for the Canvaxin-treated population was 11 months versus 7 months for the historical control patient group who did not receive Canvaxin. The one-year, two-year and three-year overall survival rates in the Canvaxin-treated group were 45%, 20% and 12%, respectively, compared to survival rates in the patient group who did not receive Canvaxin, which were 29%, 13% and 9%, respectively. The results were statistically significant, with a p-value of 0.006.

Canvaxin for the Treatment of Patients with Other Indications

Phase 1/2 Results for Patients with Stage IV Colorectal Cancer

Based on the number of shared antigens between colorectal cancer and Canvaxin, a Phase 1/2 clinical trial was conducted at JWCI to evaluate immune responses to Canvaxin in patients with Stage IV colorectal cancer. Results of this study were published in the May 2001 *Annals of Surgical Oncology.* The study demonstrated that Canvaxin induced both a cell-mediated and antibody response in many patients. While a preliminary analysis of data from this 27-patient study indicated that patients who had a clearly defined immune response also experienced a statistically significant improvement in overall survival from 13 months to 31 months, a later analysis of the results showed that while patients who demonstrated an immune response had greater survival, the difference was no longer statistically significant. Although the group of patients in this clinical trial is too small to be predictive of survival, we believe that the immune response elicited by Canvaxin may result in an improved prognosis in patients with colorectal cancer.

Other Indications

Based on the antigen expression profile of Canvaxin, we believe that Canvaxin may be effective in tumors other than melanoma. We plan to evaluate potential options for the expansion of Canvaxin into other tumor types, such as renal, prostate, breast, pancreatic and brain cancers.

Additional Proprietary Tumor Cell Targeting Specific Active Immunotherapy Programs

In addition to our current research and clinical development programs for melanoma, we plan to assess the efficacy of other product candidates developed with our proprietary specific active immunotherapy development platform in other cancers. We also plan to conduct a research program to screen, test and incorporate additional tumor cell lines into our specific active immunotherapy development platform that may be beneficial for solid tumors other than melanoma.

Specific Active Immunotherapy Product Candidates Targeting the EGF Receptor Signaling Pathway

In July 2004 we signed an agreement with CIMAB, S.A., a Cuban Company, whereby we obtained the exclusive rights to develop and commercialize in a specific territory, which includes the United States, Canada, Japan, Australia, New Zealand, Mexico and certain countries in Europe, SAI-EGF, a Phase 2 specific active immunotherapeutic product candidate that targets the EGF receptor signaling pathway for the treatment of cancer. In addition, we signed an agreement with CIMAB and YM BioSciences, Inc., a Canadian company, to obtain the exclusive rights to develop and commercialize, within the same territory, SAI-TGF- , which targets transforming growth factor-alpha, and SAI-EGFR-ECD, which targets the extracellular domain of the EGF receptor, both of which are in preclinical development.

EGF Receptor Pathway Role in Regulating Tumor Growth

Dysregulation of the EGF receptor signaling pathway is associated with tumor growth and metastasis, decreased effectiveness of chemotherapy and radiotherapy, and decreased overall survival. EGF and TGF- are molecules that bind to and activate the EGF receptor. Increased stimulation, as a direct result of over-expression of the EGF receptor, EGF or TGF- , may contribute to dysregulation of the EGF receptor pathway. In addition, cancerous cells may secrete EGF and TGF- , which in turn fuels their growth and proliferation by increased activation of the EGF receptor pathway.

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Interference with signaling through the EGF receptor pathway represents a therapeutic approach with potentially broad clinical applications. Over-stimulation of this pathway has been documented in breast, colorectal, brain, head and neck, non-small-cell lung, ovarian, pancreatic and prostate cancers.

Tumors	% EGFR Expression
Breast	**14-91**
Colorectal	**25-77**
Brain	**40-60**
Head & neck	**95**
Non-small-cell lung cancer	**40-80**
Ovarian	**35-70**
Pancreatic	**30-50**
Prostate	**62-71**

Salomon et al. Crit Rev Oncol Hematol. 1995;19:183; Moscatello et al. Cancer Res. 1995;55:5536; Garcia de Palazzo et al. Cancer Res. 1993;53:3217; Kumar et al. Cancer Lett. 1998;134:177; Nagane et al. Cancer Lett. 2001;162:S17.

Advantages of Specific Active Immunotherapy Targeting the EGF Receptor Pathway

The three specific active immunotherapy product candidates that we have licensed are designed to stimulate the immune system to produce antibodies to EGF, TGF- and the extracellular domain of EGF receptor, and ultimately reduce signaling through the EGF receptor. Since each of these product candidates targets a different aspect of the EGF receptor pathway, it is possible that they may be used as single agents, in combination with each other, or in combination with other EGF receptor-targeted therapies. In addition, we anticipate that they may also be used with cytotoxics or other novel therapies for the treatment of cancer.

Phase 1/2 Results with SAI-EGF

SAI-EGF is an investigational specific active immunotherapy composed of recombinant human EGF that has been coupled to a proprietary immunogenic carrier protein, known as p64K. SAI-EGF, which is administered with a general immune system stimulant known as an immunologic adjuvant, stimulates the immune system to produce antibodies that target EGF. The anti-EGF antibodies bind to EGF circulating in the patient s bloodstream and interrupt EGF receptor signaling. This approach differs from existing EGF receptor inhibitors, such as monoclonal antibodies and tyrosine kinase inhibitors, in two important ways. First, it utilizes the body s own defense mechanisms to target the EGF receptor pathway, and second, it targets circulating EGF, which activates the EGF receptor, as opposed to targeting the receptor itself.

The SAI-EGF product candidate has been studied in Phase 1 and Phase 2 clinical trials conducted in Canada, the United Kingdom and Cuba. Data from several of these studies were published in the *Annals of Oncology* (Volume 14, 2003) and presented at the June 2004 American Society of Clinical Oncology annual meeting. The results suggested treatment with SAI-EGF was well-tolerated, resulted in measurable immune responses, and may increase survival in patients with advanced-stage non-small-cell lung cancer, or NSCLC. In a trial of 50 advanced-stage NSCLC patients who received first line chemotherapy and then were randomized to treatment with SAI-EGF or best supportive care, survival was significantly greater (p-value equal to or less than 0.05) in patients receiving SAI-EGF compared with randomized controls (mean: 19.54 vs. 13.35 months, respectively; median: 17.33 vs. 10.27 months, respectively). In addition, a significant survival benefit (p-value equal to or less than 0.006) was reported in patients with a good antibody response, defined as at least 1:4000 anti-EGF antibody titers and a fourfold increase in anti-EGF antibody titers from baseline, compared with patients with a lesser antibody response (mean: 23.93

vs. 13.07 months, respectively; median: not reached vs. 10.53 months, respectively). Combined data from three pilot clinical studies evaluating a total of 75 patients with advanced-stage NSCLC who received SAI-EGF suggests that immunized patients experienced a significant increase in survival compared to non-randomized control patients with a history of late-stage NSCLC who did not receive SAI-EGF (mean: 9.13 vs. 4.85 months, respectively; median: 12.43 vs. 4.83 months, respectively). Further, reduction of serum EGF concentration to 7 pg/mL or less was associated with increased survival compared with patients having greater serum EGF concentrations (mean: 14.54 vs. 5.23, respectively; median: 12.43 vs. 4.83 months, respectively). The results in these studies also suggested SAI-EGF was well tolerated by patients.

Proposed Phase 2 Clinical Trial of SAI-EGF in Patients with NSCLC

In late 2005 or early 2006, we plan to initiate a Phase 2 clinical trial of the SAI-EGF product candidate in patients with NSCLC.

SAI-TGF-   (preclinical)

SAI-TGF-   is an investigational specific active immunotherapeutic product candidate that may stimulate the immune system to develop anti-TGF-   antibodies, another common molecule that activates the EGF receptor. Blocking TGF-   may provide a therapeutic benefit in certain cancers and may also enhance the therapeutic effect when used in combination with other EGF receptor inhibitors. We also plan to evaluate the potential combination of SAI-TGF-   with SAI-EGF to more effectively inhibit the activation of the EGF receptor.

SAI-EGFR-ECD (preclinical)

SAI-EGFR-ECD is an investigational specific active immunotherapeutic product candidate that may stimulate the immune system to develop antibodies that target a portion of the EGF receptor that resides outside of the cell membrane, i.e. the extracellular domain. Stimulating the immune system with a specific active immunotherapy directed against the receptor itself may offer a unique approach to targeting the EGF receptor pathway.

Anti-Angiogenesis Programs

Through our January 2002 acquisition of Cell-Matrix, Inc., we acquired unique therapeutic and diagnostic anti-angiogenesis technology and several product candidates. To complement this technology, in June 2003, we licensed from New York University the rights to several peptides that may also inhibit angiogenesis. We believe that these product candidates have a mechanism of action that is distinct from Avastin™ (bevacizumab; Genenetch), a product approved for metastatic colorectal cancer that targets the vascular endothelial growth factor, and from other anti-angiogenesis product candidates currently in development by other companies. We believe that these antibodies and peptides will provide us with an opportunity to develop products that may be beneficial for the treatment of various solid tumors.

Non-cash restructuring and other charges, net 16 31

Depreciation and amortization

395 382

Deferred income taxes

275 (685)

Provision for losses on accounts receivable and inventories

(1) 57

Tax sharing income

(126) (9)

Other

79 49

Changes in assets and liabilities, net of the effects of acquisitions and divestitures:

Accounts receivable, net

(374) 779

Inventories

(261) 471

Inventoried costs on long-term contracts

5 (107)

Prepaid expenses and other current assets

(42) 224

Accounts payable

367 (470)

Accrued and other current liabilities

86 (248)

Income taxes

27

Deferred revenue

(35) (41)

Other

11 7

Net cash provided by continuing operating activities

1,205 829

Net cash used in discontinued operating activities

(42)

Net cash provided by operating activities

1,205 787

Cash Flows From Investing Activities:

Capital expenditures

(249) (270)

Proceeds from sale of property, plant, and equipment

5 9

Acquisition of businesses, net of cash acquired

(70)

Proceeds from divestiture of discontinued operations, net of cash retained by operations sold

694

Proceeds from divestiture of businesses, net of cash retained by businesses sold

12 16

Other

(20) (2)

Net cash provided by (used in) continuing investing activities

(322) 447

Net cash used in discontinued investing activities

(3)

Net cash provided by (used in) investing activities

(322) 444

Cash Flows From Financing Activities:

Net decrease in commercial paper

(649)

Proceeds from long-term debt

448

Repayment of long-term debt

(461)

Repurchase of common shares

(373) (152)

Payment of common share dividends and cash distributions to shareholders

(218) (221)

Transfer to discontinued operations

(49)

Other

4 (3)

Net cash used in continuing financing activities

(587) (1,087)

Net cash provided by discontinued financing activities

49

Net cash used in financing activities

(587) (1,038)

Effect of currency translation on cash

(2) (21)

Net increase in cash and cash equivalents

294 172

Less: net increase in cash and cash equivalents related to discontinued operations

(4)

Cash and cash equivalents at beginning of period

1,521 1,090

Cash and cash equivalents at end of period

$1,815 $1,258

See Notes to Condensed Consolidated Financial Statements.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

Basis of Presentation

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

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

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

Reclassifications

During fiscal 2010, in connection with the adoption of updates to guidance in Accounting Standards Codification ("ASC") 810, *Consolidation*, the Company reclassified certain items on its Condensed Consolidated Financial Statements to conform to the current year presentation. See additional information regarding the Company's adoption of updates to guidance in ASC 810 in Note 3.

2. Correction of Immaterial Errors

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

2. Correction of Immaterial Errors (Continued)

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

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

2. Correction of Immaterial Errors (Continued)

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

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

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

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

3. Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance in ASC 820, *Fair Value Measurements and Disclosures*, that defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements, and introduces the fair value option for certain financial assets and liabilities. The Company adopted the fair value provisions of ASC 820 in the first quarter of fiscal 2009. Prior to adoption, the fair value measurement and disclosure requirements for non-financial assets and liabilities were deferred by one year. The Company adopted the fair value provisions of ASC 820 for non-financial assets and liabilities on September 26, 2009. See Note 15 for additional information related to fair value measurements.

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

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

4. Restructuring and Other Charges, Net

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

Restructuring and Related Charges, Net

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

Cash Charges

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

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

(1) Reflects reclassification of $7 million lease obligation from other reserves to restructuring reserves.

Fiscal 2010 Actions

The Company initiated restructuring programs during fiscal 2010 primarily relating to headcount reductions in the Electronic Components and Specialty Products segments. In connection with these actions, during the nine months ended June 25, 2010, the Company recorded restructuring charges of $55 million primarily related to employee severance and benefits. The Company expects to complete all restructuring activities commenced in fiscal 2010 by the end of fiscal 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately $3 million relating to these initiated actions by completion.

