
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 27, 2008

or

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

001-13836
(Commission File Number)

TYCO INTERNATIONAL LTD.

(Exact name of Registrant as specified in its charter)

Bermuda
(Jurisdiction of Incorporation)

98-0390500
(I.R.S. Employer Identification Number)

Second Floor, 90 Pitts Bay Road, Pembroke, HM 08, Bermuda
(Address of Registrant's principal executive offices)

441-292-8674
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of common shares outstanding as of July 25, 2008 was 474,820,140.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TYCO INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions, except per share data)

	For the Quarters Ended		For the Nine Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Revenue from product sales	\$ 3,413	\$ 3,033	\$ 9,617	\$ 8,610
Service revenue	1,802	1,669	5,298	4,915
Net revenue	5,215	4,702	14,915	13,525
Cost of product sales	2,378	2,178	6,764	6,185
Cost of services	986	926	2,942	2,758
Selling, general and administrative expenses	1,234	1,184	3,605	3,558
Class action settlement, net	(7)	2,875	(7)	2,875
Separation costs	—	28	4	85
Goodwill impairment	—	46	—	46
Restructuring, asset impairment and divestiture charges, net	47	46	95	147
Operating income (loss)	577	(2,581)	1,512	(2,129)
Interest income	16	29	99	54
Interest expense	(91)	(78)	(323)	(208)
Other expense, net	(257)	(259)	(205)	(257)
Income (loss) from continuing operations before income taxes and minority interest	245	(2,889)	1,083	(2,540)
Income taxes	(45)	(163)	(249)	(190)
Minority interest	(1)	(2)	(3)	(3)
Income (loss) from continuing operations	199	(3,054)	831	(2,733)
Income (loss) from discontinued operations, net of income taxes	277	(497)	288	810
Net income (loss)	\$ 476	\$ (3,551)	\$ 1,119	\$ (1,923)
Basic earnings per share:				
Income (loss) from continuing operations	\$ 0.41	\$ (6.17)	\$ 1.71	\$ (5.53)
Income (loss) from discontinued operations	0.58	(1.01)	0.59	1.64
Net income (loss)	\$ 0.99	\$ (7.18)	\$ 2.30	\$ (3.89)
Diluted earnings per share:				
Income (loss) from continuing operations	\$ 0.41	\$ (6.17)	\$ 1.70	\$ (5.53)
Income (loss) from discontinued operations	0.57	(1.01)	0.58	1.64
Net income (loss)	\$ 0.98	\$ (7.18)	\$ 2.28	\$ (3.89)
Weighted-average number of shares outstanding:				
Basic	482	495	487	495
Diluted	486	495	491	495

See Notes to Consolidated Financial Statements.

TYCO INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in millions, except share data)

	June 27, 2008	September 28, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,342	\$ 1,894
Accounts receivable, less allowance for doubtful accounts of \$214 and \$194, respectively	3,207	2,900
Inventories	1,996	1,783
Class action settlement escrow	—	2,992
Prepaid expenses and other current assets	1,692	1,615
Assets held for sale	1,112	1,370
Total current assets	9,349	12,554
Property, plant and equipment, net	3,617	3,526
Goodwill	11,763	11,514
Intangible assets, net	2,611	2,653
Other assets	2,729	2,568
Total Assets	\$30,069	\$ 32,815
Liabilities and Shareholders' Equity		
Current Liabilities:		
Loans payable and current maturities of long-term debt	\$ 539	\$ 380
Accounts payable	1,555	1,637
Class action settlement liability	—	2,992
Accrued and other current liabilities	3,256	3,452
Liabilities held for sale	586	666
Total current liabilities	5,936	9,127
Long-term debt	4,070	4,082
Other liabilities	3,948	3,915
Total Liabilities	13,954	17,124
Commitments and Contingencies (Note 9)		
Minority interest	58	67
Shareholders' Equity:		
Common shares, \$0.80 par value, 1,000,000,000 shares authorized; 479,517,301 and 496,301,846 shares outstanding, net of 19,546,577 and 1,277,449 shares owned by subsidiaries, respectively	384	397
Capital in excess:		
Share premium	9,227	9,189
Contributed surplus	4,776	5,439
Accumulated earnings	836	34
Accumulated other comprehensive income	834	565
Total Shareholders' Equity	16,057	15,624
Total Liabilities and Shareholders' Equity	\$30,069	\$ 32,815

See Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended	
	June 27, 2008	June 29, 2007
Cash Flows From Operating Activities:		
Net income (loss)	\$ 1,119	\$ (1,923)
Income from discontinued operations, net of income taxes	(288)	(810)
Income (loss) from continuing operations	831	(2,733)
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	854	867
Non-cash compensation expense	78	121
Deferred income taxes	(115)	(74)
Provision for losses on accounts receivable and inventory	99	62
Loss on extinguishment of debt	258	259
Goodwill impairment	—	46
Other non-cash items	76	35
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable, net	(243)	(208)
Inventories	(173)	(266)
Prepaid expenses and other current assets	9	101
Accounts payable	(135)	(83)
Accrued and other current liabilities	(357)	(195)
Income taxes, net	(8)	(230)
Class action settlement liability	(3,020)	2,972
Other	(62)	137
Net cash (used in) provided by operating activities	(1,908)	811
Net cash (used in) provided by discontinued operating activities	(25)	2,490
Cash Flows From Investing Activities:		
Capital expenditures	(545)	(471)
Proceeds from disposal of assets	14	14
Acquisition of businesses, net of cash acquired	(92)	(26)
Accounts purchased from ADT dealer network	(269)	(273)
Liquidation of rabbi trust investments	—	271
Class action settlement escrow	2,960	(2,960)
Other	15	37
Net cash provided by (used in) investing activities	2,083	(3,408)
Net cash provided by (used in) discontinued investing activities	479	(792)
Cash Flows From Financing Activities:		
Proceeds from issuance of short-term debt	—	1,519
Repayment of short-term debt	(373)	(1,153)
Proceeds from issuance of long-term debt	2,663	309
Repayment of long-term debt, including debt tenders	(2,490)	(6,602)
Proceeds from exercise of share options	40	388
Dividends paid	(221)	(791)
Repurchase of common shares by subsidiary	(756)	(668)
Transfer from discontinued operations	458	8,652
Other	(68)	21
Net cash (used in) provided by financing activities	(747)	1,675
Net cash used in discontinued financing activities	(454)	(1,016)
Effect of currency translation on cash	20	39
Effect of currency translation on cash related to discontinued operations	—	33
Net decrease in cash and cash equivalents	(552)	(168)
Less: net increase in cash related to discontinued operations	—	(715)
Cash and cash equivalents at beginning of period	1,894	2,193
Cash and cash equivalents at end of period	\$ 1,342	\$ 1,310

See Notes to Consolidated Financial Statements.

TYCO INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

For the Nine Months Ended June 27, 2008 and June 29, 2007

(in millions)

	Common			Contributed	Accumulated	Accumulated Other Comprehensive	
	Number of Common Shares	Shares \$0.80 Par Value	Share Premium	Surplus	Earnings	Income	Total
Balance at September 29, 2006	498	\$ 398	\$ 8,787	\$ 14,493	\$ 10,692	\$ 1,017	\$ 35,387
Comprehensive income:							
Net loss					(1,923)		(1,923)
Currency translation						682	682
Unrealized gain on marketable securities and derivative instruments						1	1
Minimum pension liability, net of income taxes of \$28 million						42	42
Total comprehensive income							(1,198)
Dividends declared					(593)		(593)
Share options exercised, including tax benefit of \$29 million	4	3	385	29			417
Repurchase of common shares by subsidiary	(5)	(4)		(664)			(668)
Compensation expense				238			238
Distribution of Covidien and Tyco Electronics				(8,651)	(8,176)	(1,476)	(18,303)
Balance at June 29, 2007	<u>497</u>	<u>\$ 397</u>	<u>\$ 9,172</u>	<u>\$ 5,445</u>	<u>\$ —</u>	<u>\$ 266</u>	<u>\$ 15,280</u>

	Common			Contributed	Accumulated	Accumulated Other Comprehensive	
	Number of Common Shares	Shares \$0.80 Par Value	Share Premium	Surplus	Earnings	Income	Total
Balance at September 28, 2007	496	\$ 397	\$ 9,189	\$ 5,439	\$ 34	\$ 565	\$ 15,624
Comprehensive income:							
Net income					1,119		1,119
Currency translation						258	258
Unrealized gain on marketable securities and derivative instruments						1	1
Change in net actuarial loss and prior service credit, net of income taxes of \$5 million						10	10
Total comprehensive income							1,388
Dividends declared					(219)		(219)
Share options exercised, including tax benefit of \$2 million	2	2	38	2			42
Repurchase of common shares by subsidiary	(18)	(15)		(741)			(756)
Compensation expense				75			75
Exchange of convertible debt				1			1
Adoption of FIN No. 48 (see Note 4)					(79)		(79)
Other					(19)		(19)
Balance at June 27, 2008	<u>480</u>	<u>\$ 384</u>	<u>\$ 9,227</u>	<u>\$ 4,776</u>	<u>\$ 836</u>	<u>\$ 834</u>	<u>\$ 16,057</u>

See Notes to Consolidated Financial Statements.