

***tyco***

SUMMARY ANNUAL REPORT

20:04

01	IN A SINGLE MOMENT
14	CHAIRMAN'S LETTER
20	BUSINESS FACTS
25	TYCO SEGMENT REVIEW
46	BOARD OF DIRECTORS
48	SENIOR MANAGEMENT
48	CORPORATE DATA

IN THE TIME IT TAKES TO READ THIS SENTENCE, TYCO'S PRODUCTS AND SERVICES WILL HAVE IMPROVED THE LIVES OF HUNDREDS OF THOUSANDS OF PEOPLE AROUND THE WORLD. THE FOLLOWING PAGES CAPTURE JUST A SMALL ARRAY OF THE ORDINARY AND EXTRAORDINARY, VARIED AND VITAL THINGS THAT TYCO CONTRIBUTES TO YOUR WORLD:

IN A SINGLE  
MOMENT...



# HEALTH IS PRESERVED

From the most sophisticated hospital operating room to a makeshift medical clinic in a developing nation, Tyco Healthcare is all about making life better and healthier for the millions of people around the world who depend on our innovative healthcare products and services.











A photograph of a greenhouse interior. The structure is made of curved metal ribs covered in a translucent plastic film. The floor is filled with rows of green plants. In the background, a person is walking, carrying a plant in a pot. The person's shadow is cast onto the plastic film. The overall scene is bright and airy, with natural light filtering through the plastic.

# CROPS ARE NURTURED

As one of the largest extruders of plastic film in the United States, Tyco Plastics & Adhesives' products can be found everywhere from fields and greenhouses to refrigerators and lunchrooms. We're helping to grow and deliver food that nourishes the world.



# SAFETY IS ENHANCED

Today, drivers around the world are safer on the road because of Tyco Electronics. Our automotive long-range radar sensors enable adaptive cruise control and our next-generation sensors will provide increased active safety technology, creating a blanket of protection for drivers and passengers.





A woman with long, dark, wavy hair is looking down at a wooden post. The post has a dark, cylindrical valve handle on top. The background is a blurred outdoor setting with green foliage and a blue sky. The overall mood is serene and focused.

# THIRST IS QUENCHED

Whether for drinking, irrigation, or other uses, Tyco Engineered Products & Services plays an integral part in meeting the world's growing and vital need for potable water. Millions of people globally depend on our valves, controls, piping, and water treatment technology.













# SECURITY IS STRENGTHENED

Tyco Fire & Security is the global leader in advanced monitored security and fire safety solutions. From marine vessels and ports to airports and terminals, our products and services help make the world a safer place.





# LIVES ARE TOUCHED

From making people safer and transportation more secure, to enhancing medical care and delivering fresh water and food—every Tyco product and service is united by a common element: to be a vital part of the world around us.







**EDWARD D. BREEN**  
Chairman and Chief Executive Officer  
Tyco International Ltd.





# EVERY MOMENT OF EVERY DAY...

TYCO IS DOING SOMETHING VITAL—STRENGTHENING OUR COMPANY, HELPING OUR CUSTOMERS SUCCEED, AND IMPROVING THE LIVES OF PEOPLE AROUND THE WORLD.

Thanks to our customers and our dedicated employees, we had a very good year in 2004. Our success was based on a simple strategy: to make operational excellence a core competency, to build a platform for sustainable organic growth, to invest in our people, and to hold ourselves to the highest ethical standards.

Above all, 2004 was a year to demonstrate our ability to meet our commitments to you. To that end, I am extremely pleased to report that our sustained progress throughout the year resulted in Tyco meeting or exceeding all of our financial goals. We also took important actions to strengthen our balance sheet and to build a solid operational core for the Company.

In 2004, we achieved many notable financial highlights. Our revenue grew 12 percent to \$40.2 billion, and income from continuing operations reached \$3.0 billion. Diluted earnings per share from continuing operations reached \$1.41, compared with \$0.52 in 2003. We also delivered \$5.4 billion in cash flow from operating activities and \$4.8 billion in free cash flow<sup>1</sup>.

In a year of many memorable moments, my personal favorites were those that underscored our new operating discipline. Whether it was the candor of strategy sessions, the rigor of operating reviews, or the intensity of fostering organic growth, our

employees embraced the tough, everyday actions necessary to become a world-class operating company. From Budapest to Beijing to Boston, we all felt the impact of what becoming an operating company truly means—how it strengthens our foundation, how it engages our employees, and how it delivers value for our shareholders.

## PRODUCTIVITY FOCUS

In 2004, we made considerable progress toward improving productivity across the company and institutionalizing a rigorous operating culture. Our restructuring actions resulted in annualized savings of \$285 million, and we had exited 27 noncore businesses as of November 2004 that were diluting our resources and management focus.

Our operational excellence performance was a true highlight of 2004—enabling us to generate strong financial results and to continue transforming the way we operate around the world.

## SIX SIGMA

Increasingly, Six Sigma has become the foundation of Tyco's language and culture. While our initial efforts began in the manufacturing environment, we have expanded to more transactional areas of the company, such as sales, service, and product development. In 2004, we trained approximately 2,400

<sup>1</sup>Free cash flow is a non-GAAP financial measure. See GAAP reconciliation on inside back cover.

# “ABOVE ALL, 2004 WAS A YEAR TO DEMONSTRATE OUR ABILITY TO MEET OUR COMMITMENTS TO YOU.”

employees globally and our Six Sigma teams completed nearly 1,100 projects. These efforts generated approximately \$270 million of net savings.

## STRATEGIC SOURCING

Our business segments continue to work together to develop and implement “One Tyco” sourcing strategies to reduce our spending and to make purchases more efficiently. At year-end, we had cross-functional teams addressing more than 100 purchase categories ranging from telecommunications and personal computers to commercial printing and office supplies. Despite a difficult year for commodity pricing, we delivered more than \$300 million of net savings.

## REAL ESTATE

We accelerated our efforts to optimize our real estate footprint in 2004. Over the past two years we have closed more than 600 facilities, reducing our overall real estate portfolio by more than 12 million square feet. Beyond the savings, we achieved increased efficiencies as multiple segments and business units began co-locating to share services and infrastructure.

## WORKING CAPITAL

In 2004, we improved our working capital velocity by eight days. All five of our segments showed progress in inventory turns as we collectively improved by 10 days across the Company. In addition, better accounts receivable performance resulted in a five-day improvement. In total, our working capital programs freed up more than \$900 million of cash.

## GROWTH FOCUS

Organically, Tyco’s revenue increased 5 percent,<sup>2</sup> or about \$2 billion, in 2004. This performance reflects the success of our new product and service offerings, our efforts to expand globally, and the continued loyalty of our customers.

To maintain and extend our market leadership, we are strategically investing to deliver even greater value for our customers. For example, we increased research and development investment across the company by 18 percent, including a 39 percent increase at Tyco Healthcare. We also expanded our efforts to hire and train new salespeople for many of our growing operations, including ADT and Tyco Healthcare.

We are equally focused on improving processes to better leverage our existing resources. For instance, Tyco Electronics’ Global Account Management program applies an integrated team approach to better serve our major customers. This best practice is now being used by other Tyco businesses.

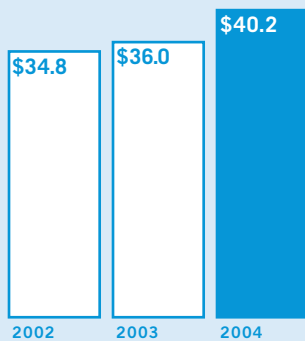
## BALANCE SHEET FOCUS

During 2004, we remained focused on actions to continuously strengthen our balance sheet. We used our strong cash flow to pay down \$4.2 billion of debt, including the repurchase of \$517 million of convertible debt securities. This action reduced the number of Tyco’s diluted shares outstanding by nearly 23 million. We also voluntarily contributed approximately \$575 million to our pension plans. The major rating agencies recognized these actions and upgraded Tyco’s debt rating to full investment-grade status in 2004.

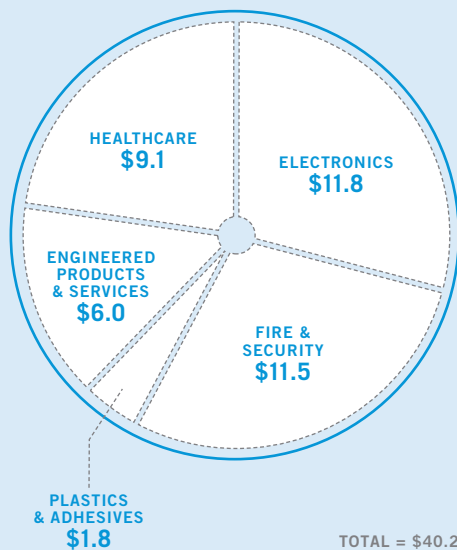
<sup>2</sup>Organic revenue growth is a non-GAAP financial measure. See GAAP reconciliation on inside back cover.



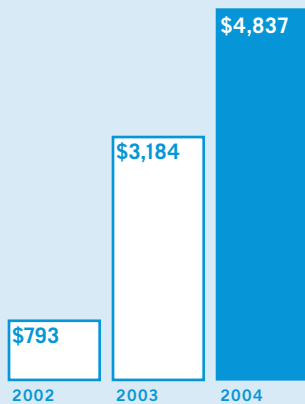
**TOTAL NET REVENUE  
(IN US\$ BILLIONS)**



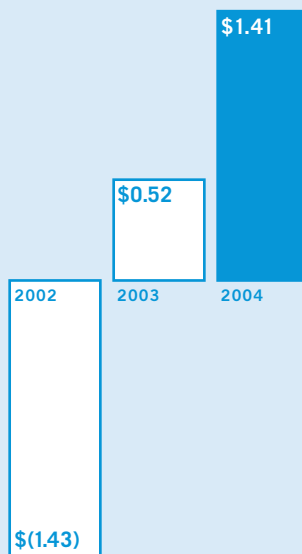
**2004 NET REVENUE BY SEGMENT  
(IN US\$ BILLIONS)**



**FREE CASH FLOW\*  
(IN US\$ MILLIONS)**



**DILUTED EARNINGS (LOSS) PER SHARE  
FROM CONTINUING OPERATIONS**



\*FREE CASH FLOW IS A NON-GAAP FINANCIAL MEASURE. SEE GAAP RECONCILIATION ON INSIDE BACK COVER.

“WE ARE PROUD OF OUR PROGRESS, AND WE ARE ENERGIZED TO DO EVEN MORE—FOR OUR CUSTOMERS, OUR SHAREHOLDERS, AND OUR COMMUNITIES.”

### FIVE PRIORITIES FOR THE FUTURE

We had significant and consistent achievement in 2004. But rather than being satisfied with our success, we are energized by the magnitude of the opportunities still ahead. That journey continues in 2005—by building a stronger operating foundation, by delivering ever-greater value for our customers, and by accelerating organic growth. As we pursue these objectives in 2005, Tyco will be better positioned than ever before to achieve sustainable, long-term success.