Fiscal 2009 Actions

The Company initiated restructuring programs during fiscal 2009 primarily relating to headcount reductions and manufacturing site closures in the Electronic Components, Network Solutions, and Specialty Products segments. In connection with these actions, during the nine months ended June 25, 2010 and June 26, 2009, the Company recorded net restructuring charges of $1 million and $231 million, respectively, primarily related to employee severance and benefits. The Company expects

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

to complete all restructuring activities commenced in fiscal 2009 by the end of fiscal 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately $14 million relating to these initiated actions by completion.

Pre-Fiscal 2009 Actions

During the nine months ended June 25, 2010 and June 26, 2009, the Company recorded net restructuring charges of $5 million and $59 million, respectively, related to pre-fiscal 2009 actions. The Company expects to complete all restructuring activities commenced in fiscal 2008 by the end of fiscal 2011 and to incur additional charges, primarily in the Electronic Components segment, of approximately $5 million relating to these actions by completion. As of June 25, 2010, the remaining restructuring reserves related to 2002 actions were $39 million, related to exited lease facilities in the Subsea Communications segment. The Company expects that the remaining reserves will continue to be paid out over the expected terms of the obligations which range from one to fifteen years.

Restructuring and Related Non-Cash Charges

During the nine months ended June 25, 2010 and June 26, 2009, the Company recorded non-cash charges of $4 million and $29 million, respectively, primarily related to the impairment of fixed assets in connection with exited manufacturing facilities and product lines.

Total Restructuring Reserves

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

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

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

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

Loss on Divestitures and Impairment of Long-Lived Assets

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

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

4. Restructuring and Other Charges, Net (Continued)

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

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

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

5. Discontinued Operations

In May 2009, the Company completed the sale of its Wireless Systems business for $665 million in net cash proceeds and recognized a pre-tax gain of $55 million on the transaction. This business met the held for sale and discontinued operations criteria and has been included in discontinued operations in fiscal 2009. Prior to reclassification to held for sale and discontinued operations, the Wireless Systems business was a component of the former Wireless Systems segment.

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

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

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

6. Acquisitions

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

6. Acquisitions (Continued)

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

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

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

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

7. Inventories

Inventories consisted of the following:

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

8. Goodwill

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

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

During the second quarter of fiscal 2010, the Company completed the acquisition of Sensitive Object. The acquisition resulted in the recognition of $51 million of goodwill, all of which benefits the Touch Systems business in the Specialty Products segment. See Note 6 for additional information on the acquisition of Sensitive Object.

9. Intangible Assets, Net

The Company's intangible assets were as follows:

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

9. Intangible Assets, Net (Continued)

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

	(in millions)
Remainder of fiscal 2010	$ 8
Fiscal 2011	31
Fiscal 2012	31
Fiscal 2013	31
Fiscal 2014	31
Fiscal 2015	30
Thereafter	236
	$ 398

10. Debt

Debt was as follows:

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

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

10. Debt (Continued)

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

During the first nine months of fiscal 2010, the Company purchased options to enter into interest rate swaps ("swaptions") and entered into forward starting interest rate swaps designated as cash flow hedges to manage interest rate exposure prior to the probable issuance of fixed-rate debt when the Company's 6.00% senior notes mature in fiscal 2012. These swaptions and forward starting interest rate swaps are based on a total notional amount of $400 million. Also, during the first nine months of fiscal 2010, the Company entered into an interest rate swap designated as a fair value hedge on $50 million principal amount of the 6.00% senior notes.

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

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

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

11. Guarantees

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. Guarantees (Continued)

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

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

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

As disclosed in Note 13, in January 2009, the State of New York (the "State") drew down $50 million against an irrevocable standby letter of credit funded by the Company. As a result, the Company recorded a pre-tax charge equal to the draw. Although the Company disputes that the State has any basis to do so, the State has the ability to draw up to an additional $50 million against the standby letter of credit which could result in additional charges and could have a material adverse effect on the Company's results of operations, financial position, and cash flows.

The Company generally records estimated product warranty costs at the time of sale. The changes in the Company's warranty liability for the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Retirement Plans

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

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

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

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

The net periodic benefit cost for postretirement benefit plans was immaterial for the quarters and nine months ended June 25, 2010 and June 26, 2009.

The Company anticipates that, at a minimum, it will make the minimum required contributions to its pension plans in fiscal 2010 of $3 million for U.S. plans and $90 million for non-U.S. plans. During the nine months ended June 25, 2010, the Company contributed $2 million to its U.S. plans and $73 million its non-U.S. plans.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

12. Retirement Plans (Continued)

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

13. Commitments and Contingencies

Tyco Electronics Legal Proceedings

Intellectual Property and Antitrust Litigation

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

Other Matters

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

Legal Matters under Separation and Distribution Agreement

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

Securities Proceedings and Settlements

As previously reported in the Company's periodic filings, prior to the separation, Tyco International and certain of its former directors and officers were named as defendants in over 40

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

purported securities class action lawsuits. As a part of the Separation and Distribution Agreement, any existing or potential liabilities related to the securities class actions were allocated among Tyco International, Covidien, and the Company. The Company is responsible for 31% of potential liabilities that may arise upon the resolution of remaining pending litigation. In 2007, Tyco International settled 32 of the purported securities class action lawsuits arising from the actions alleged to have been taken by its prior management in a class action settlement, for which the Company was responsible for 31% of the settlement amount. A number of individuals and entities who opted out of the class action settlement filed actions against Tyco International and/or Tyco International, Covidien, and the Company, all of which actions have been settled subsequently. In the third quarter of fiscal 2010, Tyco International settled the remaining significant securities lawsuit, a class action captioned *Stumpf v. Tyco International Ltd., et al.*, for $79 million, with the Company being responsible for $24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement agreement provides that a portion of the settlement fund will be set aside for potential opt-out claims. The Company cannot predict presently if any opt-out claims will be made and whether opt-out claims will exceed the amount allocated for such claims, requiring the Company to fund any portion under the sharing formula in the Separation and Distribution Agreement. During the second quarter of fiscal 2009, the Company recorded reserves totaling $375 million representing the best estimate of probable loss for the then remaining securities litigation claims, including the *Stumpf* case, subject to the Separation and Distribution Agreement. As of June 25, 2010, there were no remaining significant securities lawsuits outstanding and the Company concluded that reserves of $22 million could be released. Accordingly, pursuant to the sharing formula, the Company recorded income of $7 million during the third quarter of fiscal 2010.

Compliance Matters

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

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

Income Taxes

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

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

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

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

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

The Company continues to believe that the amounts recorded in its Condensed Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

resolution is uncertain and could result in a material impact to the Company's results of operations, financial position, or cash flows.

Environmental Matters

The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of June 25, 2010, the Company concluded that it was probable that it would incur remedial costs in the range of $12 million to $24 million. As of June 25, 2010, the Company concluded that the best estimate within this range is $14 million, of which $3 million is included in accrued and other current liabilities and $11 million is included in other liabilities on the Condensed Consolidated Balance Sheet. In view of the Company's financial position and reserves for environmental matters of $14 million, the Company believes that any potential payment of such estimated amounts will not have a material adverse effect on its results of operations, financial position, or cash flows.

Matters Related to the Company's Former Wireless Systems Business

Certain liabilities and contingencies related to the Company's former Wireless Systems business were retained by the Company when this business was sold in the third quarter of fiscal 2009. These include certain retained liabilities related to the State of New York contract and a contingent purchase price commitment related to the acquisition of Com-Net by the Wireless Systems business in 2001. See additional information below. Also, see Note 5 for additional information regarding the divestiture of the Wireless Systems business.

State of New York Contract

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

13. Commitments and Contingencies (Continued)

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

As a result of these actions, in the first quarter of fiscal 2009, the Company recorded pre-tax charges totaling $111 million associated with this contract. These charges are reflected in loss from discontinued operations on the Condensed Consolidated Statement of Operations as a result of the Company's sale of the Wireless Systems business. See Note 5 for further discussion of discontinued operations and the sale of the Wireless Systems business. The charges included an impairment charge of $61 million to write-off all costs incurred in constructing the network as well as a charge equal to the amount drawn by the State against the standby letter of credit of $50 million. The assets related to the impairment charge were previously reflected primarily as inventory on the Condensed Consolidated Balance Sheet.

Com-Net

At June 25, 2010, the Company had a contingent purchase price commitment of $80 million related to its fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida is finished and the State of Florida has approved the system based on the guidelines set forth in the contract. Under the terms of the purchase and sale agreement, the Company does not believe it has any obligation to the sellers. However, the sellers have contested the Company's position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the motion pleading and discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as the Company does not believe that any payment is probable or estimable at this time.

14. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments. The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximated book value as of June 25, 2010 and September 25, 2009. See Note 10 for disclosure of the fair value of debt and Note 15 for additional information on fair value measurements.

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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

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

The Company's derivative financial instruments present certain market and counterparty risks; however, concentration of counterparty risk is mitigated as the Company deals with financial institutions worldwide, substantially all of which have long-term Standard & Poor's, Moody's, and/or Fitch credit ratings of A/A2 or higher. In addition, only conventional derivative financial instruments are utilized. The Company is exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at June 25, 2010, the Company has assessed the likelihood of counterparty default as remote. The Company currently provides guarantees from a wholly-owned subsidiary to the counterparties to its commodity swap derivatives. The likelihood of performance on those guarantees has been assessed as remote. For all other derivative instruments, at this time, the Company is not required, nor does it require, collateral or other security to be furnished by the counterparties to its derivative financial instruments.

Foreign Exchange Risks

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

The Company expects that significantly all of the balance in accumulated other comprehensive income associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Condensed Consolidated Statements of Operations within the next twelve months.

Interest Rate Risk Management

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

swaptions to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt (via cash flow hedge designation).

During the first nine months of fiscal 2010, the Company purchased swaptions and entered into forward starting interest rate swaps to manage interest rate exposure prior to the probable issuance of fixed-rate debt when the Company's 6.00% senior notes mature in fiscal 2012. These swaptions and forward starting interest rate swaps are based on a total notional amount of $400 million. These swaptions and forward starting interest rate swaps were designated as cash flow hedges of the probable interest payments. Premiums of $6 million paid to enter into the swaptions will be recognized as interest expense over the term of the swaptions. As of June 25, 2010, the Company's swaptions were in an asset position of $3 million and the forward starting interest rate swaps were in a liability position of $5 million. The effective portion of swaptions and forward starting interest rate swaps is recorded in accumulated other comprehensive income and will be recognized in earnings as interest expense over the term of the anticipated debt issuance. There were no outstanding interest rate swaps designated as cash flow hedges as of September 25, 2009.

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

During the first quarter of fiscal 2009, the Company terminated interest rate swaps designated as fair value hedges on $300 million principal amount of the 6.55% senior notes and $200 million principal amount of the 6.00% senior notes. Prior to the termination, the interest rate swaps were marked to fair value, resulting in premiums of $49 million and $14 million associated with the 6.55% senior notes and 6.00% senior notes, respectively. The premiums are recognized as a reduction in interest expense over the life of the respective notes. As a result of the termination of the interest rate swaps, the Company recognized reductions in interest expense of $2 million during the quarters ended June 25, 2010 and June 26, 2009 and $5 million and $7 million during the nine months ended June 25, 2010 and June 26, 2009, respectively, on the Condensed Consolidated Statements of Operations.

During fiscal 2007, in anticipation of issuing fixed-rate debt, the Company entered into and, concurrent with the Company's fixed-rate debt issuance, terminated forward starting interest rate swaps to hedge the variability in interest expense that would result from changes in interest rates between the date of the swap and the Company's anticipated date of issuing fixed-rate debt. These forward starting interest rate swaps were designated as effective hedges of the probable interest payments. Upon the issuance of the Company's senior notes in September 2007, these swaps were terminated for a cash payment of $54 million. The effective portion of these swaps of $53 million was recorded in accumulated other comprehensive income and is recognized in earnings as interest expense over the remaining term of the related debt instruments. The Company recognized interest expense of $1 million and $2 million in the quarters ended June 25, 2010 and June 26, 2009, respectively, and $4 million and $5 million during the nine months ended June 25, 2010 and June 26, 2009, respectively, on the Condensed Consolidated Statements of Operations, related to the terminated forward starting interest rate swaps.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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

Hedges of Net Investment

The Company hedges its net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was $1,426 million and $1,027 million at June 25, 2010 and September 25, 2009, respectively. The Company reclassified foreign exchange gains of $28 million and losses of $38 million during the quarters ended June 25, 2010 and June 26, 2009, respectively, and gains of $82 million and losses of $17 million during the nine months ended June 25, 2010 and June 26, 2009, respectively. These amounts were recorded as currency translation, a component of accumulated other comprehensive income, offsetting foreign exchange gains or losses attributable to the translation of the net investment. See additional information in Note 19.

