FORM S-1 · REGISTRATION STATEMENT

# *Tycom Ltd*

IPO priced 2000-07-27 · $32.00 a share · TCM



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 10, 2000 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 TYCOM LTD. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| Bermuda | 3670 | Not Applicable |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

THE ZURICH CENTRE, SECOND FLOOR, SUITE 201 90 PITTS BAY ROAD PEMBROKE HM 08, BERMUDA (441) 298-9770 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) PUGLISI & ASSOCIATES 850 LIBRARY AVENUE, SUITE 204 P.O. BOX 885 NEWARK, DELAWARE 19711 (302) 738-6680 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE) COPIES TO: FRANCIS J. MORISON, BYRON S. KALOGEROU, ESQ. ALAN L. BELLER, ESQ. ESQ. VICE PRESIDENT AND GENERAL RAYMOND B. CHECK, ESQ. E. WAIDE WARNER, COUNSEL CLEARY, GOTTLIEB, STEEN & JR., ESQ. TYCOM LTD. HAMILTON DAVIS POLK & THE ZURICH CENTRE, 1 LIBERTY PLAZA WARDWELL SECOND FLOOR, SUITE 201 NEW YORK, NEW YORK 10006 450 LEXINGTON 90 PITTS BAY ROAD (212) 225-2000 AVENUE PEMBROKE HM 08, BERMUDA NEW YORK, NEW YORK (441) 298-9770 10017 (212) 450-4000 APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT. IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, PLEASE CHECK THE FOLLOWING BOX. [_] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(D) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [_]

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1) (2) | Amount of Registration Fee |
|---|---|---|
| COMMON SHARES, PAR VALUE $0.25 PER SHARE..... | $1,000,000,000 | $264,000 |

(1) INCLUDES COMMON SHARES WHICH MAY BE PURCHASED FROM TGN HOLDINGS LTD. BY THE UNDERWRITERS TO COVER OVER-ALLOTMENTS. (2) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE AMOUNT OF THE REGISTRATION FEE. IN ACCORDANCE WITH RULE 457(O) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, THE NUMBER OF SHARES BEING REGISTERED AND THE PROPOSED MAXIMUM OFFERING PRICE PER SHARE ARE NOT INCLUDED IN THIS TABLE.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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+We will amend and complete the information in this prospectus. We may not  +
+sell these securities until the registration statement filed with the       +

+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities, and we are not soliciting offers to buy these +
+securities, in any state where the offer or sale is not permitted or legal. +
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SUBJECT TO COMPLETION, DATED MARCH 10, 2000

SHARES

TYCOM LTD.

COMMON SHARES $ PER SHARE WE ARE OFFERING NEWLY ISSUED COMMON SHARES TO THE PUBLIC. WE ANTICIPATE THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE. AFTER THE OFFERING, TYCO INTERNATIONAL LTD. WILL OWN INDIRECTLY APPROXIMATELY % OF OUR OUTSTANDING COMMON SHARES, ASSUMING NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION. THE UNDERWRITERS NAMED IN THIS PROSPECTUS MAY PURCHASE UP TO ADDITIONAL COMMON SHARES FROM TGN HOLDINGS LTD., A WHOLLY- OWNED SUBSIDIARY OF TYCO INTERNATIONAL LTD., TO COVER OVER-ALLOTMENTS. WE WILL NOT RECEIVE ANY PART OF THE PROCEEDS FROM ANY SALE OF COMMON SHARES BY TGN HOLDINGS LTD.

NO PUBLIC MARKET CURRENTLY EXISTS FOR OUR COMMON SHARES. WE INTEND TO APPLY TO HAVE THE COMMON SHARES APPROVED FOR LISTING ON THE NEW YORK STOCK EXCHANGE AND FOR A SECONDARY LISTING ON THE BERMUDA STOCK EXCHANGE, IN EACH CASE, UNDER THE SYMBOL "TCM".

INVESTING IN OUR COMMON SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION NOR THE REGISTRAR OF COMPANIES OR THE BERMUDA MONETARY AUTHORITY IN BERMUDA HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | PER SHARE | TOTAL |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds to TyCom before expenses | $ | $ |

THE UNDERWRITERS EXPECT TO DELIVER THE COMMON SHARES TO PURCHASERS ON OR ABOUT , 2000.

THE LEAD MANAGERS ARE GOLDMAN, SACHS & CO., SALOMON SMITH BARNEY AND MERRILL LYNCH & CO.

JOINT BOOK-RUNNING MANAGERS GOLDMAN, SACHS & CO. SALOMON SMITH BARNEY JOINT LEAD MANAGER MERRILL LYNCH & CO.

PROSPECTUS DATED , 2000.

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Shares Eligible for Future Sale..... 77 Tax Considerations..... 78 Underwriting..... 81 Legal Matters..... 83 Experts..... 83 Where You Can Find More Information..... 84 Service of Process and Enforcement of Liabilities..... 85 Index to Consolidated Financial Statements ..... F-1 In this prospectus, "TyCom," "we," "us" and "our" refer to TyCom Ltd., a Bermuda company limited by shares, and its subsidiaries where appropriate. "Tyco" refers to Tyco International Ltd., a Bermuda company limited by shares, and its subsidiaries where appropriate. Unless otherwise indicated, information presented in this prospectus assumes no exercise of the underwriters' over- allotment option. In this prospectus, references to "dollars" and "$" are to United States dollars.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common shares.