#### I. OPERATIONAL EXCELLENCE

We are committed to further expanding our operational excellence initiatives to drive continued margin improvement. For many years to come, these programs will generate savings and cash to fuel organic growth opportunities as well as to enhance our bottom-line results. To accelerate our progress, we will train 2,500 more employees in Six Sigma and expand our strategic sourcing efforts with additional teams around the world. Overall, we expect our 2005 operational excellence programs to deliver significant savings and improved working capital performance.

#### II. CUSTOMER FOCUS & GROWTH

We have no shortage of growth opportunities, and we know that our continued success is dependent upon serving our customers even better and growing our business even faster.

Our 2005 growth priorities include:

- Continue to increase investment in research and new product development
- Continue to build our sales and marketing presence globally
- Accelerate programs to gain market share
- Develop more robust service offerings

We are especially excited by our growing pipeline of new products and our investments to strengthen the important relationship we have with our customers. For example, the Tyco Clinical Institute, scheduled to open in Shanghai in March, will be a key platform for our accelerated growth in the healthcare market in Asia and will serve as one of the most advanced facilities for training physicians in leading-edge surgical procedures. It also will be an important step in helping enhance the quality of healthcare available to people in China.

#### III. DISCIPLINED CAPITAL STRATEGY

Our focus on cash generation has delivered proven results during the past two years, and we will continue to make this one of our highest priorities in 2005. We expect to generate at least \$4.5 billion in free cash flow<sup>3</sup> in 2005, and we are committed to using our cash as strategically as possible. Beyond our recently announced dividend increase, we are evaluating additional investments in research and development and productivity programs, continued debt repayment, share repurchase, and strategic acquisitions.

<sup>3</sup>Free cash flow is a non-GAAP financial measure. See discussion of non-GAAP financial measures on inside back cover.



#### IV. INVESTMENT IN PEOPLE

In 2005, we will continue to intensify our efforts to build and nurture a high-performing, ethical culture. We will further strengthen our companywide Organization and Leadership Review process for managing talent and building organizational capability. We will continue to place special emphasis on assessing the diversity of our talent across the company to ensure that we better reflect the marketplaces, global regions, and communities in which we operate.

#### V. CULTURE OF ACCOUNTABILITY

At Tyco, we're committed to doing the right thing. We have established a set of guiding values—*integrity, teamwork, excellence, and accountability*—that are the foundation upon which we operate. Every Tyco employee has a personal obligation to exemplify the spirit of these values.

Our commitment extends to the health and safety of our employees, as well as to the communities in which we live and work. We will further expand programs to provide employees with the right training and tools to operate our facilities in a safe and environmentally responsible manner. We also will work to ensure greater impact from our volunteer and philanthropic activities through increased company-wide integration and strategic focus.

Nothing is more important to us than Tyco's reputation among the stakeholders we serve, and we are committed to the highest standards in everything we do.

#### RENEWING OUR COMMITMENT

Every moment at Tyco is significant. We provide vital products and services to the world, and we are honored to serve this company during an unprecedented period of opportunity and growth. We are proud of our progress, and we are energized to do even more—for our customers, our shareholders, and our communities.

All of us at Tyco are thankful for—and humbled by—your continued support.

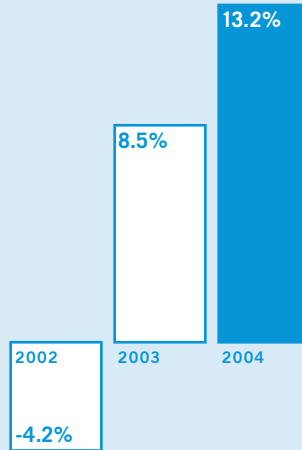
As I said in my letter to you last year, we are resolved to build Tyco into a high-performing, well-managed, transparent, and thoroughly decent company. We are focused and committed to the task at hand, and we are absolutely convinced that Tyco's best days are very much ahead of us.



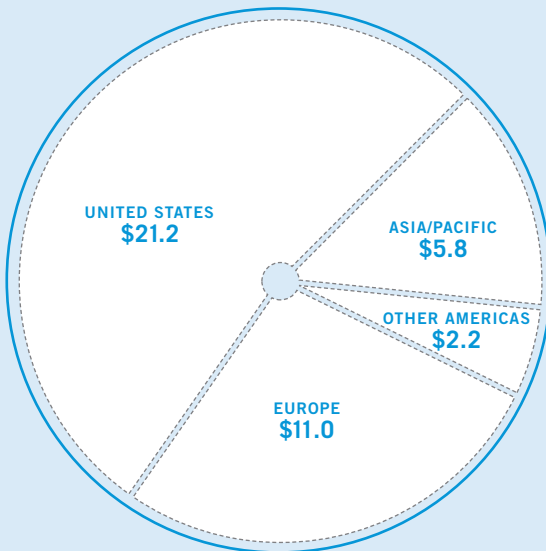
**EDWARD D. BREEN**  
Chairman and Chief Executive Officer  
Tyco International Ltd.

# TYCO BUSINESS FACTS:

## OPERATING MARGIN



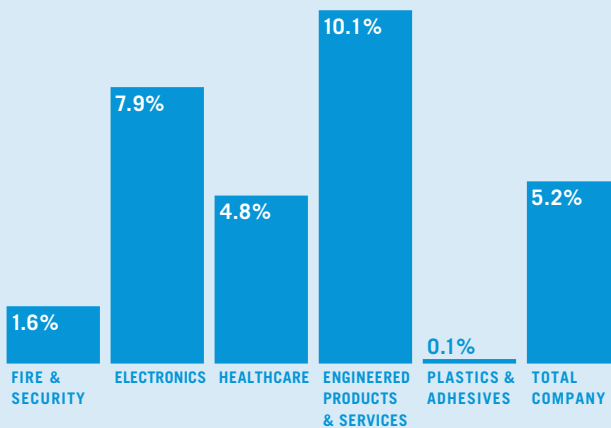
## 2004 NET REVENUE BY REGION (IN US\$ BILLIONS)



**\$40.2**  
BILLION OF  
TOTAL NET REVENUE  
IN 2004

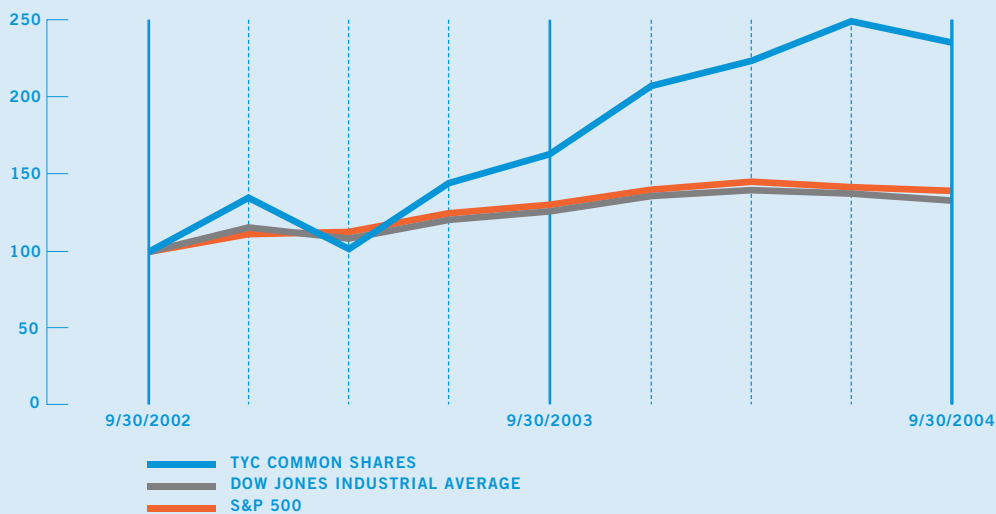


2004 ORGANIC REVENUE GROWTH\*



\*ORGANIC REVENUE GROWTH IS A NON-GAAP FINANCIAL MEASURE. SEE GAAP RECONCILIATION ON INSIDE BACK COVER.

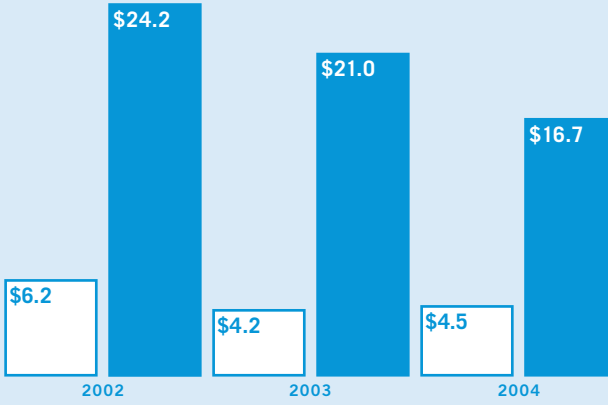
SHARE PRICE PERFORMANCE  
(INDEXED VERSUS 9/30/2002)



SOURCE: THOMSON FINANCIAL

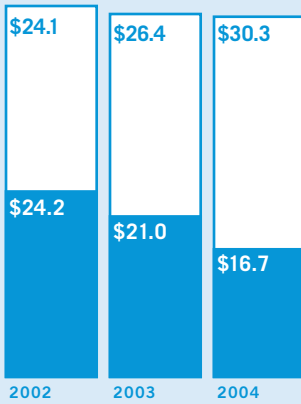
DEBT & CASH  
(IN US\$ BILLIONS)

CASH & CASH EQUIVALENTS  
TOTAL DEBT



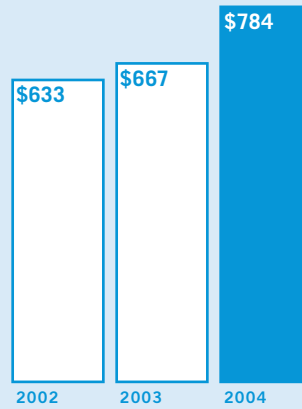
CAPITALIZATION  
(IN US\$ BILLIONS)

TOTAL SHAREHOLDERS' EQUITY  
TOTAL DEBT



50.2% → 44.3% → 35.6%  
DEBT TO CAPITALIZATION RATIO

RESEARCH & DEVELOPMENT  
(IN US\$ MILLIONS)

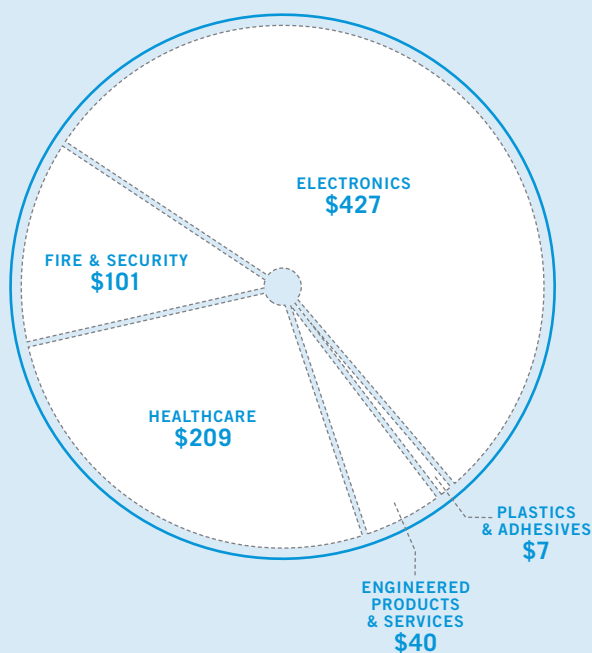




SELECTED FINANCIAL DATA  
(IN US\$ MILLIONS EXCEPT PER SHARE DATA)