Commodity Hedges

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

At June 25, 2010 and September 25, 2009, the Company's commodity hedges had notional values of $102 million and $29 million, respectively. The Company expects that significantly all of the balance in accumulated other comprehensive income associated with the commodities hedges will be reclassified into the Condensed Consolidated Statements of Operations within the next twelve months.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

Derivative Instrument Summary

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

	June 25, 2010		September 25, 2009	
	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)	Fair Value of Asset Positions(1)	Fair Value of Liability Positions(2)
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign currency contracts(3)	$ 1	$	$ 4	$ 2
Interest rate swaps and swaptions	5	5		
Commodity swap contracts(3)	11		1	
Total derivatives designated as hedging instruments	17	5	5	2
Derivatives not designated as hedging instruments:				
Foreign currency contracts(3)	2	1	8	11
Total derivatives	$ 19	$ 6	$ 13	$ 13

(1) All foreign currency and commodity swap derivatives in asset positions are recorded in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets, except where a right of offset against liability positions exists. As disclosed in Note 15, derivative instruments in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets totaled $13 million and $4 million at June 25, 2010 and September 25, 2009, respectively. Interest rate swap and swaption derivatives in asset positions totaled $5 million at June 25, 2010 and are recorded in other assets on the Condensed Consolidated Balance Sheets.

(2) All foreign currency and commodity swap derivatives in liability positions are recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet, except where a right of offset against asset positions exists. As disclosed in Note 15, derivative instruments in accrued and other current liabilities on the Condensed Consolidated Balance Sheets totaled $4 million at September 25, 2009. Derivative instruments in accrued and other current liabilities at June 25, 2010 were not material. All interest rate swap derivatives in liability positions totaled $5 million at June 25, 2010 and are recorded in other liabilities on the Condensed Consolidated Balance Sheets.

(3) Contracts are presented gross without regard to any right of offset that exists.

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

	Gain (Loss) Recognized	
	For the Quarters Ended	For the Nine Months Ended

Derivatives Designated as Fair Value Hedges	Location	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
			(in millions)		
Interest rate swaps[(1)]	Interest expense	$ 2	$ 2	$ 5	$ 7

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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

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

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

(2) Certain forward starting interest rate swaps were terminated in September 2007. See discussion above. Terminated forward starting interest rate swaps resulted in losses of $1 million and $2 million reflected in interest expense in the quarters ended June 25, 2010 and June 26, 2009, respectively. Forward starting interest rate swaps in place at June 25, 2010 resulted in losses of $6 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at June 25, 2010 resulted in losses of $2 million in other comprehensive income related to the effective portions of the hedge and losses of $1 million in interest expense as a result of amounts excluded from the hedging relationship during the period.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

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

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

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

(2) Certain forward starting interest rate swaps were terminated in September 2007. See discussion above. Terminated forward starting interest rate swaps resulted in losses of $4 million and $5 million reflected in interest expense during the nine months ended June 25, 2010 and June 26, 2009, respectively. Forward starting interest rate swaps in place at June 25, 2010 resulted in losses of $5 million in other comprehensive income related to the effective portions of the hedge during the period. Interest rate swaptions in place at June 25, 2010 resulted in no gains or losses in other comprehensive income related to the effective portions of the hedge and losses of $3 million in interest expense as a result of amounts excluded from the hedging relationship during the period.

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

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

Selling, general, and administrative expenses

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

14. Financial Instruments (Continued)

During the nine months ended June 26, 2009, the Company incurred losses of $176 million as a result of marking foreign currency derivatives not designated as hedging instruments to fair value, particularly derivatives related to certain Eastern European currencies. These losses were largely offset by the gains realized as a result of re-measuring the underlying assets and liabilities denominated in foreign currencies to primarily the Euro or U.S. Dollar. These gains and losses were reflected in selling, general, and administrative expenses on the Condensed Consolidated Statements of Operations.

15. Fair Value Measurements

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

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

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

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

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

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

Rabbi trust assets	7	69		76
Total assets at fair value	$ 8	$ 72	$	$ 80
Liabilities:				
Foreign currency contracts	$	$ 4	$	$ 4

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

15. Fair Value Measurements (Continued)

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

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

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

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

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

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

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

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

As of June 25, 2010, the Company did not have any non-financial assets or liabilities that are measured at fair value.

During the nine months ended June 25, 2010, the Company used significant other observable inputs (level 2) to calculate a $12 million impairment charge related to the Dulmison connectors and fittings product line sold during the first quarter of fiscal 2010 for $12 million. See Note 4 for additional information. There were no impairment charges recorded during the third quarter of fiscal 2010.

16. Income Taxes

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

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Income Taxes (Continued)

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

For the nine months ended June 25, 2010 and June 26, 2009, the Company recorded a tax provision of $348 million, an effective income tax rate of 30.1%, and a tax benefit of $570 million, an effective income tax rate of 15.2%, respectively. The effective income tax rate for the nine months ended June 25, 2010 reflects a charge of $242 million primarily associated with certain proposed adjustments to prior year income tax returns and related accrued interest as well as an income tax benefit of $98 million recognized in connection with the completion of certain non-U.S. audits of prior year income tax returns. In addition, the effective income tax rate for the nine months ended June 25, 2010 reflects an income tax benefit of $72 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations and tax benefits recognized in connection with anticipated increased profitability in fiscal 2010 in certain entities operating in lower tax rate jurisdictions. The effective income tax rate for the nine months ended June 26, 2009 was impacted by a $3,547 million pre-tax impairment of goodwill for which a tax benefit was not fully recognized, as well as a $144 million pre-tax charge related to pre-separation securities litigation, for which no tax benefit was recorded.

The Company records accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of June 25, 2010, the Company had recorded $1,202 million of accrued interest and penalties related to uncertain tax positions on the Condensed Consolidated Balance Sheet, of which $1,114 million was recorded in income taxes and $88 million was recorded in accrued and other current liabilities. During the quarter and nine months ended June 25, 2010, the Company recognized $57 million and $175 million, respectively, of interest and penalties on the Condensed Consolidated Statements of Operations. As of September 25, 2009, the balance of accrued interest and penalties was $1,033 million, of which $1,032 million was recorded in income taxes and $1 million was recorded in accrued and other current liabilities on the Condensed Consolidated Balance Sheet.

In fiscal 2007, the IRS concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000. Tyco International is in the process of appealing certain tax adjustments proposed by the IRS related to this period. In fiscal 2008, the IRS commenced its field examination of certain Tyco International U.S. federal income tax returns for the years 2001 through 2004. Tyco International's U.S. federal tax filings for years subsequent to 2004 also remain open to examination by the IRS. See Note 13 for additional information regarding the status of IRS examinations.

Although it is difficult to predict the timing or results of certain pending examinations, it is the Company's understanding that Tyco International has made progress during fiscal 2010 towards resolving with the IRS certain disputed tax adjustments related to Tyco International's U.S. federal

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

16. Income Taxes (Continued)

income tax returns for the years 1997 through 2000. Accordingly, Tyco International and the IRS could reach agreement on these matters within the next twelve months. In addition, the IRS continues to audit certain Tyco International income tax returns for the years 2001 through 2004, and its field examination for this period could be completed within the next twelve months. However, the ultimate resolution is uncertain and it is not possible to estimate the impact of an agreement with respect to the amount of unrecognized tax benefits on the Condensed Consolidated Balance Sheet as of June 25, 2010. The Company is not aware of any other matters that would result in significant changes to the amount of unrecognized tax benefits reflected on the Condensed Consolidated Balance Sheet as of June 25, 2010.

17. Other Income, Net

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

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

18. Shareholders' Equity

Common Shares

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

Common Shares Held in Treasury

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

Contributed Surplus

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

18. Shareholders' Equity (Continued)

Distributions to Shareholders

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

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

In March 2010, the Company's shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of the Company's common shares of CHF 0.72 (equivalent to $0.64) per share, payable in four equal installments in each quarter beginning in the third quarter of fiscal 2010 through the second quarter of fiscal 2011. During the quarter ended June 25, 2010, the Company paid the first installment of this distribution at a rate of $0.16 per share. This capital reduction reduced the par value of the Company's common shares from CHF 2.09 (equivalent to $1.92) to CHF 1.91 (equivalent to $1.76).

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

Share Repurchase Program

During the third quarter and first nine months of fiscal 2010, the Company purchased approximately 8 million and 14 million, respectively, of its common shares for $225 million and $390 million, respectively, of which $208 million and $373 million, respectively, was paid as of June 25, 2010. During the third quarter of fiscal 2009, the Company did not purchase any of its common shares. During the first nine months of fiscal 2009, the Company purchased approximately 6 million of its common shares for $125 million and also settled purchases of $27 million of its common shares which occurred prior to the end of the fourth quarter of fiscal 2008. Since inception of the share repurchase program, which has a current authorization of $2.0 billion, the Company has purchased approximately 57 million shares for $1,784 million.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

19. Comprehensive Income (Loss)

Comprehensive income (loss) consisted of the following:

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

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

20. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to Tyco Electronics Ltd. by the basic weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to Tyco Electronics Ltd. by the weighted-average number of common shares outstanding adjusted for potentially dilutive unexercised share options and non-vested restricted share awards. The following table sets forth the denominators of the basic and diluted earnings (loss) per share computations:

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

Certain share options were not included in the computation of diluted earnings (loss) per share because the instruments' underlying exercise prices were greater than the average market prices of Tyco Electronics' common shares and inclusion would be antidilutive. Such shares not included in the computation were 17 million and 21 million as of June 25, 2010 and June 26, 2009, respectively.

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

20. Earnings (Loss) Per Share (Continued)

As a result of the Company's loss for the nine months ended June 26, 2009, non-vested restricted share awards and unexercised options to purchase Tyco Electronics' common shares with underlying exercise prices less than the average market prices were excluded from the calculation of diluted loss per share as inclusion of these share awards and options would have been antidilutive. Share awards and options not included in the computation were 1 million as of June 26, 2009.

21. Share Plans

Total share-based compensation costs included on the Condensed Consolidated Statements of Operations were $16 million and $12 million during the quarters ended June 25, 2010 and June 26, 2009, respectively. Total share-based compensation costs were $47 million and $40 million during the nine months ended June 25, 2010 and June 26, 2009, respectively, of which $2 million was included in loss from discontinued operations for the nine months ended June 26, 2009. All share-based compensation costs in continuing operations are included in selling, general, and administrative expenses.

On March 10, 2010, the Company's shareholders approved a proposal to increase the number of shares issuable under the Tyco Electronics Ltd. 2007 Stock and Incentive Plan, as amended and restated (the "2007 Plan"), by 15 million shares. As of June 25, 2010, there were approximately 17 million shares available under the 2007 Plan.

Restricted Share Awards

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

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

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

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

21. Share Plans (Continued)

Share Options

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

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

As of June 25, 2010, there were $39 million of total unrecognized compensation costs related to non-vested Tyco Electronics share options granted under Tyco Electronics share option plans. The cost is expected to be recognized over a weighted-average period of 2.1 years.

The grant-date fair value of each share option grant is estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected share price volatility was calculated based on the historical volatility of the stock of a composite of peers of Tyco Electronics and implied volatility derived from exchange traded options on that same composite of peers. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term which approximates the expected life assumed at the date of grant. The expected annual dividend per share was based on Tyco Electronics' expected dividend rate. The compensation expense recognized is net of estimated forfeitures. Forfeitures are estimated based on voluntary termination behavior, as well as an analysis of actual option forfeitures.