	2002	2003	2004
NET REVENUE	\$34,824	\$35,987	\$40,153
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,851)	1,035	3,005
NET INCOME (LOSS)	(9,180)	980	2,879
DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	(1.43)	0.52	1.41
DILUTED EARNINGS (LOSS) PER SHARE	(4.62)	0.49	1.35
TOTAL ASSETS	65,500	62,997	63,667
TOTAL LIABILITIES	41,342	36,515	33,307
SHAREHOLDERS' EQUITY	24,081	26,369	30,292

2004 RESEARCH & DEVELOPMENT BY SEGMENT  
(IN US\$ MILLIONS)

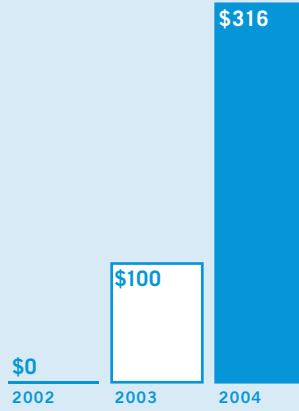


**\$784**  
MILLION OF  
R&D INVESTMENT  
IN 2004

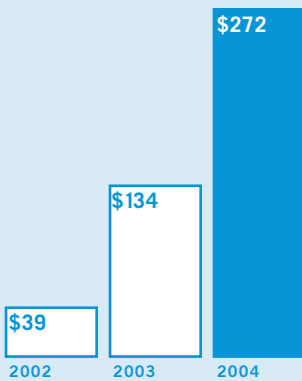
WORKING CAPITAL DAYS



SOURCING SAVINGS  
(IN US\$ MILLIONS)



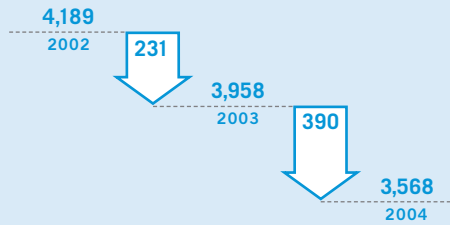
SIX SIGMA SAVINGS  
(IN US\$ MILLIONS)



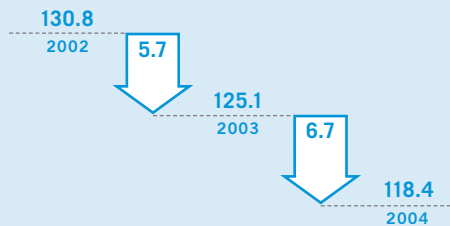
**2,400 EMPLOYEES**  
TRAINED IN SIX SIGMA IN 2004

REAL ESTATE FOOTPRINT

NUMBER OF FACILITIES



SQUARE FOOTAGE  
(IN MILLIONS)





TS, NON-METALLIC CONDUIT FITTINGS, GATE CONTROL SYSTEMS, FIRE ALARMS, PRESSURE SEAL CLOSURES, LIGHT RAIL TRANSPORTATION DESIGN & ENGINEERING, FIBER MAN  
NT SYSTEM  
TECTORS,  
DICAL EQUI  
BLE, CONFO  
ICATORS, S  
ARDS, INTE  
W-FREQUEN  
LDING/PLAT  
YS, SOLID-  
NAL GENEI  
ADCAST-TF  
ACKET ASSI  
ATION ADA  
UNTED POV  
OGY, SECU  
ION PACKAGI  
RS, SLOTTED  
GES, FLAT  
EAS, HARNE  
EMICALS, B  
E NON-MET  
LATED GRO  
C-JACKETED  
HTING GEL  
PULSE ROT  
RY NEEDLES  
SERVICES,  
AY, NETWOR  
ITCHES, MI  
LAR CONNE  
N-PROOF D  
DEM CABLE  
ECTION IN  
USTRIAL PE  
GRADE TRA  
BACKPLAN  
TRUSION HE  
FILE RECT  
MINATION  
YGEN, LARG

# TYCO SEGMENT REVIEW:

## FIRE & SECURITY ELECTRONICS HEALTHCARE ENGINEERED PRODUCTS & SERVICES PLASTICS & ADHESIVES

PE, COMPONENTS FOR STREET LIGHTING, COMPOSITE STATION POST INSULATORS, ADHESIVE COVERS, METAL HARDENING AND PLATING, METALLURGICAL ANALYSIS, DEDICATED F  
R MONITORING, OVERVOLTAGE PROTECTIVE RELAYS, HIGH-RESOLUTION VIDEO CABLE ASSEMBLIES, BOUNDARY BOXES, SELF-CONTAINED BREATHING APPARATUS, SHRINKWRAPS, A  
TIVE SEMICONDUCTOR AND MAGNETIC SENSORS, RESISTOR PROTECTION, COPLANAR CONNECTORS, COMMERCIAL FOOD EQUIPMENT , CUSTOMIZED VALVES, BATTERY TERMINALS, L  
BATTERIES, CHAMPAGNE GLASSES, ROTATIONAL SENSORS , INTERNAL STORAGE INTERCONNECTS, GASTROSTOMY SYSTEMS, HARNESS ADAPTERS, CONTRACT ELECTRONICS MANU  
RE, PACKAGING TAPES, NON-TENSION COMPRESSION SPLICES, PAIN MANAGEMENT PRODUCTS, INFORMATION DISPLAY SYSTEMS FOR BUS TERMINALS, RAILROADS, AND AIRPO  
RPS DISPOSAL DEVICES, RAILWAY TUNNEL MONITORING AND COMMUNICATION SYSTEMS, BONDED HEATSINK ASSEMBLIES, CENTRIFUGAL FIRE PUMPS, DECONTAMINATION MAN  
NT SERVICES, PNEUMATIC ACTUATORS, PORTABLE OXYGEN UNITS, PORTABLE PANIC BUTTONS, DEEP-SEA CABLE INSTALLATIONS, GPS RECEIVERS, TOXIC-GAS DETECTORS, FURNIT  
GS, PATIENT MONITORING SYSTEMS, SWITCHBOARD WIRE IDENTIFICATION MATERIALS, SWITCH ATTENUATOR PIN DIODES, CABLE TRAYS, ISOLATORS AND CIRCULATORS, FLAT P  
ANGES, POSITION SENSORS , USB CABLES, RATCHETED CRIMP TOOLS, COMMAND STATIONS, LONG-HAUL, LASER RANGEFINDERS, DIN RAIL MOUNT SOCKETS, NUCLEAR-QUALIFIED  
LAY RELAYS, TERRESTRIAL CLEAR-CHANNEL INTERFACES, SWITCH MODE POWER MAGNETICS, ROOF AND GUTTER HEATING CABLES, CODEINE PHOSPHATE, HIGH-TEMPERATURE CAB  
D ASSEMBLIES, ACETAMINOPHEN, PANEL INDICATORS, HELICAL GEARS, TAPER CUTTING SUTURES, COMPOSITE TENSION INSULATORS, WET PIPE SPRINKLER SYSTEMS , SURG  
TRUMENTS, HELIFORM TRANSFERS, TRANSFER PUMPS, DISCHARGE DEVICES, MODULATORS, WIRE STRIPPERS, ROADWAY AND TUNNEL CONSTRUCTION MANAGEMENT , PUSHW  
ITCHES, CHIP-COOLER HEAT SINKS, PVC CONDUIT & FITTINGS, TRANSOCEANIC CABLE SYSTEMS, ADULT INCONTINENCE PRODUCTS, WIRING HARNESS DESIGN SOFTWARE , STRAP  
E, TRANSMISSION LINE FITTINGS, ELECTROMECHANICAL RELAYS, BARRICADE TAPES, AUTOMOTIVE RADAR SENSORS, MOUNTING BRACKETS, BREATHING APPARATUS FOR EXTEN  
RATION AIRLINE USE, COATED PACKAGING FOR FROZEN FOODS, WIRE HARNESS TAPE, MULTI-COAXIAL CABLES , CYLINDRICAL CONTROL CONNECTORS, TWEEZERS, GAUZE, STORAGE T  
TECTION, GLOBE VALVES, DROP CLOTHS, STETHOSCOPES, PRE-WIRED ELECTRICAL PANELS, HIGH-SPEED SERIAL DATA CABLE ASSEMBLIES, SHUNTS, HELICAL ROTOR PUMPS, INF  
S SEALS, RADIO-FREQUENCY RELAYS, STREET LIGHTING, ARCHITECTURAL PROGRAMMING AND DESIGN, DELUGE VALVES AND ACCESSORIES, ALUMINUM CONDUIT, FOAM PROPERT  
S AND INDUCTORS, FIBER-OPTIC DATA LINKS, FIREPROOF CABLES, METAL FRAMING, MASKING TAPE, PORTABLE MEMORY CONNECTORS, SMOKE EVACUATION SYSTEMS, PEOPLE-C  
SYSTEMS, GROUND FAULT DETECTOR PROTECTIVE RELAYS, MICROCOAXIAL ASSEMBLIES, CABLE TIE GUNS, EXTREME TEMPERATURE FLEXIBLE METAL CONDUIT, RADIANT TUBES  
CUPERATORS, VERIFIED AUDIO DETECTION, SPACE-QUALIFIED COMPONENTS, POWER DISTRIBUTION PANELS, STEELWORK CONNECTION PRODUCTS, HIGH-PERFORMANCE RF/MICROW  
TENNAS, INDUSTRIAL CONTROL SWITCHES, ATTIC FIRE SPRINKLERS, WATER MAIN FITTINGS, BEAM CLAMPS, FLEX FILM SYSTEMS, ULTRASONIC SURGICAL SYSTEMS, WATER SANI  
EVES, HIGH-PERFORMANCE CONNECTORS, NANO-MINIATURE CONNECTORS, SPRING PIN COAX PROBE ASSEMBLIES, MAGNET WIRE TERMINATION MACHINES, RANGE HOODS, SHIELD  
GS, SIGNAL LINE FILTERS, LANCETS AND LANCET DEVICES, GAS MASKS, PADLESS TOUCH SENSORS, SAFETY GLASSES, BURGLAR ALARMS, FLAME-RETARDANT TAPE, ECG MONITOR  
R RAIL STYLE MOUNTING TRACKS, FIRE SPRINKLER PIPE, SEALANTS AND GELS, SUTURES, DIAPERS, USB CONNECTORS, WATER TREATMENT PLANT CONSTRUCTION MANAGEMENT,  
CABLES, VOLTAGE-VARIABLE ATTENUATORS, ELECTRONIC CHEMICALS, PATIENT MONITORING CABLES, COMMUNICATIONS PC BOARD RELAYS, NASOPHARYNGEAL SENSORS, GASK  
PART SHRINK SLEEVING, ENVIRONMENTAL DATA MANAGEMENT, DELINEATOR POSTS, REPAIR CLAMPS AND COLLARS, HIGH-SPEED SERIAL AND PARALLEL CABLES, PROFESSIONAL  
PARTMENT HARDWARE, WASTEWATER TREATMENT PLANT DESIGN & ENGINEERING, DIGITAL VISUAL INTERFACE PRODUCTS, ELECTROMAGNETIC FLOW READERS, SHINGLE AND P  
DERLAYMENTS, MOTION CONTROLLERS, SURFACE WAVE TOUCHSCREENS, MATRIX SWITCHERS, CATHETERS, PLASTIC PROTECTIVE SHEETING, KIDNEY STONE LITHOTRIPTERS, S  
LTLING DOOR MATS, HYPODERMIC SYRINGES, SUSPENDED CEILING CLIPS, PNEUMATIC FILTERS, PULSE OXIMETRY, SEALED VALVES, HIGH-POWER PULSED LASER DIODES, FEMIN  
IGIENE PRODUCTS, LASER COMPONENTS, APPLICATION TOOLING, POLISHING MACHINES AND ACCESSORIES, SPACERS AND DAMPERS, LIQUID BANDAGES, AUTOMATIC DOOR CONTR  
CTERIA FILTERS, WIRELESS COMMUNICATIONS, MINERAL INSULATED CABLE, BOTTLE REDEMPTION RECEIPTS, CIRCUIT BREAKERS, PIPE FITTINGS, PROTECTIVE BREATHING EQUIPM  
DIATRICAL WARMING BLANKETS, COMPACT SWITCHGEARS, MULTI-PAIR HIGH FLEXIBILITY TAPES, AUTOMATED TELLER MACHINE COMPONENTS, INSTITUTIONAL TIMEKEEPING, CAB  
OWER SYSTEMS, ANTI-STATIC BENCH MATTING, GARMENT HANGERS, T1 CABLES , GAFFERS TAPE, ABSORBABLE MONOFILAMENT SUTURES, SEALED CONNECTORS, SPECIALTY POLYM  
L DE-ICING SYSTEMS, QUAD-BAND ANTENNAS, CHAIN DRIVES, PRINTED CIRCUIT BOARD ANTENNAS, TERMINALS AND SPLICES, POST BASE ANCHORS, RESUSCITATORS, ALUMI  
MOMED CABLE, DIP SWITCHES, HEAT-TRACING PRODUCTS, FREQUENCY RESPONSE ANALYZERS, PREACTION FIRE SPRINKLER SYSTEMS, PUSHBUTTON SWITCHES , RELAY SOCKETS  
CESSORIES, WIRE WRAP, AUTOMATIC SENSORS, STEEL FABRICATION PATTERN MAKING, RESIDENTIAL AND COMMERCIAL AWNING FRAMEWORK, MICRO CONNECTORS, LIGHTING CAB  
LENGTH VISION MULTIPLEXERS AND DEMULTIPLEXERS, POWER SPLICE TERMINATION APPLICATORS, SPECTRO-CHEMICAL ANALYSIS, SELF-REGULATING CABLE, MONOSTABLE  
PC-BOARD RELAYS , GOVERNMENT EMBASSY PROTECTION, PIPE AND CONDUIT CLAMPS, LOW-SMOKE ZERO-HALOGEN FLEXIBLE METAL CONDUIT, CUSTOMIZED CHEMICALS, DIST  
ED AMPLIFIERS, INTERIOR MOTION DETECTORS, DIGITAL ATTENUATORS, PRINTED CIRCUIT BOARDS, BATTERY PACKS, TUNING DIODES, MEDICAL FLUID WARMING SYSTEMS, PIN DIO  
ASTIC FILM, ELECTRICAL DISTRIBUTION BOXES, TERMINAL CLAMPS, TELESCOPING SIGN SUPPORT SYSTEMS , ENVIRONMENTAL REMEDIATION, PASSIVE ELECTRONICS, TWIST  
NEL-MOUNT CONNECTORS, FOOD BAGS, COAXIAL CABLE TERMINATORS, TAPER POINT SUTURES, AUTOMATIC VEHICLE LOCATION, POWER TOGGLE SWITCHES, SAFETY GOGGLES, H  
QUENCY ANTENNA COUPLERS, COMMERCIAL-QUALITY STEEL TUBING, DUAL-WALL HEAT SHRINK TUBING, AERIAL ANTENNA COMPONENTS, ULTRASOUND CABLE ASSEMBLIES, EN  
QUITY SHUTDOWN SYSTEMS, OSCILLOSCOPES, PRINTED CIRCUIT TERMINALS, SECURITY MOUNTS, RADAR SENSORS, SILICONE MAT HEATERS, FABRIC MAINTENANCE, HYBRID CON  
RS, SCSI CABLES, SLIDE SWITCHES, FIRE EXTINGUISHERS, CURRENT DIFFERENTIAL PROTECTIVE RELAYS, DISPOSABLE LABELS, COATED AND CLOTH-BACKED BUILDING AND CONST  
N TAPES, INTRUSION ALARM DETECTION DEVICES, GRATING SYSTEMS, PRODUCT DISINFECTION, STEEL TUBING FOR AUTOMOTIVE COMPONENTS & FRAME, FLANGE ADAPTORS, DIS  
TION COMPRESSION CONNECTORS. POWER COMBINERS. PC BOARDS. BAR CODE READERS . PANEL BOARDS. ELECTRIC PORTABLE AIR COMPRESSORS. DENSE-WAVELENGTH DIR

**DELIVERING PEACE OF MIND**

ADT provides electronic security services to more than 7 million business, government, and residential customers worldwide. Our integrated security solutions include intrusion, fire protection, closed circuit television, access control, critical condition monitoring, and anti-theft systems. Around the world, customers agree that ADT is "always there."



L TO R: MANUEL FLORES AND  
ALEJANDRO MORA, ADT EMPLOYEES  
IN SANTIAGO, CHILE



# TYCO FIRE & SECURITY



**Q&A WITH:**  
**DAVID E. ROBINSON**  
President  
Tyco Fire & Security

TYCO FIRE & SECURITY IS THE GLOBAL LEADER IN FIRE PROTECTION AND ELECTRONIC SECURITY SOLUTIONS. BY FOCUSING ON OUR CORE MARKET STRENGTHS, REDEFINING OUR BUSINESS MODEL, AND IMPLEMENTING OPERATIONAL EXCELLENCE PROGRAMS, WE HAVE CREATED A SOLID FOUNDATION FOR SUSTAINED GROWTH. MEET DAVE ROBINSON, PRESIDENT OF TYCO FIRE & SECURITY.

**Q: WHAT IS YOUR SEGMENT'S KEY FOCUS?**

Helping our customers, who range from multinational corporations and small businesses to government entities and homeowners. In terms of revenue, commercial security is our largest segment, a cornerstone business. We have leading positions in key vertical market segments, including retailers, airports, fire-fighting departments, marine, residential, banking, and petrochemical.

**Q: WHAT DISTINGUISHES TYCO FIRE & SECURITY IN THE MARKETPLACE?**

Our business provides value-added services and vital solutions that help protect people and property. Our professionals are highly experienced, our brands are trusted, and our geographic coverage is unsurpassed. In addition, we're investing for future successes, driving operating economies of scale, and leveraging new technologies to provide even more value to customers.

The fire and security markets we serve are very attractive today. They represent more than \$75 billion in global annual revenue opportunity, and are growing faster than the rate of the general economy. Our unique insight into market needs comes from a leadership position dating back more than 100 years. Today, we're two-and-a-half times larger than our nearest competitor in the global market for fire protection products and services. In electronic security monitoring services, we're seven times larger than our nearest U.S. competitor and four times larger than our nearest U.K. competitor. We're in

100 countries around the world, with more than 90,000 employees serving our customers every day. Country to country, continent to continent, we are always there with trusted brands like ADT®, SimplexGrinnell™, Scott®, Ansul®, and Wormald®.

**Q: WHAT ARE YOUR STRENGTHS IN SECURITY SOLUTIONS?**

Our global services presence is unique. One consistent brand, ADT, provides solutions incorporating electronic monitoring, access control, video surveillance, and anti-theft technologies. Our ADT experts are there to help our customers continentwide in North America, Europe, Australia/New Zealand, South Africa, and in many countries within Asia and South America. No other company has that reach.

Our scale helps our customers. Automated, redundant systems are one example of how we leverage this strength. In the U.S., for instance, our countrywide monitoring and call center networks allow for the kind of efficient redundancy that adds an extra layer of protection. If a power outage impacts our call center in New York, for example, alarm signals and phone calls are seamlessly rerouted to our centers in Florida, Colorado, Nebraska, and/or Missouri. This type of infrastructure turns potential disaster into routine peace of mind for our customers.

**Q: WHAT ARE YOUR STRENGTHS IN FIRE PROTECTION SOLUTIONS?**

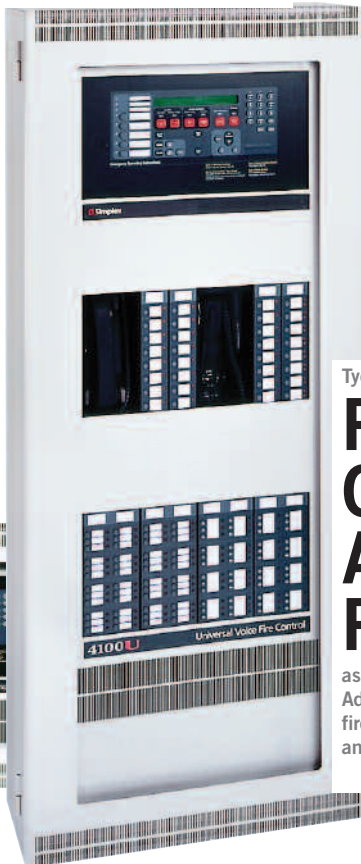
With the largest worldwide installation and service network, our combined product and service offerings give



Tyco Fire & Security is

## INVESTING IN TECHNOLOGY

to help drive the emerging market for radio frequency identification—RFID. Working with the world's leading retailers and consumer goods manufacturers, RFID tags, readers, and specialized software are aimed at improving the efficiency of the retail supply chain. After a successful pilot program, Tesco, one of the world's largest retailers, confirmed that it will roll out ADT's RFID solutions for its ground-breaking program.



Tyco Fire & Security helps

## PROTECT 2 MILLION COMMERCIAL AND GOVERNMENT PROPERTIES

as the global leader in electronic security and fire protection. Advanced life safety products, such as the integrated SIMPLEX® fire alarm and voice evacuation system, protect the U.S. Pentagon and other critical locations.



us a strong competitive advantage. Our design and project management expertise is well suited for the large-scale projects that many of our customers require. Our key brands also enhance our market position. To name a few, SimplexGrinnell is the number one name in fire protection services in North America, Scott is the leader in emergency breathing systems, and Ansul is the worldwide leader in fire suppression systems.