The weighted-average grant-date fair value of options granted during the nine months ended June 25, 2010 and the weighted-average assumptions the Company used in the Black-Scholes-Merton option pricing model for the nine months then ended were as follows:

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

22. Segment Data

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

Net sales by segment for the quarters and nine months ended June 25, 2010 and June 26, 2009 were as follows:

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

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

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

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

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

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

22. Segment Data (Continued)

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

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

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

23. Subsequent Event

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

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

TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

24. Tyco Electronics Group S.A.

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

CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended June 25, 2010

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

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

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

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 2,508	$	$ 2,508
Cost of sales			1,921		1,921
Gross margin			587		587
Selling, general, and administrative expenses	48	3	279		330
Research, development, and engineering expenses			130		130
Restructuring and other charges, net			63		63
Operating income (loss)	(48)	(3)	115		64
Interest income			4		4
Interest expense		(38)	(4)		(42)
Other income, net			5		5
Equity in net income of subsidiaries	75	93		(168)	
Equity in net loss of subsidiaries of discontinued operations	(100)	(100)		200	
Intercompany interest and fees	(4)	23	(19)		
Income (loss) from continuing operations before income taxes	(77)	(25)	101	32	31
Income tax expense			(6)		(6)
Income (loss) from continuing operations	(77)	(25)	95	32	25
Loss from discontinued operations, net of income taxes			(100)		(100)
Net loss	(77)	(25)	(5)	32	(75)
Less: net income attributable to noncontrolling interests			(2)		(2)
Net loss attributable to Tyco Electronics Ltd.	$ (77)	$ (25)	$ (7)	$ 32	$ (77)

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended June 25, 2010

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 8,933	$	$ 8,933
Cost of sales			6,149		6,149
Gross margin			2,784		2,784
Selling, general, and administrative expenses	85	10	1,054		1,149
Research, development, and engineering expenses			427		427
Pre-separation litigation credits	(7)				(7)
Restructuring and other charges, net			81		81
Operating income (loss)	(78)	(10)	1,222		1,134
Interest income			14		14
Interest expense		(109)	(6)		(115)
Other income, net			125		125
Equity in net income of subsidiaries	898	940		(1,838)	
Intercompany interest and fees	(14)	77	(63)		
Income before income taxes	806	898	1,292	(1,838)	1,158
Income tax expense			(348)		(348)
Net income	806	898	944	(1,838)	810
Less: net income attributable to noncontrolling interests			(4)		(4)
Net income attributable to Tyco Electronics Ltd.	$ 806	$ 898	$ 940	$ (1,838)	$ 806

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended June 26, 2009

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 7,558	$	$ 7,558
Cost of sales			5,713		5,713
Gross margin			1,845		1,845
Selling, general, and administrative expenses	76	7	987		1,070
Research, development, and engineering expenses			405		405
Pre-separation litigation charges	144				144
Restructuring and other charges, net			329		329
Impairment of goodwill			3,547		3,547
Operating loss	(220)	(7)	(3,423)		(3,650)
Interest income			13		13
Interest expense		(116)	(9)		(125)
Other income, net			7		7
Equity in net loss of subsidiaries	(2,947)	(2,875)		5,822	
Equity in net loss of subsidiaries of discontinued operations	(166)	(166)		332	
Intercompany interest and fees	(23)	51	(28)		
Loss from continuing operations before income taxes	(3,356)	(3,113)	(3,440)	6,154	(3,755)
Income tax benefit			570		570
Loss from continuing operations	(3,356)	(3,113)	(2,870)	6,154	(3,185)
Loss from discontinued operations, net of income taxes			(166)		(166)
Net loss	(3,356)	(3,113)	(3,036)	6,154	(3,351)
Less: net income attributable to noncontrolling interests			(5)		(5)
Net loss attributable to Tyco Electronics Ltd.	$ (3,356)	$ (3,113)	$ (3,041)	$ 6,154	$ (3,356)

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING BALANCE SHEET
As of June 25, 2010

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current Assets:					
Cash and cash equivalents	$	$	$ 1,815	$	$ 1,815
Accounts receivable, net			2,216		2,216
Inventories			1,586		1,586
Intercompany receivables	20		23	(43)	
Prepaid expenses and other current assets	84	4	475		563
Deferred income taxes			153		153
Total current assets	104	4	6,268	(43)	6,333
Property, plant, and equipment, net			2,787		2,787
Goodwill			3,155		3,155
Intangible assets, net			398		398
Deferred income taxes			2,419		2,419
Investment in subsidiaries	7,034	8,690		(15,724)	
Intercompany loans receivable	8	5,404	4,809	(10,221)	
Receivable from Tyco International Ltd. and Covidien plc			1,156		1,156
Other assets		13	208		221
Total Assets	$ 7,146	$ 14,111	$ 21,200	$ (25,988)	$ 16,469
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$	$	$ 107	$	$ 107
Accounts payable	1		1,393		1,394
Accrued and other current liabilities	311	37	1,323		1,671
Deferred revenue			165		165
Intercompany payables	21	3	19	(43)	
Total current liabilities	333	40	3,007	(43)	3,337
Long-term debt		2,236	72		2,308
Intercompany loans payable	13	4,796	5,412	(10,221)	
Long-term pension and postretirement liabilities			1,077		1,077
Deferred income taxes			237		237
Income taxes			2,183		2,183
Other liabilities		5	522		527
Total Liabilities	346	7,077	12,510	(10,264)	9,669

Total Shareholders' Equity		6,800		7,034		8,690		(15,724)	6,800
Total Liabilities and Shareholders' Equity	$	7,146	$	14,111	$	21,200	$	(25,988)	$ 16,469

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING BALANCE SHEET
As of September 25, 2009

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current Assets:					
Cash and cash equivalents	$	$	$ 1,521	$	$ 1,521
Accounts receivable, net			1,975		1,975
Inventories			1,435		1,435
Intercompany receivables	2			(2)	
Prepaid expenses and other current assets	75	1	411		487
Deferred income taxes			161		161
Total current assets	77	1	5,503	(2)	5,579
Property, plant, and equipment, net			3,111		3,111
Goodwill			3,160		3,160
Intangible assets, net			407		407
Deferred income taxes			2,397		2,397
Investment in subsidiaries	7,045	8,659		(15,704)	
Intercompany loans receivable	10	6,128	5,468	(11,606)	
Receivable from Tyco International Ltd. and Covidien plc			1,130		1,130
Other assets		12	222		234
Total Assets	$ 7,132	$ 14,800	$ 21,398	$ (27,312)	$ 16,018
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$	$	$ 101	$	$ 101
Accounts payable	2		1,066		1,068
Accrued and other current liabilities	109	63	1,071		1,243
Deferred revenue			203		203
Intercompany payables			2	(2)	
Total current liabilities	111	63	2,443	(2)	2,615
Long-term debt		2,239	77		2,316
Intercompany loans payable	15	5,453	6,138	(11,606)	
Long-term pension and postretirement liabilities			1,129		1,129
Deferred income taxes			188		188
Income taxes			2,130		2,130
Other liabilities			634		634

Total Liabilities	126	7,755	12,739	(11,608)	9,012
Total Shareholders' Equity	7,006	7,045	8,659	(15,704)	7,006
Total Liabilities and Shareholders' Equity	$ 7,132	$ 14,800	$ 21,398	$ (27,312)	$ 16,018

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended June 25, 2010

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ (95)	$ (70)	$ 1,370	$	$ 1,205
Cash Flows From Investing Activities:					
Capital expenditures			(249)		(249)
Proceeds from sale of property, plant, and equipment			5		5
Acquisition of businesses, net of cash acquired			(70)		(70)
Proceeds from divestiture of business, net of cash retained by business sold			12		12
Change in intercompany loans	(3)	70		(67)	
Other	(24)		4		(20)
Net cash provided by (used in) investing activities	(27)	70	(298)	(67)	(322)
Cash Flows From Financing Activities:					
Changes in parent company equity	335		(335)		
Repurchase of common shares			(373)		(373)
Payment of cash distributions to shareholders	(225)		7		(218)
Loan borrowing from parent			(67)	67	
Other	12		(8)		4
Net cash provided by (used in) financing activities	122		(776)	67	(587)
Effect of currency translation on cash			(2)		(2)
Net increase in cash and cash equivalents			294		294
Cash and cash equivalents at beginning of period			1,521		1,521
Cash and cash equivalents at end of period	$	$	$ 1,815	$	$ 1,815

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TYCO ELECTRONICS LTD.

NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended June 26, 2009

	Tyco Electronics Ltd.	Tyco Electronics Group S.A.	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities	$ (183)	$ 36	$ 976	$	$ 829
Net cash used in discontinued operating activities			(42)		(42)
Net cash provided by (used in) operating activities	(183)	36	934		787
Cash Flows From Investing Activities:					
Capital expenditures			(270)		(270)
Proceeds from sale of property, plant, and equipment			9		9
Proceeds from divestiture of discontinued operations, net of cash retained by operations sold			694		694
Proceeds from divestiture of businesses, net of cash retained by businesses sold			16		16
Change in intercompany loans	121	610		(731)	
Other			(2)		(2)
Net cash provided by continuing investing activities	121	610	447	(731)	447
Net cash used in discontinued investing activities			(3)		(3)
Net cash provided by investing activities	121	610	444	(731)	444
Cash Flows From Financing Activities:					
Net decrease in commercial paper		(649)			(649)
Proceeds from long-term debt		442	6		448
Repayment of long-term debt		(442)	(19)		(461)
Changes in parent company equity	435	3	(438)		
Repurchase of common shares	(152)				(152)
Payment of common share dividends	(221)				(221)
Loan borrowing from parent			(731)	731	
Transfer to discontinued operations			(49)		(49)
Other			(3)		(3)
Net cash provided by (used in) continuing financing activities	62	(646)	(1,234)	731	(1,087)
Net cash provided by discontinued financing activities			49		49
Net cash provided by (used in) financing activities	62	(646)	(1,185)	731	(1,038)

Effect of currency translation on cash			(21)		(21)
Net increase in cash and cash equivalents			172		172
Less: net increase in cash and cash equivalents related to discontinued operations			(4)		(4)
Cash and cash equivalents at beginning of period			1,090		1,090
Cash and cash equivalents at end of period	$	$	$ 1,258	$	$ 1,258

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

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

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

Overview

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

Our business and operating results have been and will continue to be affected by worldwide economic conditions. Our sales are dependent on certain industry end markets that are impacted by consumer as well as industrial and infrastructure spending, and our operating results can be adversely affected by reduced demand in those markets. Overall, our net sales increased 23% and 18% in the third quarter and first nine months of fiscal 2010, respectively, as compared to the same periods of fiscal 2009. Our sales into consumer based markets, particularly in the automotive and appliance end markets, and more recently in the industrial and infrastructure based markets, in our Electronic Components segment have improved relative to last year but still remain below fiscal 2008 levels. Sales in the industrial and infrastructure end markets served by our Network Solutions segment improved in the third quarter of fiscal 2010 exceeding sales of the third quarter of fiscal 2009 but remained below fiscal 2009 levels on a year to date basis. Sales in our Specialty Products segment continue to improve and were above fiscal 2009 levels for the third quarter and on a year to date basis. Revenues and operating income in our Subsea Communications segment remained below fiscal 2009 levels due to lower levels of project activity. Relative to the third quarter of fiscal 2010, we expect fourth quarter sales in the consumer based markets to be down slightly, modest growth in the industrial and infrastructure based markets, and lower project revenue in our Subsea Communications segment. On a company-wide basis, assuming current foreign exchange rates, net sales in the fourth quarter of fiscal 2010 are expected to be in the range of $3.05 to $3.15 billion, an increase of 13 to 17 percent over the prior year.

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

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Acquisitions

On May 14, 2010, we acquired certain assets of the Optical Products Group of Zarlink Semiconductor Inc. for $15 million in cash. The assets acquired, primarily definite-lived intangible assets, inventory, and property, plant, and equipment, are reported as part of the Communications and Industrial Solutions business within the Electronic Components segment.

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

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

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

Divestitures

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

During the second quarter of fiscal 2009, we completed the sale of the Battery Systems business, which was part of the Electronic Components segment, for net cash proceeds of $14 million after working capital adjustments. The divestiture resulted in a pre-tax loss on the sale of $7 million.

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

Discontinued Operations

In May 2009, we completed the sale of our Wireless Systems business for $665 million in net cash proceeds and recognized a pre-tax gain of $55 million on the transaction. The Wireless Systems business has been included in discontinued operations in all periods presented in our Condensed Consolidated Financial Statements. Prior to reclassification to held for sale and discontinued operations, the Wireless Systems business was a component of our former Wireless Systems segment.

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Manufacturing Simplification

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

In connection with our manufacturing simplification plan, we expect to incur restructuring charges of approximately $115 million during fiscal 2010 and 2011. In the first nine months of fiscal 2010, cash spending related to restructuring was $152 million, and we expect total restructuring spending to be approximately $190 million in fiscal 2010, relating to both manufacturing simplification and prior year business resizing. Annualized cost savings related to the manufacturing simplification plan are expected to be approximately $30 million. These costs exclude potential restructuring costs that may arise from the acquisition of ADC. See Note 23 to the Condensed Consolidated Financial Statements for additional information regarding the acquisition of ADC.

Correction of Immaterial Errors

During the third quarter of fiscal 2010, we identified certain errors in our accounting for income taxes. These errors related to the adoption of the uncertain tax position provisions of Accounting Standards Codification ("ASC") 740, *Income Taxes*, in fiscal 2008 and data utilized in the determination of our income tax provision in fiscal 2005 through fiscal 2009.

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

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

We have evaluated the effects of these errors individually and in the aggregate and determined that our prior period financial statements are not materially misstated. However, we have determined that the cumulative effect of correcting these errors in the third quarter of fiscal 2010 would be material to the fiscal 2010 financial statements. Therefore, we have corrected these errors in the affected prior periods and presented the results in this quarterly report. See Note 2 to the Condensed Consolidated Financial Statements for additional information regarding the correction of immaterial errors. The tables and discussion below reflect the corrected amounts for the quarter and nine months ended June 26, 2009.

Non-GAAP Financial Measures

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

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management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity.