**Q: WHAT ARE THE BIGGEST CHALLENGES YOU'VE ENCOUNTERED OVER THE PAST YEAR, AND HOW HAVE YOU OVERCOME THEM?**

We made significant progress in 2004 by revamping some of our business models and getting back to business basics. That helped us produce strong free cash flow and improved operating profit margins while reinforcing a focus on specific customer needs in our core businesses. We refined our global manufacturing and logistics footprint, leveraged synergies among our business units, rolled out our Six Sigma program to every region, reduced operating costs, invested in new products and our sales and service force, and divested a variety of smaller noncore operations.

In our security business, we transitioned from quick-growth business models to ones delivering stronger, sustainable economic returns. In new sales, we shifted focus to customers who tend to have a longer-lasting relationship with their suppliers and typically own, rather than lease, their security systems. And now the majority of our new customers sign up for service through our direct sales force rather than through an authorized dealer channel. Both ADT sales channels, direct and dealer, are strong producers today. We believe we now have a solid growth foundation in place.

**Q: WHAT'S ON YOUR AGENDA FOR 2005?**

We will continue to drive strong cash flow and profit margin improvements while increasingly turning our attention to growth. To fuel sustainable organic

growth, we're investing even more in our sales force; leveraging new technologies to provide new services and more value to our existing customers; developing new products; and increasing our penetration in faster-growth economies. China is a good example of a fast-growing market. We already have a well-established presence in China, and we are committed to leveraging our key brands to offer a broader array of services to customers there.

We're also expanding through "close adjacencies." This refers to untapped opportunities existing alongside markets where we already do business. For example, if a retail customer uses our anti-theft solutions, it would be logical for us to provide that customer with access control and video surveillance services. Taking this one step further, we can help that retailer with its supply chain by leveraging radio frequency identification (RFID) technology to tag and track bulk shipments from its suppliers, providing solutions for optimizing inventory levels. In the residential market, we're excited about expanding new ADT offerings beyond the traditional home alarm services. We can help provide peace of mind to the loved ones of people requiring assisted care, to people in cars, and through the addition of helpful service features such as two-way voice and, over time, video monitoring.

In general, we are continuing to focus on strengthening our business, doing an even better job of helping our customers, and growing. We're working on international and homeland security by increasing and improving service to airports, tunnels, ports, bridges, and power generation facilities. We will continue to increase service performance and improve customer relationships. We believe we are in a great position with enormous potential, strong momentum, and a bright future.

# TYCO ELECTRONICS



**Q&A WITH:**  
**JUERGEN W. GROMER**  
President  
Tyco Electronics

TYCO ELECTRONICS IS ACCELERATING GROWTH THROUGH A WIDE VARIETY OF PROACTIVE, CUSTOMER-BASED INITIATIVES. SEGMENT PRESIDENT JUERGEN GROMER IS CONFIDENT HIS BUSINESS WILL CONTINUE TO LEAD BY PARTNERING WITH CUSTOMERS GLOBALLY TO PROVIDE APPLICATION-SPECIFIC, COST-EFFECTIVE SOLUTIONS.

**Q: WHAT ARE YOUR KEY TARGET MARKETS?**

With over 200,000 customer accounts around the world, we touch virtually every market segment. As we move into 2005, we're especially focused on automotive, consumer electronics, medical instrumentation, wireless systems, and industrial machinery and equipment, as these markets present excellent growth opportunities for us.

**Q: CAN YOU CHARACTERIZE YOUR CUSTOMER RELATIONSHIPS?**

We've always emphasized a direct sales approach, and we are focused on maintaining very close customer relationships. Our senior management team and I spend a major part of our time visiting customers around the world. On a day-to-day basis, the strong presence of our global sales force—supported by our product engineers and application specialists, who also personally visit accounts—helps to ensure that we have early access to and strategic involvement in our customers' new product development programs.

**Q: WHAT IS YOUR STRATEGIC FOCUS IN CONSUMER ELECTRONICS?**

We've intensified our focus on component development for the rapidly growing audio and video electronics markets. This includes components for digital set-top boxes, digital cameras, mobile phones, MP3 players, flat-screen TVs, and next-generation video games. This effort is showing strong results and yielding many new product programs.

**Q: WHAT ABOUT AUTOMOTIVE ELECTRONICS?**

Certainly new connector and special cable assembly systems continue to be very important, and we are also gaining momentum with our wireless antennas, inductive and radar sensors, and fuse and relay box programs. Satellite radio also is growing rapidly, and we have the antenna technology for those systems. With our fuse and relay boxes we are able to leverage several of our technologies into one value-added system. As for sensors, they have many applications including serving as key components in airbag systems and in automatic transmissions. In addition, our M/A-COM™ radar sensors are an important part of future active safety systems.

**Q: WHAT'S YOUR PRIMARY FOCUS IN MEDICAL ELECTRONICS?**

We are very excited about advances in medical electronics and the important role we can play in advancing the state of medicine through more sophisticated electronic medical technology. Our cabling systems employ micro-coaxial cables and high-density connectors, our filters help preserve the very highest signal integrity for diagnostic equipment, and our touch screens improve the speed and accuracy of operator input.

**Q: WHAT'S NEW AND IMPORTANT IN THE WIRELESS SYSTEMS ELECTRONICS MARKET?**

The M/A-COM OpenSky® and NetworkFirst™ radio systems are in great demand due to public safety, homeland security in the U.S., and similar

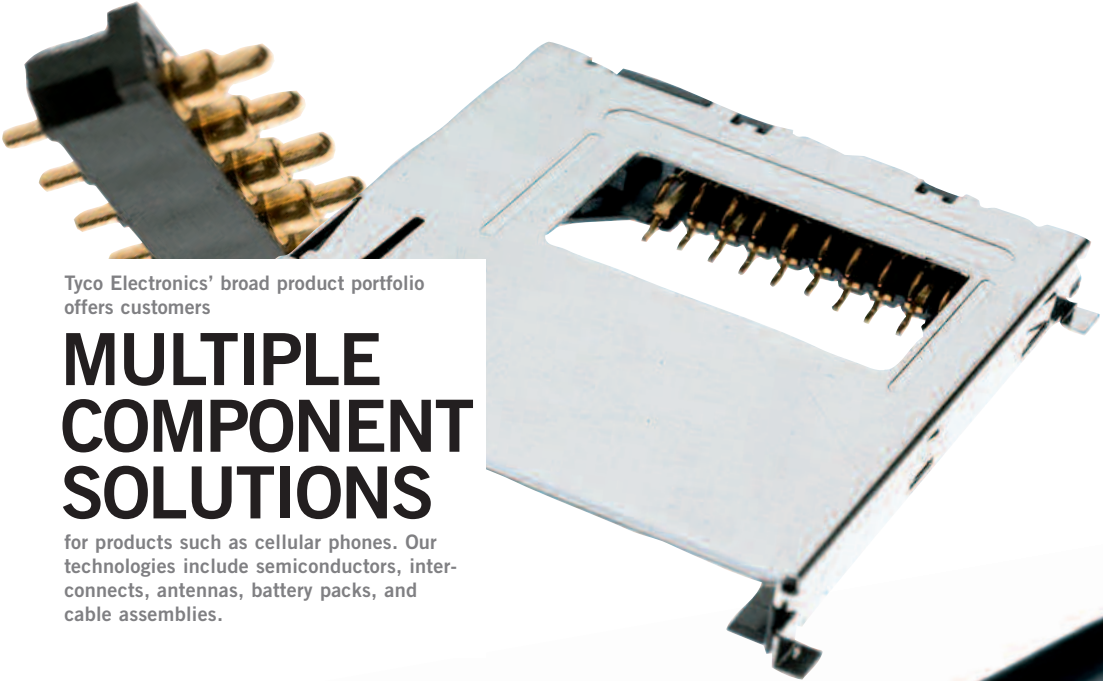


## MEETING THE NEEDS OF AN EXPANDING MARKET

Tyco's Qingdao factory, known for integrated manufacturing operations of connector and chip carrier socket products, serves customers in China and beyond. In 2004, the plant achieved a 50 percent improvement in product and process quality, produced less scrap material, lowered costs, reduced delivery times, and was certified for new environmental standards.



L TO R: ANDO MASAMI, PRODUCTION DIRECTOR; HAN BANGYAN, MANAGER OF HR & ADMINISTRATION; AND WANG JIJUN, STAMPING DEPARTMENT MANAGER—ALL FROM TYCO ELECTRONICS



Tyco Electronics' broad product portfolio offers customers

# MULTIPLE COMPONENT SOLUTIONS

for products such as cellular phones. Our technologies include semiconductors, interconnects, antennas, battery packs, and cable assemblies.



High-definition television is enjoying one of the highest growth rates in the consumer electronics marketplace, and Tyco Electronics' High Definition Multimedia Interface (HDMI) connectors are

# A KEY INTERCONNECT

linking TVs and set-top boxes.

programs in other countries. Historically we've been a components manufacturer, and these new complete radio systems open up a major new market to us, offering tremendous opportunity for growth in systems-level products.

**Q: ELECTRONICS IS ONE OF TYCO'S MOST GLOBAL BUSINESSES. WHAT ARE THE MOST EFFECTIVE WAYS TO MANAGE GROWTH IN SUCH A GLOBAL ENTERPRISE?**

Because we are extremely customer-focused—and because many of our customers have a global presence—our job is to meet their needs wherever they are located. Our global manufacturing footprint, for example, is an important support pillar, helping to provide optimal customer service by placing us physically close to customers all over the world. Our vast international reach gives all our businesses a global charter, and each continually tailors its product offerings, engineering talent, and manufacturing footprint to match our customers' needs.

Of course, none of this could be implemented without our globally deployed marketing and sales force and our Global Account Management (GAM) program. GAM is designed to make it easier for major global customers to work with us by offering them a single point of access to Tyco Electronics' resources. Each Global Account Manager is responsible for managing our complete relationship with a particular customer. Our objective is to create a seamless resource and enhanced, comprehensive access to our product offerings.

**Q: WHAT ARE YOU DOING TO CAPITALIZE ON GROWTH OPPORTUNITIES IN CHINA?**

Without question, China—with its big population and rapid growth in technical developments—represents one of the largest markets in the world. It is truly a huge growth opportunity, one that is experiencing the fastest local market growth of any

single country. Just as important, China is a prime manufacturing location for us because of its proximity to nearly all of our global original equipment manufacturer customers who have operations there. Within the past five years, we've enlarged our Chinese manufacturing base from 3,000 to 26,000 employees. We now have 16 plants in China, and we are expanding our engineering and design resources there as well.

**Q: WHAT WERE YOUR KEY INITIATIVES AND BIGGEST SUCCESSES IN 2004?**

Certainly our effort in China is one, as well as improving coverage in other emerging markets, such as Eastern Europe and India. We grew sales through market share gains and an increased new product stream. We achieved continuous cost improvements based on Six Sigma initiatives, all in the face of significant headwind from increased raw material prices. We further improved product quality, reaching single-digit parts-per-million defect rates in many key product areas.

**Q: WHAT ARE YOUR SEGMENT'S PRIMARY GOALS IN 2005?**

We're focusing on growing organically, continuing to improve our new product stream, and realizing further cost savings through lean manufacturing and logistics programs. Our ultimate goal is to deliver ever greater value to our customers through consistently superior product quality and customer service.



# TYCO HEALTHCARE



**Q&A WITH:**  
RICHARD J. MEELIA  
President  
Tyco Healthcare

RICH MEELIA, PRESIDENT OF TYCO HEALTHCARE, AND HIS TEAM ARE FOCUSED ON ACCELERATING GLOBAL GROWTH BY INCREASING INVESTMENT IN R&D AND GEOGRAPHIC EXPANSION. THESE EFFORTS, ALONG WITH INCREASED OPERATIONAL FOCUS AND CONTINUED FINANCIAL PERFORMANCE, WILL HELP TYCO HEALTHCARE REMAIN A GLOBAL HEALTHCARE TECHNOLOGY LEADER.

**Q: WHAT ARE YOUR MAJOR TARGET MARKETS?**

Tyco Healthcare is one of the broadest suppliers to the global healthcare community. Our portfolio includes such vital products as advanced surgical tools and supplies, sutures and wound care, needles and syringes, contrast media for diagnostic imaging, vascular therapy, respiratory care, and generic pharmaceuticals.

**Q: WHAT WERE YOUR KEY FOCUS AREAS IN 2004?**

Our primary initiative was to effectively advance new products through our pipeline. Accordingly, we increased R&D funding by nearly 40 percent in 2004, and expect to double our R&D investment over the next few years. We've also expanded our operational excellence efforts and moved away from a centrally managed team of Black Belts. We now have Black Belts in every business unit, focused on common as well as business unit-specific priorities.

**Q: WHAT WERE YOUR BIGGEST SUCCESSES?**

In 2004, Tyco Healthcare achieved 12.4 percent earnings growth, a testament to the collective work of the entire organization. What this number does not reflect is the significant investment we have made back into the business to enhance discipline in our new product development process.

Among our commercial highlights were contract awards with several key Group Purchasing Organizations who represent nearly 70 percent of the hospitals in the U.S.

**Q: WHAT ARE YOUR GOALS FOR 2005?**

We're looking forward to a great year. We've added significant resources to our Quality Assurance/Regulatory Affairs function, supporting our commitment to consistent world-class quality. Equally important is our increased focus on world-class service, in which we've committed to increasing our already high current service levels of 90 percent to 95+ percent. Our strong focus on operational excellence initiatives will help us expand our profit margins. Last but not least, we will continue to accelerate our new product development efforts. We have high expectations for the new technology that will be introduced in 2005.

**Q: HOW ARE YOU PLANNING TO LEVERAGE YOUR R&D SPENDING?**

Among our significant advances in R&D, we've improved our processes dramatically, and we are becoming more disciplined with every new development. A prime example of how we're working smarter and better is the great success of our Kangaroo™ ePump, which is one of the first products to come out of our new product development process.

In addition, we're significantly increasing R&D spending. In 2002, Tyco Healthcare spent \$127 million in support of new product development; in 2004 we spent \$209 million. We anticipate continued increases in R&D spending over the coming years. This will allow us to respond faster with new products that answer the greatest customer needs.

**KANGAROO™ EPUMP**

Research and Development Manager Jim Harr and a cross-functional product development team carefully considered the input of hundreds of customers while designing the Kangaroo ePump. The result is a one-of-a-kind, compact, easy-to-use device for providing nutrition to patients who are unable to take food orally. This is one of the first products launched as part of Healthcare's reinvigorated new product development efforts and represents a significant opportunity for Kendall's Critical Care division.



R: JIM HARR, MANAGER OF RESEARCH AND DEVELOPMENT, PROVIDING TRAINING AT PHELPS MEMORIAL HOSPITAL IN SLEEPY HOLLOW, NEW YORK.



Introduced in August 2004, NeuroSpec™ is a rapid, safe, and simple-to-use diagnostic solution for appendicitis. Developed by corporate partner Palatin Technologies, the imaging agent radiolabels white blood cells to

## DIAGNOSE APPENDICITIS

in patients with unclear symptoms. NeuroSpec helps decrease unnecessary surgeries and reduces the risk of perforation by diagnosing most cases within one hour.

Proven effective in more than

# 1 MILLION

procedures worldwide, Valleylab's LigaSure® vessel-sealing system is a unique form of electro-surgery that can replace sutures, clips, staples, and other energy-based ligation methods. It fuses the body's own collagen and elastin to permanently seal tissue bundles and vessels up to and including 7mm in diameter without leaving any foreign material behind.





**Q: WHAT DOES OPERATIONAL EXCELLENCE MEAN FOR YOU AND YOUR SEGMENT?**

Operational excellence is more than a way of doing business—it's *our* way of doing business. We've integrated it into everything we do, and we live it every day. The proof that it works is clear. We enjoyed \$151 million in operational excellence savings. For us, the bottom line is that operational excellence is more than just about cost-cutting; it's about implementing high-quality, thoughtful projects that result in better healthcare products—and healthier lives.

**Q: MUCH OF YOUR OPERATIONAL EXCELLENCE EFFORT HAS FOCUSED ON LEAN MANUFACTURING. HOW MUCH MORE OPPORTUNITY EXISTS IN THIS AREA FOR TYCO HEALTHCARE?**

Over the last several years, our manufacturing group has made significant progress in eliminating waste and non-value-added activities within most of our operations. This has resulted in freeing up an incredible amount of space and cash that had been previously tied up in inventory. The use of lean tools and methodology is not limited to manufacturing. We are currently applying many key lean tools to improve a great number of business processes. We believe that there are substantial gains to be realized by applying both lean and Six Sigma tools to all aspects of our business.

**Q: CAN YOU DESCRIBE THE COLLABORATIVE NATURE OF YOUR PRODUCT DESIGN PROCESS?**

Our product design process always begins with the customer. We have several initiatives to ensure great quality along with a laser-sharp focus on specific customer needs. By using Six Sigma tools to better listen to and hear the “voice of the customer,” we guarantee that our product designs accurately represent end-user requirements. Increasingly, we are leveraging our product developments and technology more broadly across our segment. For example, our antimicrobial technology, created by

Kendall, is now being evaluated for application within a variety of other Tyco Healthcare products.

**Q: WHAT MAKES HEALTHCARE SUCH AN ATTRACTIVE MARKET FOR TYCO?**

Historically, the healthcare industry has been largely resistant to economic downturn. Couple this with the growing healthcare needs of an aging global population, and you have a strong core market. Clinicians and patients are demanding better, less invasive, more technologically advanced healthcare treatments, and we must provide the new supporting products. Top it all off with the growing healthcare requirements in developing countries, and you can see why we're so excited about this market for Tyco.

**Q: HOW ARE YOU ACCELERATING GROWTH OUTSIDE THE UNITED STATES?**

As countries develop stronger economies, they allocate increasing dollars to healthcare spending. Knowing this, we've created a more robust international marketing function. We've significantly expanded our sales force around the world, especially in Europe. To capitalize on the healthcare needs of emerging global markets, we're skewing new product development toward “localized” products, meaning products that reflect specific regional needs. We're also balancing rapid growth in markets such as China with a continued strengthening of our mature markets, such as Europe. And, to ensure that our growth and marketing efforts are consistent across all our operations, we've aligned our strategies and incentive plans.

## MAKING SMART VALVES SMARTER

Tyco Flow Control is pioneering the use of intelligent Automated Valve Interface Devices (AVID™), also known as “smart valves.” This new range of products drives productivity and efficiency in critical fluid handling systems in a variety of industrial applications. Either through an open architecture wired network or through wireless communications, smart valve systems remove manual processes and provide a new level of management, including real-time data collection and condition monitoring, that increases speed, safety, and total system reliability.



L TO R: KATE GOLDING, SALES; BOB JOHNSON, SHIPPING DEPT; TONY STARK, MARKETING MANAGER; JOHN MILLAR, MANAGING DIRECTOR, UK/IRELAND/AFRICA; DEBBIE MOORE, SALES PLANNER; JOHN LOGAN, ASSEMBLY—ALL FROM TYCO FLOW CONTROL IN MARKET HARBOROUGH, U.K.



# TYCO ENGINEERED PRODUCTS & SERVICES



**Q&A WITH:**  
THOMAS J. LYNCH  
President  
Tyco Engineered Products & Services

TYCO ENGINEERED PRODUCTS & SERVICES COMPRISES FOUR GLOBAL BUSINESS UNITS: FLOW CONTROL, ELECTRICAL & METAL PRODUCTS, INFRASTRUCTURE SERVICES, AND FIRE & BUILDING PRODUCTS. TYCO'S NEWEST SEGMENT PRESIDENT, TOM LYNCH, TALKS ABOUT HOW TEPS PERFORMED IN 2004 AND HIS TEAM'S FOCUS FOR 2005.

**Q: CAN YOU DESCRIBE THE BREADTH OF YOUR PORTFOLIO?**

We make literally thousands of products, so the best way to illustrate our breadth may be to talk about our four business units and the markets we serve. Flow Control is our biggest business unit; it helps customers handle vast quantities of fluid including water, oil, gas, chemicals, and pharmaceuticals. Our Electrical & Metal Products unit is a leading provider of steel and related products for the electrical distribution and automotive industries. Fire & Building Products is a leading supplier to the building and construction industry. Finally, our Infrastructure Services business is a global player in the designing, financing, building, and operating of major projects for the transportation, water/wastewater, facilities, and environmental remediation industries.

**Q: WHAT ARE YOUR SEGMENT'S GREATEST STRENGTHS?**

We have three of the most important ingredients necessary for success in business. First, we have outstanding people who maintain strong customer relationships, and have a deep knowledge of our products and markets. Second, each of our business units is well positioned with brand, technology, and market leadership in many of our product categories. Finally, we deliver high-quality products and services—and you can't be a market leader without quality.


Another strength for us is the way our business has embraced operational excellence—especially Six Sigma. It has really taken hold in our plant locations and is already a part of the culture of our

business units. We saw good savings from operational excellence programs in 2004, and we anticipate doing even better in 2005. We expect to triple the number of employees trained in Six Sigma, and we will complete more than 300 projects. In 2005, we will also accelerate the deployment of lean manufacturing that began in 2004.

**Q: TEPS OFFERS MANY "BEHIND THE SCENES" PRODUCTS AND SERVICES. HOW ARE THEY VITAL TO TYCO CUSTOMERS?**

It's true that TEPS makes the kind of products most people don't notice, but that doesn't make them any less important. For instance, our valves and controls help bring oil and natural gas up from thousands of feet below the surface of the ocean. We then help to safely transport and refine those key natural resources so we can drive cars and heat our homes. Our valves and pipes help to bring potable water to hundreds of millions of people around the world—and the nearly 400 water and wastewater treatment plants we've designed or built serve another 40 million people. Our sprinkler heads are the front line of defense to protect people and property from fires. Our people and technology remediate environmental disasters, allowing for redevelopment of areas that would otherwise be unusable. And our specialty metal products are used in automobile collision protection systems to protect passengers from harm. I think you get the picture here—TEPS provides vital products and services that help to keep the world productive, safe, clean, and healthy.