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

Results of Operations

Consolidated Operations

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

Raw material prices. We expect to purchase approximately 170 million pounds of copper and approximately 200,000 troy ounces of gold in fiscal 2010. During the periods shown, gold prices, as well as the prices of certain other raw materials, have been volatile. Current year copper and gold prices have increased from prior year levels. The following table sets forth the average prices incurred related to copper and gold during the periods presented:

		For the Quarters Ended		For the Nine Months Ended	
	Measure	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
Copper	Lb.	$ 3.15	$ 2.42	$ 3.11	$ 2.71
Gold	Troy oz.	$ 1,144	$ 893	$ 1,096	$ 841

Foreign exchange. Approximately 55% of our net sales are invoiced in currencies other than the U.S. Dollar. Our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. Dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. Dollars at the end

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of each fiscal period. The percentage of net sales in the nine months ended June 25, 2010 by major currencies invoiced was as follows:

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

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

	For the Quarters Ended				For the Nine Months Ended			
	June 25, 2010		June 26, 2009		June 25, 2010		June 26, 2009	
	($ in millions)							
Net sales	$ 3,084	100.0%	$ 2,508	100.0%	$ 8,933	100.0%	$ 7,558	100.0%
Cost of sales	2,099	68.1	1,921	76.6	6,149	68.8	5,713	75.6
Gross margin	985	31.9	587	23.4	2,784	31.2	1,845	24.4
Selling, general, and administrative expenses	375	12.2	330	13.2	1,149	12.9	1,070	14.2
Research, development, and engineering expenses	147	4.8	130	5.2	427	4.8	405	5.4
Pre-separation litigation (credits) charges	(7)	(0.2)			(7)	(0.1)	144	1.9
Restructuring and other charges, net	3	0.1	63	2.5	81	0.9	329	4.4
Impairment of goodwill							3,547	46.9
Operating income (loss)	467	15.1	64	2.6	1,134	12.7	(3,650)	(48.3)
Interest income	4	0.1	4	0.2	14	0.2	13	0.2
Interest expense	(38)	(1.2)	(42)	(1.7)	(115)	(1.3)	(125)	(1.7)
Other income, net	42	1.4	5	0.2	125	1.4	7	0.1
Income (loss) from continuing operations before income taxes	475	15.4	31	1.2	1,158	13.0	(3,755)	(49.7)
Income tax (expense) benefit	(144)	(4.7)	(6)	(0.2)	(348)	(3.9)	570	7.5
Income (loss) from continuing operations	331	10.7	25	1.0	810	9.1	(3,185)	(42.1)
Loss from discontinued operations, net of income taxes			(100)	(4.0)			(166)	(2.2)
Net income (loss)	331	10.7	(75)	(3.0)	810	9.1	(3,351)	(44.3)
Less: net income attributable to noncontrolling interests	(1)		(2)	(0.1)	(4)		(5)	(0.1)
Net income (loss) attributable to Tyco Electronics Ltd.	$ 330	10.7%	$ (77)	(3.1)%	$ 806	9.0%	$ (3,356)	(44.4)%

Net Sales. Net sales increased $576 million, or 23.0%, to $3,084 million in the third quarter of fiscal 2010 from $2,508 million in the third quarter of fiscal 2009. In the first nine months of fiscal 2010, net sales increased $1,375 million, or 18.2%, to $8,933 million, from $7,558 million in the first nine months of fiscal 2009. On an organic basis, net sales increased $609 million, or 24.3%, in the third

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quarter of fiscal 2010 and $1,196 million, or 15.8%, in the first nine months of fiscal 2010. These increases primarily resulted from strong growth in our Electronic Components segment and, to a lesser degree, our Specialty Products segment partially offset by declines in our Subsea Communications segment. Foreign currency exchange rates, primarily the Euro, negatively impacted net sales by $18 million, or 0.7%, in the third quarter of fiscal 2010. In the first nine months of fiscal 2010, foreign currency exchange rates positively impacted net sales by $250 million, or 3.3%. Price erosion adversely affected net sales by $38 million and $127 million in the third quarter and first nine months of fiscal 2010, respectively. See further discussion below under Results of Operations by Segment.

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

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
Europe/Middle East/Africa (EMEA)	34%	34%	35%	34%
Asia-Pacific	34	29	33	28
Americas[1]	32	37	32	38
Total	100%	100%	100%	100%

(1) The Americas includes our Subsea Communications segment.

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

	Change in Net Sales for the Quarter Ended June 25, 2010 versus Net Sales for the Quarter Ended June 26, 2009						Change in Net Sales for the Nine Months Ended June 25, 2010 versus Net Sales for the Nine Months Ended June 26, 2009					
	Organic[1]		Translation[2]	Divestitures	Total		Organic[1]		Translation[2]	Divestitures	Total	
	($ in millions)											
EMEA	$ 254	29.5%	$ (61)	$	$ 193	22.3%	$ 438	16.9%	$ 98	$ (3)	$ 533	20.5%
Asia-Pacific	314	43.9	32	(10)	336	46.9	803	38.4	106	(19)	890	42.5
Americas[3]	41	4.5	11	(5)	47	5.1	(45)	(1.5)	46	(49)	(48)	(1.7)
Total	$ 609	24.3%	$ (18)	$ (15)	$ 576	23.0%	$ 1,196	15.8%	$ 250	$ (71)	$ 1,375	18.2%

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

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

(3) The Americas includes our Subsea Communications segment.

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

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
Electronic Components	67%	57%	67%	57%

Network Solutions	14	17	14	17
Specialty Products	13	13	13	14
Subsea Communications	6	13	6	12
Total	100%	100%	100%	100%

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

	Change in Net Sales for the Quarter Ended June 25, 2010 versus Net Sales for the Quarter Ended June 26, 2009						Change in Net Sales for the Nine Months Ended June 25, 2010 versus Net Sales for the Nine Months Ended June 26, 2009					
	Organic[1]		Translation[2]	Divestitures	Total		Organic[1]		Translation[2]	Divestitures	Total	
	($ in millions)											
Electronic Components	$ 666	46.1%	$ (13)	$ (3)	$ 650	45.6%	$ 1,519	34.7%	$ 168	$ (47)	$ 1,640	37.9%
Network Solutions	34	8.0	(5)	(12)	17	4.0	(58)	(4.5)	57	(24)	(25)	(1.9)
Specialty Products	58	17.2			58	17.1	49	4.5	25		74	7.0
Subsea Communications	(149)	(46.7)			(149)	(46.7)	(314)	(35.2)			(314)	(35.2)
Total	$ 609	24.3%	$ (18)	$ (15)	$ 576	23.0%	$ 1,196	15.8%	$ 250	$ (71)	$ 1,375	18.2%

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

(2) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Gross Margin. Gross margin as a percentage of net sales increased to 31.9% in the third quarter of fiscal 2010 as compared to 23.4% in the same period of fiscal 2009. In the first nine months of fiscal 2010, gross margin as a percentage of sales increased to 31.2% from 24.4% in the first nine months of fiscal 2009. The increases were due primarily to cost reductions achieved from restructuring actions implemented during fiscal 2009.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses as a percentage of net sales decreased to 12.2% in the third quarter of fiscal 2010 as compared to 13.2% in the same period of fiscal 2009. In the first nine months of fiscal 2010, selling, general, and administrative expenses as a percentage of net sales decreased to 12.9% from 14.2% in the first nine months of fiscal 2009. First quarter fiscal 2009 results included a net loss of approximately $50 million primarily associated with the termination of economic hedges of certain anticipated future transactions and resulting primarily from the devaluation of certain eastern European currencies. Excluding this item, selling, general, and administrative expenses in both the third quarter and first nine months of fiscal 2010 decreased as a percentage of net sales as compared to the same periods of fiscal 2009 as a result of increased sales and cost reductions achieved from restructuring actions implemented during fiscal 2009.

Research, Development, and Engineering Expenses. Research, development, and engineering expenses as a percentage of net sales were 4.8% in the third quarter of fiscal 2010 as compared to 5.2% in the third quarter of fiscal 2009. In the first nine months of fiscal 2010, research, development, and engineering expenses as a percentage of net sales decreased to 4.8% from 5.4% in the first nine months of fiscal 2009. The decreases as a percentage of net sales were attributable to higher net sales in the third quarter and first nine months of fiscal 2010 partially offset by increased investment in research and development resources during those same periods.

Pre-separation Litigation (Credits) Charges. In the third quarter of fiscal 2010, we recorded pre-separation litigation credits of $7 million. There were no such credits or charges in the third quarter of fiscal 2009. We recorded pre-separation litigation credits of $7 million and charges of $144 million during the first nine months of fiscal 2010 and 2009, respectively.

In the third quarter of fiscal 2010, Tyco International settled securities litigation captioned *Stumpf v. Tyco International Ltd., et al.*, for $79 million. Pursuant to the sharing formula in the Separation and Distribution Agreement, our share of the settlement amount was $24 million. As discussed below, we had previously established reserves for this case. As of June 25, 2010, there were no remaining significant securities lawsuits outstanding and we concluded that reserves of $22 million could be released. Accordingly, pursuant to the sharing formula, we recorded income of $7 million during the third quarter of fiscal 2010.

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

During the prior periods covered by this Quarterly Report, we, Tyco International, and Covidien plc ("Covidien") entered into definitive agreements to settle actions captioned *Hess v. Tyco International Ltd., et al.* and *Sciallo v. Tyco International Ltd., et al.* and opt-out cases brought by Franklin Mutual Advisors, LLC and related plaintiffs, the Public Employees' Retirement Association of Colorado, and the Commonwealth of Massachusetts Pension Reserves Investment Management Board. During the first nine months of fiscal 2009, pursuant to the sharing formula in the Separation and Distribution Agreement, we recorded charges of $28 million for which no tax benefit was available.

See Note 13 to the Condensed Consolidated Financial Statements for additional information regarding pre-separation securities proceedings and settlements.

Restructuring and Other Charges, Net. Net restructuring and other charges were $3 million in the third quarter of fiscal 2010 as compared to $63 million in the same period of fiscal 2009. In the first nine months of fiscal 2010, net restructuring and other charges were $81 million as compared to $329 million in the first nine months of fiscal 2009. Total charges, including amounts reflected in cost of sales, decreased $250 million to $78 million in the first nine months of fiscal 2010 from $328 million in the first nine months of fiscal 2009. Fiscal 2010 actions primarily relate to headcount reductions in the Electronic Component and Specialty Products segments. Fiscal 2009 actions reduced costs in response to market conditions and primarily related to headcount reductions and manufacturing site closures in the Electronic Components, Network Solutions, and Specialty Products segments. As discussed above, charges in the first nine months of fiscal 2010 included a long-lived asset impairment of $12 million and a loss on divestiture of $1 million related to the divestiture of the Dulmison connectors and fittings product line which was part of the energy business in our Network Solutions segment. Charges in the first nine months of fiscal 2009 included a loss on divestiture and impairment of long-lived assets of $9 million primarily related to the sale of the Battery Systems business which was part of the Electronic Components segment. See Note 4 to the Condensed Consolidated Financial Statements for further information regarding net restructuring and other charges.

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

Operating Income (Loss). Operating income was $467 million in the third quarter of fiscal 2010 as compared to $64 million in the same period of fiscal 2009. As discussed above, results included net restructuring and other charges of $3 million and $63 million in the third quarter of fiscal 2010 and 2009, respectively. Also, third quarter fiscal 2010 results included pre-separation litigation credits of $7 million. Excluding these items, the increase in operating income resulted from increased sales levels and related gross margin and higher gross margins as a percentage of sales, primarily related to cost reduction benefits from restructuring actions implemented in fiscal 2009.

Operating income was $1,134 million in the first nine months of fiscal 2010 as compared to an operating loss of $3,650 million in the first nine months of fiscal 2009. Included in operating income for the first nine months of fiscal 2010 were net restructuring and other charges of $78 million and pre-separation litigation credits of $7 million. In the first nine months of fiscal 2009, results included goodwill impairment charges, restructuring and other charges, and pre-separation litigation charges of $3,547 million, $328 million, and $144 million, respectively. Also, fiscal 2009 results included a net loss of approximately $50 million primarily associated with the termination of economic hedges of certain anticipated future transactions and resulting primarily from the devaluation of certain eastern European currencies. Excluding these items, the increase in operating income was attributable to increased sales levels and related gross margin and higher gross margins as a percentage of sales, primarily related to cost reduction benefits from restructuring actions implemented in fiscal 2009.

Results of Operations by Segment

Electronic Components

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	($ in millions)			
Net sales	$ 2,074	$ 1,424	$ 5,969	$ 4,329
Operating income (loss)	$ 298	$ (82)	$ 723	$ (3,754)
Operating margin	14.4%	NM(1)	12.1%	NM(1)

(1) Not meaningful.