Tyco Fire & Building Products is the world leader in supplying products for water-based fire protection systems, manufacturing and distributing more than

**28 MILLION  
SPRINKLERS  
ANNUALLY.**

**Q: WHAT WERE SOME OF TEPS' 2004 HIGHLIGHTS?**

Beyond strong revenue performance, the TEPS team achieved strong operational excellence results. We dramatically improved working capital velocity, reducing our days of working capital on hand from 125 days at the beginning of the year down to 103 days by year-end. Our restructuring projects, which included a reduction of 35 facilities, will yield annualized savings of approximately \$60 million.

**Q: WHAT IS THE KEY TO ORGANIC GROWTH AT TEPS?**

Organic growth requires a creative attitude that starts with understanding the needs of the customer and then finding ways to meet those needs with our know-how and technology. Each of our business units has that attitude and has good growth potential, especially as we globalize. We need to leverage our brand and product leadership geographically and continue to invest in technology to maintain leadership. Our biggest growth opportunity is in the worldwide water industry. This is an enormous market that is going to grow exponentially over the next several decades as the demand for potable water and wastewater treatment skyrockets. Tyco is already well established in this market. We treat water to make it potable, deliver water for drinking and irrigation, and treat or remove wastewater. All these opportunities combine to represent an exciting challenge and a dynamic way to grow.

**Q: WHAT IS TEPS' FOCUS FOR 2005 AND BEYOND?**

Growth is at the top of our list, and our strategy will be driven by a mind-set that puts a premium on our return on invested capital. And because it's imperative that we remain the low-cost producer in the markets in which we compete, we'll use Six Sigma and lean manufacturing initiatives to drive cost reductions in every aspect of our business. These

tools will help us find ways to increase manufacturing productivity. We will continue to review our real estate footprint for potential consolidation, and our teams will review product offerings to make sure they truly meet the current needs of our customers. In addition, many of our products are integral parts of a customer's projects or systems, and accurate, on-time delivery is critical. We will be examining our supply chain processes to ensure that customer satisfaction remains one of our competitive strengths. Finally, our people—and the communities where we all live and work—are incredibly important to us. To this end, we are going to accelerate and drive our environmental health and safety performance at every TEPS location worldwide.

# TYCO PLASTICS & ADHESIVES



**Q&A WITH:**  
**TERRY A. SUTTER**  
President  
Tyco Plastics & Adhesives

WITH A PORTFOLIO OF LEADING PRODUCTS THAT INCLUDES STRETCH FILMS, PLASTIC SHEETING, GARMENT HANGERS, AND DUCT TAPE, TYCO PLASTICS & ADHESIVES IS EVERYWHERE. SEGMENT PRESIDENT TERRY SUTTER AND HIS TEAM ARE BUILDING A PLATFORM FOR SUSTAINABLE GROWTH AND IMPROVED FINANCIAL PERFORMANCE.

**Q: WHAT ARE YOUR KEY TARGET MARKETS, AND HOW ARE YOU SERVING THEM?**

In total, our segment tracks 24 customer categories that fall into two primary markets: retail, including the do-it-yourself market; and industrial or business-to-business.

For both of these primary markets, we've established strategies and investment plans. For example, we initiated a new Key Account Management program in 2004 that identifies and prioritizes key and target customer accounts within each market. In developing these Key Account Management plans, we also identified the top satisfaction criteria for each customer. Relying heavily on Six Sigma tools, we partnered with our customers to develop and validate their requirements. We're now focusing our resources on meeting those requirements to win a larger percentage of their business.

**Q: WHAT WERE YOUR KEY INITIATIVES AND BIGGEST SUCCESSSES IN 2004?**

In 2004, we spent the year building a strong management team, increasing productivity to improve our competitiveness, and driving improved cash flow generation. On all fronts, I'm proud of our results.

Our first task was essentially building a new leadership team from scratch. All but two members of our leadership team in Plastics & Adhesives joined us within the last two years. One important distinction about our leadership team is that 10 of us are trained as Six Sigma Green Belts, Black Belts,

or Master Black Belts—a further illustration of our commitment to operational excellence.

The primary mission of our leadership team in 2004 was to improve productivity and drive costs from our businesses, focusing on restructuring, sourcing, supply chain management, Six Sigma, and lean. All these initiatives combined to create nearly \$45 million in savings. In terms of cash flow, we achieved a 14 percent improvement in working capital days.

Although we have several success stories, I'm particularly proud of what we achieved through our restructuring initiative. At the beginning of fiscal year 2004, we had far too much manufacturing capacity versus market demand, to the point that our plants on average were operating at only 73 percent of capacity. Through a sustained team effort, we closed nearly 30 facilities, representing about 2 million square feet. We also relocated multiple production lines that handled 100 million pounds of product. As a result of these projects, we significantly increased our plant capacity utilization and expect to achieve increased savings in the future.

**Q: YOUR SEGMENT HAS BEEN FACING ONE OF THE MOST PERSISTENTLY TOUGH BUSINESS ENVIRONMENTS IN RECENT MEMORY. WHAT ARE YOU DOING TO STAY AHEAD OF THESE CHALLENGES?**

Over the last two years, we have faced an unusual challenge in the form of sustained cost increases for resin, a critical raw ingredient used to make



### THE MILLION-DOLLAR CHALLENGE

At a Tyco lean pilot course held at the Franklin, Kentucky, U.S.A., Adhesives plant, the eight-person host team took part in Total Productive Maintenance, which involved breaking apart—and putting back together—a machine used in the production of duct tape. In the process, the team learned to minimize production downtime and prevent future equipment breakdowns. This effort was part of several concurrent lean events held over the course of a week, and in total, the teams identified and are on track to reach a potential \$1 million in savings.



L TO R: GLENN HALEY, PLANT EMPLOYEE; JOHN BAKER, MASTER BLACK BELT AND OPERATIONAL EXCELLENCE DIRECTOR; MANDY MCCAIN, LEAN BLACK BELT—ALL FROM TYCO ADHESIVES IN FRANKLIN, KENTUCKY U.S.A.



Keeping in mind customer desire to receive good value for money spent, Tyco Plastics has been producing Ruffies®, the leading value brand of trash bags, for more than

# 40 YEARS.

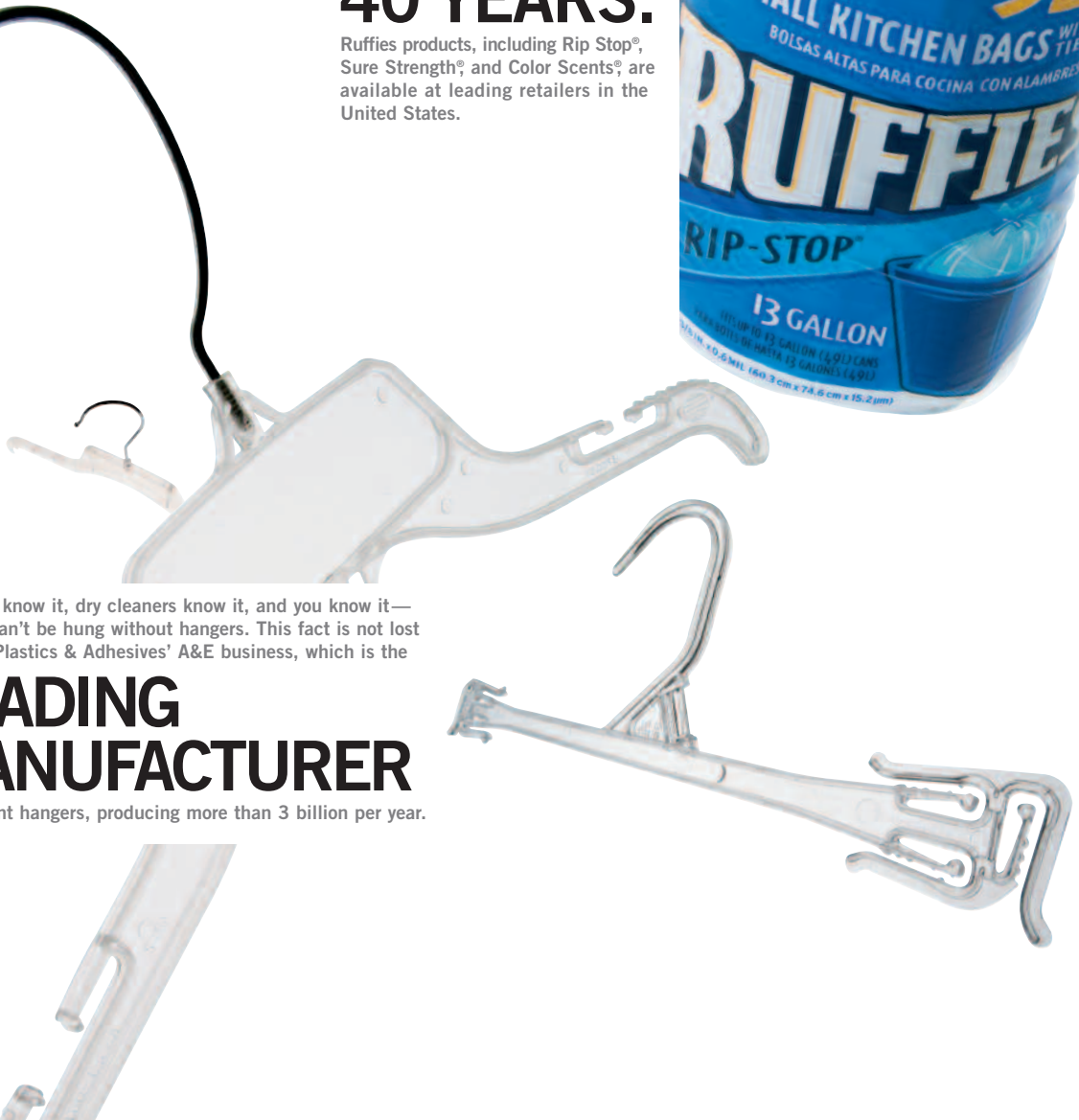
Ruffies products, including Rip Stop®, Sure Strength®, and Color Scents®, are available at leading retailers in the United States.



Retailers know it, dry cleaners know it, and you know it—clothes can't be hung without hangers. This fact is not lost on Tyco Plastics & Adhesives' A&E business, which is the

# LEADING MANUFACTURER

of garment hangers, producing more than 3 billion per year.



plastic. Resin prices started rising primarily because of higher prices for natural gas and oil, which are used as raw materials for making resins. There has also been the additional pressure of a tight supply-demand balance. Today, most resin manufacturers in the world are running at full capacity. Therefore, resin suppliers are charging and getting premium prices for their product. In fiscal year 2004, the costs for the three most common resins—polyethylene, polypropylene, and polystyrene—all increased by more than 50 percent, which increased our resin costs by approximately \$50 million. Unfortunately, we don't expect the increases to subside in 2005.