The following table sets forth Electronic Components' percentage of total net sales by primary industry end market[(1)]:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
Automotive	50%	50%	52%	46%
DataComm	13	13	12	15
Industrial	11	10	11	12
Appliance	7	7	7	7
Computer	6	7	6	7
Consumer Devices	5	6	5	6
Other	8	7	7	7
Total	100%	100%	100%	100%

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

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The following table provides an analysis of the change in Electronic Components' net sales by primary industry end market[1]:

	Change in Net Sales for the Quarter Ended June 25, 2010 versus Net Sales for the Quarter Ended June 26, 2009						Change in Net Sales for the Nine Months Ended June 25, 2010 versus Net Sales for the Nine Months Ended June 26, 2009					
	Organic[2]		Translation[3]	Divestiture	Total		Organic[2]		Translation[3]	Divestiture	Total	
	($ in millions)											
Automotive	$ 341	46.6%	$ (13)	$	$ 328	46.3%	$ 1,009	49.2%	$ 107	$	$ 1,116	56.9%
DataComm	71	37.2	(1)		70	36.8	57	8.6	13	(18)	52	7.9
Industrial	92	64.6		(2)	90	62.9	124	25.2	21	(2)	143	29.1
Appliance	51	51.2	2		53	53.0	113	37.9	14		127	42.8
Computer	31	32.1	2		33	34.0	46	14.4	4	(3)	47	14.8
Consumer Devices	10	10.4	(2)	(1)	7	7.6	51	18.5		(21)	30	10.8
Other	70	74.0	(1)		69	73.4	119	36.9	9	(3)	125	38.7
Total	$ 666	46.1%	$ (13)	$ (3)	$ 650	45.6%	$ 1,519	34.7%	$ 168	$ (47)	$ 1,640	37.9%

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

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

(3) Represents the change in net sales resulting from changes in foreign currency exchange rates.

Quarter Ended June 25, 2010 Compared to Quarter Ended June 26, 2009

In the third quarter of fiscal 2010, Electronic Components' net sales increased $650 million, or 45.6%, to $2,074 million from $1,424 million in the same period of fiscal 2009. The weakening of certain foreign currencies negatively affected net sales by $13 million, or 0.2%, in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales increased by $666 million, or 46.1%, in the third quarter of fiscal 2010.

Electronic Components' organic net sales growth was 46.6% in the automotive market in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009. The increase was broad-based and resulted from growth of 60% in the Asia-Pacific region, 58% in the Americas region, and 36% in the EMEA region driven by increases in vehicle production and, to a lesser degree, replenishment of inventory in the supply chain across all regions. In the DataComm market, our organic net sales increased 37.2% in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009 due to an increase in sales of our interconnect components to communications equipment manufacturers. In the third quarter of fiscal 2010, our organic net sales increased 64.6% in the industrial market as compared to the third quarter of fiscal 2009 primarily as a result of increased demand for factory automation and other industrial equipment due to increases in capital investments in emerging markets and general strengthening of demand. In the appliance market, our organic net sales growth of 51.2% in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009 was due to improved consumer demand across all regions. Our organic net sales growth of 32.1% in the computer market in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009 was attributable to continued recovery in emerging markets and rising demand for notebook computers. In the consumer devices market, our organic net sales growth of 10.4% in the third quarter of fiscal 2010 as compared to the third quarter of fiscal 2009 was due to an increase in sales to mobile phone manufacturers as well as improving demand for consumer electronics and business retail equipment.

Electronic Components had operating income of $298 million in the third quarter of fiscal 2010 as compared to an operating loss of $82 million in the third quarter of fiscal 2009. Segment results included restructuring and other charges of $4 million and $46 million in the third quarter of fiscal 2010 and 2009, respectively. Excluding these items, the remaining increase in operating income resulted

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from increases in sales and related gross margin and higher gross margins as a percentage of sales, primarily related to cost reduction benefits from restructuring actions implemented in fiscal 2009.

Nine Months Ended June 25, 2010 Compared to Nine Months Ended June 26, 2009

Electronic Components' net sales increased $1,640 million, or 37.9%, to $5,969 million in the first nine months of fiscal 2010 from $4,329 million in the same period of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by $168 million, or 4.3%, in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales growth of $1,519 million, or 34.7%, in the first nine months of fiscal 2010 over the first nine months of fiscal 2009 was due primarily to growth in the automotive market of $1,009 million and, to a lesser degree, growth in the industrial and appliance end markets.

Our organic net sales growth was 49.2% in the automotive market in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009. The increase was broad-based and resulted from growth of 80% in the Asia-Pacific region, 42% in the Americas region, and 37% in the EMEA region driven by increases in vehicle production and replenishment of inventory in the supply chain across all regions. Our organic net sales increased 8.6% in the DataComm market in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009 as a result of an increase in sales of our interconnect components to communication equipment manufacturers. In the industrial market, our organic net sales increased 25.2% in the first nine months of fiscal 2010, as compared to the first nine months of fiscal 2009 due primarily to increased demand for factory automation and other industrial equipment in emerging markets. Our organic net sales growth of 37.9% in the appliance market in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009 was attributable to improved consumer demand across all regions. In the first nine months of fiscal 2010, our organic net sales growth of 14.4% in the computer market as compared to the same period of fiscal 2009 resulted from rising demand for notebook computers. Our organic net sales growth of 18.5% in the consumer devices market in the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009 was due primarily to an increase in sales to mobile phone manufacturers.

Electronic Components had operating income of $723 million in the first nine months of fiscal 2010 as compared to an operating loss of $3,754 million in the first nine months of fiscal 2009. Segment results included restructuring and other charges of $56 million and $254 million in the first nine months of fiscal 2010 and 2009, respectively. Also, during the first nine months of fiscal 2009, segment results included $3,435 million of goodwill impairment charges. Excluding these items, the remaining increase resulted from increases in sales and related gross margin and higher gross margins as a percentage of sales, primarily related to cost reduction benefits from restructuring actions implemented in fiscal 2009.

Network Solutions

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	($ in millions)			
Net sales	$ 442	$ 425	$ 1,258	$ 1,283
Operating income	$ 60	$ 31	$ 122	$ 96
Operating margin	13.6%	7.3%	9.7%	7.5%

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The following table sets forth Network Solutions' percentage of total net sales by primary industry end market[(1)]:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
Energy	43%	46%	45%	46%
Service Providers	30	29	27	29
Enterprise Networks	26	24	26	24
Other	1	1	2	1
Total	100%	100%	100%	100%

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

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

	Change in Net Sales for the Quarter Ended June 25, 2010 versus Net Sales for the Quarter Ended June 26, 2009						Change in Net Sales for the Nine Months Ended June 25, 2010 versus Net Sales for the Nine Months Ended June 26, 2009					
	Organic[(2)]		Translation[(3)]	Divestiture	Total		Organic[(2)]		Translation[(3)]	Divestiture	Total	
	($ in millions)											
Energy	$ 9	4.4%	$ (4)	$ (12)	$ (7)	(3.6)%	$ (32)	(5.3)%	$ 28	$ (24)	$ (28)	(4.7)%
Service Providers	9	7.3	(1)		8	6.5	(42)	(11.3)	14		(28)	(7.5)
Enterprise Networks	16	15.5			16	16.0	15	5.2	14		29	9.7
Other							1	8.0	1		2	11.1
Total	$ 34	8.0%	$ (5)	$ (12)	$ 17	4.0%	$ (58)	(4.5)%	$ 57	$ (24)	$ (25)	(1.9)%

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

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

(3) Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

Quarter Ended June 25, 2010 Compared to Quarter Ended June 26, 2009

Network Solutions' net sales increased $17 million, or 4.0%, to $442 million in the third quarter of fiscal 2010 from $425 million in the third quarter of fiscal 2009. The weakening of certain foreign currencies negatively affected net sales by $5 million, or 1.2%, in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales increased $34 million, or 8.0%, in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009.

In the third quarter of fiscal 2010, our organic net sales increased 4.4% in the energy market as compared to the third quarter of fiscal 2009 as a result of improved demand in the utilities and transmission markets. In the service providers market, our organic net sales increase of 7.3% in the third quarter of fiscal 2010 as compared to the same period of fiscal 2009 was largely due to increased capital spending by telecommunications companies, particularly related to fiber networks. Our organic sales in the enterprise networks market increased 15.5% in the third quarter of fiscal 2010 from fiscal 2009 levels as a result of improving demand, primarily in Europe.

Network Solutions' operating income increased $29 million to $60 million in the third quarter of fiscal 2010 from $31 million in the same period of fiscal 2009. The increase in operating income in the third quarter of fiscal 2010 was primarily the result of higher gross margins as a percentage of sales due to cost reduction benefits from restructuring actions implemented in fiscal 2009 and a decrease in restructuring and other charges of $16 million as compared to the third quarter of fiscal 2009.

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Nine Months Ended June 25, 2010 Compared to Nine Months Ended June 26, 2009

In the first nine months of fiscal 2010, Network Solutions' net sales decreased $25 million, or 1.9%, to $1,258 million from $1,283 million in the first nine months of fiscal 2009. The strengthening of certain foreign currencies favorably affected net sales by $57 million, or 4.4%, in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales decreased $58 million, or 4.5%, in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009.

In the energy market, our organic net sales decrease of 5.3% in the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009 was due to lower investment levels by utilities and reduced customer inventory levels. In the service providers market, our organic net sales decrease of 11.3% in the first nine months of fiscal 2010 from fiscal 2009 levels was primarily attributable to reduced wireline capital spending by telecommunications companies. In the enterprise networks market, organic sales increased 5.2% in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009 as a result of improving demand, primarily in Asia and Europe.

In the first nine months of fiscal 2010, Network Solutions' operating income increased $26 million to $122 million from $96 million in the same period of fiscal 2009. The increase was attributable to a decrease in restructuring and other charges of $26 million in the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009.

Specialty Products

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	**June 26, 2009**	**June 25, 2010**	**June 26, 2009**
	($ in millions)			
Net sales	$ 398	$ 340	$ 1,127	$ 1,053
Operating income (loss)	$ 66	$ 42	$ 166	$ (13)
Operating margin	16.6%	12.4%	14.7%	NM(1)

(1) Not meaningful.

The following table sets forth Specialty Products' percentage of total net sales by primary industry end market[1]:

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	**June 26, 2009**	**June 25, 2010**	**June 26, 2009**
Aerospace, Defense, and Marine	40%	45%	40%	45%
Touch Systems	25	23	25	23
Circuit Protection	19	15	19	14
Medical	16	17	16	18
Total	100%	100%	100%	100%

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

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

	Change in Net Sales for the Quarter Ended June 25, 2010 versus Net Sales for the Quarter Ended June 26, 2009					Change in Net Sales for the Nine Months Ended June 25, 2010 versus Net Sales for the Nine Months Ended June 26, 2009				
	Organic[(2)]		Translation[(3)]	Total		Organic[(2)]		Translation[(3)]	Total	
	($ in millions)									
Aerospace, Defense, and Marine	$ 11	7.6%	$ (1)	$ 10	6.6%	$ (27)	(5.7)%	$ 8	$ (19)	(4.0)%
Touch Systems	24	31.2	(1)	23	29.5	30	12.2	5	35	14.5
Circuit Protection	20	39.3	2	22	42.3	54	36.8	9	63	42.0
Medical	3	4.5		3	5.1	(8)	(3.9)	3	(5)	(2.7)
Total	$ 58	17.2%	$	$ 58	17.1%	$ 49	4.5%	$ 25	$ 74	7.0%

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

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

(3) Represents the percentage change in net sales resulting from changes in foreign currency exchange rates.

Quarter Ended June 25, 2010 Compared to Quarter Ended June 26, 2009

In the third quarter of fiscal 2010, Specialty Products' net sales increased $58 million, or 17.1%, to $398 million from $340 million in the same period of fiscal 2009. Organic net sales increased $58 million, or 17.2%, during the third quarter of fiscal 2010 as compared to the third quarter of fiscal 2009.

Our organic net sales increased 7.6% in the aerospace, defense, and marine market in the third quarter of fiscal 2010 as compared to the same period in fiscal 2009 primarily as a result of increased demand in the commercial aircraft and defense markets partially offset by a reduction in the marine (oil and gas exploration) market. In the touch systems market, our organic net sales growth was 31.2% in the third quarter of fiscal 2010 as compared to the third quarter of fiscal 2009 reflecting improved demand in the retail sector particularly in Asia and North America. On an organic basis, our net sales growth of 39.3% in the circuit protection market during the third quarter of fiscal 2010 as compared to the same period in fiscal 2009 was due primarily to increased demand in the communications, consumer electronics, and automotive sectors. In the medical market, our organic net sales increased by 4.5% in the third quarter of fiscal 2010 as compared to the third quarter of fiscal 2009 due primarily to increased demand in disposable products as well as increased investments in capital equipment by healthcare providers.

Specialty Products' operating income increased $24 million to $66 million in the third quarter of fiscal 2010 from $42 million in the third quarter of fiscal 2009. The increase in operating income in the third quarter of fiscal 2010 was driven primarily by an increase in gross margin as a result of the increase in sales and cost reduction benefits from restructuring actions implemented in fiscal 2009.

Nine Months Ended June 25, 2010 Compared to Nine Months Ended June 26, 2009

Specialty Products' net sales increased $74 million, or 7.0%, to $1,127 million in the first nine months of fiscal 2010 from $1,053 million in the first nine months of fiscal 2009. The continued strength of certain foreign currencies positively affected net sales by $25 million, or 2.5%, in the first nine months of fiscal 2010 as compared to the same period of fiscal 2009. Organic net sales increased $49 million, or 4.5%, during the first nine months of fiscal 2010 as compared to the same period of fiscal 2009.

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In the aerospace, defense, and marine market, our organic net sales decline of 5.7% in the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009 was due to weak demand in the marine and commercial aircraft markets partially offset by growth in the defense end market. Our organic net sales growth of 12.2% in the touch systems market in the first nine months of fiscal 2010 over the same period of fiscal 2009 was due to improved demand in the retail sector particularly in Asia and North America, partially offset by continued weakness in global demand in the gaming markets. During the first nine months of fiscal 2010, our organic net sales growth of 36.8% in the circuit protection market as compared to the same period in fiscal 2009 resulted from increased demand in the communications, consumer electronics, and automotive sectors. In the medical market, our organic net sales decreased by 3.9% in the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009 as a result of lower capital spending by healthcare providers, partially offset by increased demand for disposable products.

Specialty Products' operating income increased $179 million to $166 million in the first nine months of fiscal 2010 from an operating loss of $13 million in the same period of fiscal 2009. In the first nine months of fiscal 2009, segment results were negatively impacted by $112 million of goodwill impairment charges. Excluding this item, the remaining increase in operating income was due primarily to a decrease in restructuring and other charges of $22 million as compared to the first nine months of fiscal 2009 and an increase in gross margin as a result of the increase in sales and cost reduction benefits from restructuring actions implemented in fiscal 2009.

Subsea Communications

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	($ in millions)			
Net sales	$ 170	$ 319	$ 579	$ 893
Operating income	$ 36	$ 73	$ 116	$ 165
Operating margin	21.2%	22.9%	20.0%	18.5%

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

Quarter Ended June 25, 2010 Compared to Quarter Ended June 26, 2009

In the third quarter of fiscal 2010, Subsea Communications' net sales decreased $149 million, or 46.7%, to $170 million from $319 million in the same period of fiscal 2009. The decrease resulted from the completion of certain large projects during fiscal 2009 and lower levels of project activity in fiscal 2010.

Subsea Communications' operating income decreased $37 million in the third quarter of fiscal 2010 to $36 million from $73 million in the third quarter of fiscal 2009. The decrease was primarily attributable to lower sales in the current fiscal year.

Nine Months Ended June 25, 2010 Compared to Nine Months Ended June 26, 2009

Subsea Communications' net sales decreased $314 million, or 35.2%, to $579 million in the first nine months of fiscal 2010 from $893 million in the first nine months of fiscal 2009. The decrease resulted from the completion of certain large projects during fiscal 2009 and lower levels of project activity in fiscal 2010.

In the first nine months of fiscal 2010, Subsea Communications' operating income decreased $49 million to $116 million from $165 million in the same period of fiscal 2009. The decrease resulted from lower sales in the current fiscal year partially offset by an increase in operating margin from project mix, favorable execution on projects, and recognition of revenue previously deferred as a result of cash collections.

Non-Operating Items

Interest Expense, Net

Net interest expense was $34 million in the third quarter of fiscal 2010 as compared to $38 million in the third quarter of fiscal 2009. In the first nine months of fiscal 2010, net interest expense was $101 million as compared to $112 million in the first nine months of fiscal 2009. The decreases were due primarily to lower average debt levels resulting in lower interest expense.

Other Income, Net

In the quarters ended June 25, 2010 and June 26, 2009, we recorded net other income of $42 million and $5 million, respectively, primarily consisting of income pursuant to the Tax Sharing Agreement with Tyco International and Covidien. The income in the third quarter of fiscal 2010 reflects a net increase to the receivable from Tyco International and Covidien primarily related to certain proposed adjustments to prior period income tax returns and related accrued interest, partially offset by a decrease related to the completion of certain non-U.S. audits of prior year income tax returns.

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

Income Taxes

We recorded a tax provision of $144 million and $6 million, an effective income tax rate of 30.3% and 19.4%, for the quarters ended June 25, 2010 and June 26, 2009, respectively. The effective income tax rate for the quarter ended June 25, 2010 reflects a charge of $124 million primarily associated with certain proposed adjustments to prior year income tax returns and related accrued interest as well as an income tax benefit of $98 million recognized in connection with the completion of certain non-U.S. audits of prior year income tax returns. In addition, the effective income tax rate for the quarter ended June 25, 2010 reflects tax benefits recognized in connection with anticipated increased profitability in fiscal 2010 in certain entities operating in lower tax rate jurisdictions. The effective income tax rate for the quarter ended June 26, 2009 reflects the tax benefits recognized in connection with fiscal 2009 profitability in certain entities operating in lower tax rate jurisdictions partially offset by accruals of interest and taxes related to uncertain tax positions.

For the nine months ended June 25, 2010 and June 26, 2009, we recorded a tax provision of $348 million, an effective income tax rate of 30.1%, and a tax benefit of $570 million, an effective income tax rate of 15.2%, respectively. The effective income tax rate for the nine months ended June 25, 2010 reflects a charge of $242 million primarily associated with certain proposed adjustments to prior year income tax returns and related accrued interest as well as an income tax benefit of $98 million recognized in connection with the completion of certain non-U.S. audits of prior year

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income tax returns. In addition, the effective income tax rate for the nine months ended June 25, 2010 reflects an income tax benefit of $72 million recognized in connection with a reduction in the valuation allowance associated with tax loss carryforwards in certain non-U.S. locations and tax benefits recognized in connection with anticipated increased profitability in fiscal 2010 in certain entities operating in lower tax rate jurisdictions. The effective income tax rate for the nine months ended June 26, 2009 was impacted by a $3,547 million pre-tax impairment of goodwill for which a tax benefit was not fully recognized as well as a $144 million pre-tax charge related to pre-separation securities litigation, for which no tax benefit was recorded.

Loss from Discontinued Operations, Net of Income Taxes

For the third quarter and first nine months of fiscal 2009, loss from discontinued operations was $100 million and $166 million, respectively. Loss from discontinued operations for the third quarter of fiscal 2009 included a pre-tax gain of $55 million on the divestiture of the Wireless Systems business. In the first nine months of fiscal 2009, loss from discontinued operations included pre-tax charges of $111 million related to the Wireless Systems business' contract with the State of New York. See Notes 5 and 13 to the Condensed Consolidated Financial Statements for additional information regarding discontinued operations and the State of New York contract.

Liquidity and Capital Resources

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

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Net cash provided by operating activities	$ 375	$ 330	$ 1,205	$ 787
Net cash provided by (used in) investing activities	(123)	616	(322)	444
Net cash used in financing activities	(274)	(415)	(587)	(1,038)
Effect of currency translation on cash	(2)	5	(2)	(21)
Net increase (decrease) in cash and cash equivalents	$ (24)	$ 536	$ 294	$ 172

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future. We may use excess cash to reduce our outstanding debt levels, including through the possible repurchase of our public debt in accordance with applicable law, to purchase a portion of our common shares pursuant to our authorized share repurchase program, to pay distributions or dividends on our common shares, or to acquire strategic businesses or product lines. We intend to fund the acquisition of ADC with approximately $1 billion of available cash and the remainder through the issuance of debt. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets, to respond as necessary to changing conditions.

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Cash Flows from Operating Activities

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

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Operating income (loss)	$ 467	$ 64	$ 1,134	$ (3,650)
Impairment of goodwill				3,547
Depreciation and amortization	129	130	395	382
Deferred income taxes	120	(10)	275	(685)
Provisions for losses on accounts receivable and inventories	(1)	19	(1)	57
Other, net	40	24	94	78
Changes in assets and liabilities, net:				
Accounts receivable, net	(228)	(53)	(374)	779
Inventories	(132)	264	(261)	471
Accounts payable	107	74	367	(470)
Other	51	(132)	25	(138)
Interest income	4	4	14	13
Interest expense	(38)	(42)	(115)	(125)
Income tax expense	(144)	(6)	(348)	570
Net cash provided by continuing operating activities	375	336	1,205	829
Net cash used in discontinued operating activities		(6)		(42)
Net cash provided by operating activities	$ 375	$ 330	$ 1,205	$ 787

Net cash provided by continuing operating activities increased $39 million to $375 million in the third quarter of fiscal 2010 as compared to $336 million in the third quarter of fiscal 2009. In the first nine months of fiscal 2010, net cash provided by continuing operations increased $376 million to $1,205 million from $829 million in the same period of fiscal 2009. The increases primarily resulted from increases in income levels, partially offset by increased working capital to support current business levels. The amount of income taxes paid, net of refunds, was $25 million and $15 million, for the third quarter of fiscal 2010 and 2009, respectively, and $73 million and $87 million for the first nine months of fiscal 2010 and 2009, respectively.

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Cash Flows from Investing Activities

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

	For the Quarters Ended June 25, 2010	For the Quarters Ended June 26, 2009	For the Nine Months Ended June 25, 2010	For the Nine Months Ended June 26, 2009
	(in millions)			
Capital expenditures	$ (92)	$ (61)	$ (249)	$ (270)
Proceeds from sale of property, plant, and equipment		2	5	9
Acquisition of businesses, net of cash acquired	(15)		(70)	
Proceeds from divestiture of discontinued operations, net of cash retained by operations sold		665		694
Proceeds from divestiture of businesses, net of cash retained by businesses sold		10	12	16
Other	(16)	1	(20)	(2)
Net cash provided by (used in) continuing investing activities	(123)	617	(322)	447
Net cash used in discontinued investing activities		(1)		(3)
Net cash provided by (used in) investing activities	$ (123)	$ 616	$ (322)	$ 444

We continue to fund capital expenditures to support new programs and to invest in machinery and our manufacturing facilities to further enhance productivity and manufacturing capabilities. Capital spending increased $31 million in the third quarter of fiscal 2010 to $92 million as compared to $61 million in the third quarter of fiscal 2009 as a result of increased business levels. In the first nine months of fiscal 2010, capital spending decreased $21 million to $249 million as compared to $270 million in the same period of fiscal 2009. We expect fiscal 2010 capital spending levels to be approximately $375 million.

During the third quarter of fiscal 2010, we acquired certain assets of the Optical Products Group of Zarlink Semiconductor Inc. for $15 million in cash. During the second quarter of fiscal 2010, we acquired Sensitive Object for a purchase price of $67 million, which includes $6 million of contingent consideration to be paid in fiscal 2011.

In the first quarter of fiscal 2010, we received cash proceeds of $12 million related to the sale of the Dulmison connectors and fittings product line. Also, in the third quarter and first nine months of fiscal 2009, we received cash proceeds of $10 million and $16 million, respectively, primarily related to the divestiture of the Battery Systems business.

In the third quarter of fiscal 2009, net cash proceeds related to the divestiture of discontinued operations included $665 million received in connection with the sale of our former Wireless Systems business. In addition, in the first nine months of fiscal 2009, we received cash proceeds related to working capital adjustments of $29 million in connection with the sale of the Radio Frequency Components and Subsystems and Automotive Radar Sensors businesses which occurred in fiscal 2008.

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Cash Flows from Financing Activities and Capitalization

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

	For the Quarters Ended		For the Nine Months Ended	
	June 25, 2010	June 26, 2009	June 25, 2010	June 26, 2009
	(in millions)			
Net decrease in commercial paper	$	$	$	$ (649)
Proceeds from long-term debt		6		448
Repayment of long-term debt		(342)		(461)
Repurchase of common shares	(208)		(373)	(152)
Payment of common share dividends and cash distributions to shareholders	(72)	(74)	(218)	(221)
Transfer to discontinued operations		(17)		(49)
Other	6		4	(3)
Net cash used in continuing financing activities	(274)	(427)	(587)	(1,087)
Net cash provided by discontinued financing activities		12		49
Net cash used in financing activities	$ (274)	$ (415)	$ (587)	$ (1,038)

Total debt at June 25, 2010 and September 25, 2009 was $2,415 million and $2,417 million, respectively. See Note 10 to the Condensed Consolidated Financial Statements for further information regarding debt.

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

Our Credit Facility contains a financial ratio covenant providing that if our ratio of Consolidated Total Debt (as defined in the Credit Facility) to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.5 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered under the Credit Facility. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of June 25, 2010, we were in compliance with all of our Credit Facility and debt covenants and believe that we will continue to be in compliance with these covenants for the foreseeable future.

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

Payments of common share dividends and cash distributions to shareholders were $72 million and $74 million in the third quarter of fiscal 2010 and 2009, respectively. In the first nine months of fiscal 2010 and 2009, payments of common share dividends and cash distributions to shareholders were $218 million and $221 million, respectively. In October 2009, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of 0.34 Swiss Francs ("CHF") (equivalent to $0.32) per share, payable in two equal installments in each of the first and second quarters of fiscal 2010. We paid the first and second installments of the distribution at a rate of $0.16 per share each during the quarters ended December 25, 2009 and March 26, 2010. These capital reductions reduced the par value of our common shares from CHF 2.43 (equivalent to $2.24) to CHF 2.09 (equivalent to $1.92). In March 2010, our shareholders approved a cash distribution to shareholders in the form of a capital reduction to the par value of our common shares of CHF 0.72 (equivalent to $0.64) per share, payable in four equal installments in each quarter beginning in the third quarter of fiscal 2010 through the second quarter of fiscal 2011. During the quarter ended June 25, 2010, we paid the first installment of this distribution at a rate of $0.16 per share. This capital reduction reduced the par value of our common shares from CHF 2.09 (equivalent to $1.92) to CHF 1.91 (equivalent to $1.76).