To survive in this price-competitive environment and to position ourselves for long-term growth, we're partnering closely with our suppliers and customers. In addition, we're managing our supply chain more effectively and efficiently. Our strategic sourcing efforts have helped us purchase resin collaboratively across our business to ensure the most competitive pricing. In addition, we're driving Six Sigma, lean, and strategic sourcing deeper and more broadly throughout our segment to increase productivity and to improve working capital.

**Q: WHAT IS YOUR MOST ATTRACTIVE MARKET TODAY, AND WHY?**

All of the markets in which we operate are attractive, but I believe we have some unique opportunities. Because of the size and scale of our Plastics business, which represents \$1 billion in revenue and 1.5 billion pounds of polyethylene, we have the potential to begin producing a number of other higher-performance film applications for our customers. Our Coated Products business is especially well positioned to use our lamination expertise to penetrate new higher-growth market segments like medical packaging. The Adhesives business is focusing new product development on specialty applications

resulting from the knowledge and expertise of our research and development center staff. Expansion outside of the United States is key for our A&E business, having added more than 50 people in our new office in Hong Kong.

**Q: TYCO IS PRIMARILY A BUSINESS-TO-BUSINESS COMPANY, WHEREAS MANY OF YOUR PRODUCTS ARE CONSUMER-ORIENTED. WHAT ARE THE CHALLENGES THIS PRESENTS?**

First, whether you're in retail or business-to-business, you must understand your customers' CTQs, a Six Sigma term indicating a customer's top satisfaction criteria. The challenges of working in a consumer products environment include requiring a faster rate of new product innovation, more focus and detail on product packaging, a better supply chain to respond to significant and rapid changes in customer buying trends, and acting on last-minute promotional campaign requirements from the customer. An empty shelf at the retail level, for example, is a lost sale. This is why our Key Account Management Program is proving to be so beneficial.

**Q: WHAT ARE YOUR PRIORITIES FOR 2005?**

We've identified six major areas of focus: organic growth; supply chain effectiveness; productivity; environmental health and safety; talent development; and governance. In short, we're concentrating on operating our business as efficiently and as effectively as possible—and operational intensity is the path we're taking to get there.



BOARD OF DIRECTORS

BRENDAN O'NEILL  
Former CEO  
Imperial Chemical Industries PLC

H. CARL McCALL  
Principal  
Convent Capital, LLC

MACKEY McDONALD  
Chairman, President & CEO  
VF Corporation

GEORGE BUCKLEY  
Chairman & CEO  
Brunswick Corporation

EDWARD BREEN  
Chairman & CEO  
Tyco International Ltd.



JOHN KROL  
Former Chairman & CEO  
E.I. du Pont de Nemours & Company

DENNIS BLAIR  
President & CEO  
Institute for Defense Analyses

BRIAN DUPERRÉAULT  
Chairman  
ACE Limited

BRUCE GORDON  
Former President of Retail Markets  
Verizon Communications, Inc.

SANDRA WIJNBERG  
Senior VP & CFO  
Marsh & McLennan Companies, Inc.

JEROME YORK  
CEO  
Harwinton Capital Corporation



## SENIOR MANAGEMENT TEAM

Edward D. Breen\*  
Chairman and  
Chief Executive Officer

Juergen W. Gromer  
President  
Tyco Electronics

Richard J. Meelia  
President  
Tyco Healthcare

Terry A. Sutter  
President  
Tyco Plastics & Adhesives

David J. FitzPatrick\*  
Executive Vice President  
Chief Financial Officer

Naren K. Gursahaney  
Senior Vice President  
Operational Excellence

Eric M. Pillmore  
Senior Vice President  
Corporate Governance

Charles H. Young  
Senior Vice President  
Marketing &  
Communications

William B. Lytton\*  
Executive Vice President  
General Counsel

Thomas J. Lynch  
President  
Tyco Engineered Products  
& Services

David E. Robinson  
President  
Tyco Fire & Security

\*Officer of Tyco International Ltd.

Dana S. Deasy  
Senior Vice President  
Chief Information Officer

Laurie A. Siegel  
Senior Vice President  
Human Resources

## CORPORATE DATA

### REGISTERED & PRINCIPAL EXECUTIVE OFFICE

Tyco International Ltd.  
2nd Floor  
90 Pitts Bay Road  
Pembroke HM 08, Bermuda  
441.292.8674

### INDEPENDENT AUDITORS

Deloitte & Touche LLP  
Two World Financial Center  
New York, NY 10281-1414

### SHAREHOLDER SERVICES

Registered shareholders (shares held in your own name) with questions regarding your account, such as change of address, lost certificates, or dividend checks, should contact our transfer agent at:

Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07600  
800.685.4509  
201.329.8660  
shrrelations@mellon.com

Other shareholder inquiries may be directed to Tyco Shareholder Services at the Company's registered office address.

### STOCK EXCHANGES

The Company's common shares are traded on the Bermuda Stock Exchange and the New York Stock Exchange under the ticker symbol TYC.

### TYCO ON THE INTERNET

The 2004 Tyco Annual Report is available online through [www.tyco.com](http://www.tyco.com). This site also contains the latest Company news and information.

### TRADEMARKS

All product names appearing in this document are trademarks owned by, or licensed to, the Company or its subsidiaries.

### 2004 FINANCIAL STATEMENTS

The Company's Consolidated Financial Statements for the year ended September 30, 2004, along with the accompanying notes, are included in Tyco's Annual Report on Form 10-K for the period ended September 30, 2004, which can be found at [www.tyco.com](http://www.tyco.com). You can also obtain a copy upon written request to Tyco International, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda.



## NON-GAAP MEASURES

“Free cash flow” (FCF) and “organic revenue growth” are non-GAAP measures and should not be considered replacements for financial GAAP results. These measures should be used in conjunction with the most comparable GAAP financial measures. Investors are urged to read the Company’s financial statements as filed with the Securities and Exchange Commission for more information about the most comparable GAAP measures.

The difference between Cash Flows from Operating Activities (the most comparable GAAP measure) and FCF (the non-GAAP measure) consists mainly of significant cash outflows that the Company believes are useful to identify. FCF permits management and investors to gain insight into the number that management employs to measure cash that is free from any significant existing obligation. It is also a significant component in the Company’s incentive compensation plans. The difference reflects the impact from: the sale of accounts receivable programs, net capital expenditures, acquisition of customer accounts (ADT dealer program), cash paid for purchase accounting and holdback/earn-out liabilities, and dividends paid.

The impact from the sale of accounts receivable programs is added or subtracted from the GAAP measure because this activity is driven by economic financing decisions rather than operating activity. Capital expenditures, the ADT dealer program, and dividends are subtracted

because they represent long-term commitments. Cash paid for purchase accounting and holdback/earn-out liabilities is subtracted from Cash Flow from Operating Activities because these cash outflows are not available for general corporate uses.

The limitation associated with using FCF is that it subtracts cash items that are ultimately within management and the Board of Directors’ discretion to direct and that therefore may imply that there is less or more cash that is available for the Company’s programs than the most comparable GAAP measure.

“Organic revenue growth” is an important measure used by the Company to measure the underlying results and trends in the business. The difference between reported net revenue growth (the most comparable GAAP measure) and organic revenue growth (the non-GAAP measure) consists of the impact from foreign currency, acquisitions and divestitures, and revenue reclassifications.

Organic revenue growth is an important measure of the Company’s performance because it excludes items that: i) are not completely under management’s control, such as the impact of foreign currency exchange; or ii) do not reflect the underlying growth of the Company, such as acquisition and divestiture activity, or revenue reclassification. It is also a component of the Company’s compensation programs. The limitation of this measure is that it excludes items that have an impact on the Company’s revenue.

## FREE CASH FLOW RECONCILIATION

(IN MILLIONS)

	2004	2003	2002
Net cash provided by operating activities	\$ 5,384	\$ 5,309	\$ 5,423
Decrease in accounts receivable programs	929	119	56
Capital expenditures, net	(1,015)	(1,274)	(2,823)
Acquisition of customer accounts (ADT dealer program)	(254)	(597)	(1,138)
Cash paid for purchase accounting and holdback/earn-out liabilities	(107)	(272)	(625)
Dividends paid	(100)	(101)	(100)
<b>FREE CASH FLOW</b>	<b>\$ 4,837</b>	<b>\$ 3,184</b>	<b>\$ 793</b>

## ORGANIC REVENUE GROWTH RECONCILIATION

Year Ended September 30, 2004

(IN MILLIONS)

	NET REVENUES		FOREIGN CURRENCY		DIVESTITURES AND OTHER		ORGANIC REVENUE GROWTH	
Fire & Security	\$11,447	5.7%	\$ 526	5.0%	\$(82)	-0.9%	\$ 171	1.6%
Electronics	11,822	12.7%	560	5.5%	(34)	-0.7%	804	7.9%
Healthcare	9,110	8.2%	292	3.5%	(5)	-0.1%	403	4.8%
Engineered Products	6,007	33.6%	298	6.6%	759	16.8% <sup>(1)</sup>	452	10.1%
Plastics & Adhesives	1,742	0.7%	9	0.5%	–	0.0%	2	0.1%
Corporate and Other	25	NM	–	NM	–	NM	11	NM
<b>TOTAL NET REVENUES</b>	<b>\$40,153</b>	<b>11.6%</b>	<b>\$1,685</b>	<b>4.8%</b>	<b>\$638</b>	<b>1.6%</b>	<b>\$1,843</b>	<b>5.2%</b>

<sup>(1)</sup> Amount includes \$739 million related to a revenue reclassification at Infrastructure Services for certain subcontract costs previously treated as pass-through to customers and \$18 million of Infrastructure Services revenue which resulted from the consolidation of several joint ventures under FIN 46 during fiscal 2004.

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This report may contain certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to risks, uncertainty, and changes in circumstances, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. The forward-looking statements in this annual report include statements addressing the following subjects: future financial condition and operating results. Economic, business, competitive, and/or regulatory factors affecting Tyco’s businesses are examples of factors, among others, that could cause actual results to differ materially from those described in the forward-looking statements. More detailed information about these and other factors is set forth in Tyco’s Annual Report on Form 10-K for

the fiscal year ended September 30, 2004. Tyco is under no obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

## FORM 10-K AND SEC AND NYSE CERTIFICATIONS

A copy of the Form 10-K filed by the Company with the Securities and Exchange Commission (SEC) for fiscal 2004, which includes as Exhibits the Chief Executive Officer and Chief Financial Officer Certifications required to be filed with the SEC pursuant to Section 302 of the Sarbanes-Oxley Act, may be obtained by shareholders without charge upon written request to Tyco International, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda. The Form 10-K is also available on the Company’s website at [www.tyco.com](http://www.tyco.com). The Company has filed with the New York Stock Exchange (NYSE) the Certification of its Chief Executive Officer confirming that the Company has complied with the NYSE corporate governance listing standards.

***tyco***

*a vital part of your world*

**TYCO INTERNATIONAL LTD.**

2nd Floor  
90 Pitts Bay Road  
Pembroke HM 08, Bermuda

[www.tyco.com](http://www.tyco.com)