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

During the third quarter and first nine months of fiscal 2010, we purchased approximately 8 million and 14 million, respectively, of our common shares for $225 million and $390 million, respectively, of which $208 million and $373 million, respectively, was paid as of June 25, 2010. During the third quarter of fiscal 2009, we did not purchase any of our common shares. During the first nine months of fiscal 2009, we purchased approximately 6 million of our common shares for $125 million and also settled purchases of $27 million of our common shares which occurred prior to the end of the fourth quarter of fiscal 2008. Since inception of the share repurchase program, which has a current authorization of $2.0 billion, we have purchased approximately 57 million shares for $1,784 million.

Backlog

At June 25, 2010, we had a backlog of unfilled orders of $3,016 million compared to a backlog of $2,809 million at September 25, 2009. Backlog by reportable segment was as follows:

	June 25, 2010	September 25, 2009
	(in millions)	
Electronic Components	$ 1,742	$ 1,265
Network Solutions	301	290
Specialty Products	390	334
Subsea Communications	583	920
Total	$ 3,016	$ 2,809

Commitments and Contingencies

Income Tax Matters

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

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

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

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

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

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

Legal Matters

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, antitrust claims, product liability matters, environmental matters, employment disputes, disputes on agreements, and other commercial disputes. Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that these proceedings will have a material adverse effect on our results of operations, financial position, or cash flows. However, one or more of the proceedings could have a material adverse effect on our results of operations, financial position, or cash flows for a future period. See Note 13 to the Condensed Consolidated Financial Statements for further information regarding legal proceedings.

Securities Proceedings and Settlements

As previously reported in our periodic filings, prior to the separation, Tyco International and certain of its former directors and officers were named as defendants in over 40 purported securities class action lawsuits. As a part of the Separation and Distribution Agreement among us, Tyco International, and Covidien, any existing or potential liabilities related to this outstanding litigation have been allocated among Tyco International, Covidien, and us. We are responsible for 31% of potential liabilities that may arise upon the settlement of the pending litigation. If Tyco International or Covidien were to default on their obligation to pay their allocated share of these liabilities, however, we would be required to pay additional amounts. Subject to the terms and conditions of the Separation and Distribution Agreement, Tyco International manages and controls all the legal matters related to the shared contingent liabilities, including the defense or settlement thereof, subject to certain limitations. The liability sharing provisions regarding these class actions are set forth in the Separation and Distribution Agreement.

In 2007, Tyco International settled 32 of the purported securities class action lawsuits arising from the actions alleged to have been taken by its prior management in a class action settlement, for which we were responsible for 31% of the settlement amount. A number of individuals and entities who opted out of the class action settlement filed actions against Tyco International and/or Tyco International, Covidien, and us, all of which actions have been settled subsequently. In the third quarter of fiscal 2010, Tyco International settled the remaining significant securities lawsuit, a class action captioned *Stumpf v. Tyco International Ltd., et al.*, for $79 million, with Tyco Electronics being responsible for $24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement agreement provides that a portion of the settlement fund will be set aside for potential opt-out claims. We cannot predict presently if any opt-out claims will be made and whether opt-out claims will exceed the amount allocated for such claims, requiring the us to fund any portion under the sharing formula in the Separation and Distribution Agreement. During the second quarter of fiscal 2009, we recorded reserves totaling $375 million representing the best estimate of probable loss for the then remaining securities litigation claims, including the *Stumpf* case, subject to the Separation and Distribution Agreement. As of June 25, 2010, there were no remaining significant securities lawsuits outstanding and we concluded that reserves of $22 million could be released. Accordingly, pursuant to the sharing formula, we recorded income of $7 million during the third quarter of fiscal 2010.

Matters Related to the Our Former Wireless Systems Business

Certain liabilities and contingencies related to our former Wireless Systems business were retained by us when this business was sold in the third quarter of fiscal 2009. These include certain retained liabilities related to the State of New York contract and a contingent purchase price commitment related to the acquisition of Com-Net by the Wireless Systems business in 2001. See additional information below. Also, see Note 5 to the Condensed Consolidated Financial Statements for additional information regarding the divestiture of the Wireless Systems business.

State of New York Contract

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

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

As a result of these actions, in the first quarter of fiscal 2009, we recorded pre-tax charges totaling $111 million associated with this contract. These charges are reflected in loss from discontinued operations on the Condensed Consolidated Statement of Operations as a result of our sale of the Wireless Systems business. See Note 5 to the Condensed Consolidated Financial Statements for further discussion of discontinued operations and the sale of the Wireless Systems business. The charges included an impairment charge of $61 million to write-off all costs incurred in constructing the network as well as a charge equal to the amount drawn by the State against the standby letter of credit of $50 million. The assets related to the impairment charge were previously reflected primarily as inventory on the Condensed Consolidated Balance Sheet.

Com-Net

At June 25, 2010, we had a contingent purchase price commitment of $80 million related to our fiscal 2001 acquisition of Com-Net. This represents the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system for the State of Florida is finished and the State of Florida has approved the system based on the guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we do not believe we have any obligation to the sellers. However, the sellers have contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania, which is in the motion pleading and discovery phase. A liability for this contingency has not been recorded on the Condensed Consolidated Financial Statements as we do not believe that any payment is probable or estimable at this time.

Off-Balance Sheet Arrangements

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

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

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As of June 25, 2010, we had outstanding letters of credit and letters of guarantee in the amount of $377 million, of which $50 million was related to our contract with the State of New York.

We have recorded liabilities for known indemnifications included as part of environmental liabilities. See Note 13 to the Condensed Consolidated Financial Statements for a discussion of these liabilities.

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

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

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, upon separation, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. Under these agreements, principally the Tax Sharing Agreement, Tyco International, Covidien, and Tyco Electronics share 27%, 42%, and 31%, respectively, of certain contingent liabilities relating to unresolved pre-separation tax matters of Tyco International. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies with respect to unresolved pre-separation tax matters. If any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. These arrangements have been valued upon our separation from Tyco International in accordance with ASC 460, *Guarantees*, and, accordingly, liabilities amounting to $339 million were recorded on the Condensed Consolidated Balance Sheets at June 25, 2010 and September 25, 2009. See Notes 11 and 13 to the Condensed Consolidated Financial Statements for additional information.

We generally record estimated product warranty costs at the time of sale. See Note 11 to the Condensed Consolidated Financial Statements for further information regarding estimated product warranty.

Critical Accounting Policies and Estimates

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

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

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Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance in ASC 820, *Fair Value Measurements and Disclosures*, that defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements, and introduces the fair value option for certain financial assets and liabilities. We adopted the fair value provisions of ASC 820 in the first quarter of fiscal 2009. Prior to adoption, the fair value measurement and disclosure requirements for non-financial assets and liabilities were deferred by one year. We adopted the fair value provisions of ASC 820 for non-financial assets and liabilities on September 26, 2009. See Note 15 to the Condensed Consolidated Financial Statements for additional information related to fair value measurements.

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

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

Forward-Looking Information

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

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

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

- Current and future conditions in the global economy and global capital and credit markets, and cyclical industry conditions;
- Conditions affecting demand for products in the industries we serve, particularly the automotive industry and the telecommunications, computer, and consumer electronics industries;

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Competition and pricing pressure;

Risk of future goodwill impairment;

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

Financial condition and consolidation of customers and vendors;

Raw material availability, quality, and cost;

Fluctuations in foreign currency exchange rates;

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

Reliance on third party suppliers;

Our ability to attract and retain highly qualified personnel;

Risks associated with future acquisitions and divestitures;

Global risks of political, economic, and military instability;

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

Our ability to protect our intellectual property rights;

Risks of litigation;

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

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

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

Various risks associated with being a Swiss corporation;

- Risks associated with our proposed acquisition of ADC, including the risk that the transaction may not be consummated, the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated, the risk that ADC will not be integrated successfully into Tyco Electronics, and the risk that revenue opportunities, cost savings, and other anticipated synergies from the transaction may not be fully realized or may take longer to realize than expected;

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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Interest Rate Exposures

During the first nine months of fiscal 2010, we purchased options to enter into interest rate swaps ("swaptions") and entered into forward starting interest rate swaps designated as cash flow hedges to manage interest rate exposure prior to the probable issuance of fixed-rate debt when our 6.00% senior notes mature in fiscal 2012. These swaptions and forward starting interest rate swaps are based on a total notional amount of $400 million. Also, during the first nine months of fiscal 2010, we entered into an interest rate swap designated as a fair value hedge on $50 million principal amount of the 6.00% senior notes.

See Note 14 to the Condensed Consolidated Financial Statements for further discussion of our exposures to market risk.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of June 25, 2010. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 25, 2010.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 25, 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

In the third quarter of fiscal 2010, Tyco International settled the remaining significant lawsuit of its pre-separation securities litigation, a class action captioned *Stumpf v. Tyco International Ltd., et al.*, for $79 million, with Tyco Electronics being responsible for $24 million, pursuant to the sharing formula in the Separation and Distribution Agreement. The settlement agreement provides that a portion of the settlement fund will be set aside for potential opt-out claims. We cannot predict presently if any opt-out claims will be made and whether opt-out claims will exceed the amount allocated for such claims, requiring us to fund any portion under the sharing formula in the Separation and Distribution Agreement.

We are aware that, subsequent to the announcement of the entry into the Merger Agreement with ADC in July 2010, purported stockholders of ADC filed several purported class action complaints in the District Court for the State of Minnesota, Hennepin County against ADC, its board of directors, Tyco Electronics, and Tyco Electronics' subsidiary generally alleging claims for breach of fiduciary duties against ADC's board of directors in connection with the transactions contemplated by the Merger Agreement, and that Tyco Electronics and its subsidiary aided and abetted ADC's board of directors in the alleged breach of the directors' fiduciary duties to ADC's stockholders. The actions generally seek to enjoin the consummation of the offer and the merger until the alleged breaches of fiduciary duty are cured. We intend to vigorously defend against these claims.

ITEM 1A. RISK FACTORS

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

The ADC acquisition and future acquisitions may not be successful.

We recently announced our entry into the Merger Agreement to acquire ADC, and we regularly evaluate the possible acquisition of strategic businesses or product lines with the potential to strengthen our market position or enhance our existing product offerings. Risks associated with the acquisition of ADC include the risk that the transaction may not be consummated, the risk that regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated, litigation risks associated with claims or potential claims brought by stockholders of ADC to enjoin the transaction or seeking monetary damages, risks associated with our ability to issue debt to fund a portion of the purchase price, the risk that ADC will not be integrated successfully into Tyco Electronics, and the risk that revenue opportunities, cost savings, and other anticipated synergies from the transaction may not be fully realized or may take longer to realize than expected. We also cannot assure you that we will identify or successfully complete transactions with other suitable acquisition candidates in the future. Nor can we assure you that completed acquisitions will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our existing business, our results of operations, financial position, and cash flows could be materially and adversely affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table presents information about our purchases of our common shares during the fiscal quarter ended June 25, 2010:

Period	Total Number of Shares Purchased[(1)]	Average Price Paid Per Share[(1)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(2)]	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(2)]
March 27 - April 23, 2010	727	$ 24.91		$ 441,365,330
April 24 - May 28, 2010	4,030,759	29.46	4,028,928	322,653,882
May 29 - June 25, 2010	3,742,235	28.45	3,737,470	216,313,354
Total	7,773,721	28.98	7,766,398	

(1) This column includes the following transactions which occurred during the fiscal quarter ended June 25, 2010:

(i) the acquisition of 7,323 common shares from individuals in order to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans; and

(ii) the purchase of 7,766,398 common shares, summarized on a trade-date basis, in conjunction with the share repurchase program announced in September 2007, which transactions occurred in open market purchases and pursuant to a trading plan under Rule 10b5-1 of the Exchange Act.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

Exhibit Number	Exhibit
3.1	Articles of Association of Tyco Electronics Ltd. (Incorporated by reference to Exhibit 3.1 to Tyco Electronics' Current Report on Form 8-K, filed June 8, 2010)
31.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	Financial statements from the Quarterly Report on Form 10-Q of Tyco Electronics Ltd. for the quarterly period ended June 25, 2010, filed on July 23, 2010, formatted in XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements**

* Filed herewith

** Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TYCO ELECTRONICS LTD.

By: /s/ TERRENCE R. CURTIN

Terrence R. Curtin
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: July 23, 2010