The Bermuda Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

Until , 2000, all dealers that buy, sell or trade common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

# *Prospectus Summary*

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in our common shares. We urge you to read this entire prospectus carefully, including the "Risk Factors" section and the consolidated financial statements and the notes to those statements.

Who We Are

TyCom Ltd. is the world's leading independent, fully integrated, turnkey supplier of undersea fiber optic networks and services. We have designed, engineered, manufactured and installed over 350,000 kilometers of undersea cable, more than any other supplier, and have played a leading role in the design and construction of most of the world's undersea cable networks. The foundation of our industry leadership is the technological accomplishments of the internationally recognized TyCom Laboratories, which has its origins in Bell Labs. In each of the last nine years, TyCom Laboratories has set new records in the laboratory environment by increasing the bandwidth capacity of fiber optic transmission over transoceanic distances. Today, our research and development efforts are focused on delivering optical solutions to enhance the flexibility, scalability and competitiveness of our undersea fiber optic systems.

The TyCom Global Network We plan to apply our proven strengths and expertise to become a leading carrier's carrier and the first undersea telecommunications fiber optic network owner-supplier. We intend to design, manufacture, install, own, sell capacity on, operate and maintain what we believe will be the world's longest, most extensive and most technologically advanced global undersea telecommunications fiber optic network--the TyCom Global Network. We are launching the TyCom Global Network to satisfy the increasing demand for undersea fiber optic connectivity driven by the growth of the Internet and the expansion of wireless and other bandwidth-intensive applications. Recent research by Ovum projects that transatlantic traffic volume will increase at a compound annual growth rate of approximately 102% from 2000 through 2005 and that transpacific traffic volume will increase at a compound annual growth rate of approximately 100% over the same period. We plan to deploy the TyCom Global Network in a number of phases over the next ten years. Ultimately, we expect our network will span approximately 250,000 kilometers, serve all six inhabited continents and link to terrestrial telecommunications systems that reach most of the world's population. Given our technology leadership and our experience in the supply and maintenance of undersea systems, we believe we are uniquely positioned to meet this rapidly accelerating demand for bandwidth.

Our Strategy

Our goal is to become the leading worldwide supplier of undersea fiber optic bandwidth capacity. The principal elements of our business strategy will be to:

. Deploy the World's Most Extensive and Technologically Advanced Global Undersea Fiber Optic Network. Each segment of the TyCom Global Network will utilize our leading edge proprietary technology. This technology includes our undersea cable and optical amplifiers and our sophisticated fiber optic and electronic transmission equipment. Each segment is designed to permit rapid expansion of bandwidth capacity through on- demand capacity upgrades at our land-based cable stations. We plan to deploy first on the high volume East/West traffic routes of the Atlantic and the Pacific where anticipated demand for bandwidth is the greatest.

. Transform TyCom into a Leading Seller of Undersea Bandwidth Capacity. We intend to leverage our core competencies and competitive advantages to become a leading provider of upgradable undersea bandwidth capacity and reliable international connectivity. We expect that our customers will be traditional and emerging carriers and new bandwidth service providers seeking to connect to geographically diverse terrestrial networks. We are actively expanding our existing sales and marketing organization to focus on sales of bandwidth capacity on the TyCom Global Network. Our strategy is to position ourselves as a neutral owner-supplier of undersea fiber optic bandwidth capacity by not competing with our customers for retail end-users.

. Maintain and Leverage Our Technological Leadership. We intend to continue to develop and leverage our next generation fiber optic system and related technologies. Our plan is to further invest in TyCom Laboratories to foster applied research advancements in network capacity, transmission speeds and network optimization. Our goal is to be first-to-market with cost-effective integrated optical solutions, as well as to explore how our leading edge proprietary undersea fiber optic technology might be utilized in terrestrial networks and other commercial applications.

. Develop a Broad Range of Products and Services in Collaboration with Our Customers. We intend to capitalize on the expanding demand for new telecommunications services by developing managed bandwidth and selected Internet protocol products and services. This will enable us to meet our customers' evolving needs and to provide them with the flexibility to buy services from us rather than build these capabilities themselves.

. Continue to Serve Our Existing Customers. We remain dedicated to meeting the needs of our existing customers by completing our backlog, which stood at approximately $3.2 billion as of December 31, 1999. Consistent with our commitment to maintain our supplier role in the marketplace, we also intend to reserve design, manufacturing, installation and maintenance capacity to enable us to continue to offer a portion of our overall capacity to existing or new systems customers, but on a more limited basis than in the past.

Our Competitive Advantages . Leadership in the Development of the Latest Technology. We are engineering and constructing the TyCom Global Network using the most advanced fiber optic technology developed by TyCom Laboratories. We expect to capitalize upon future technological breakthroughs in our continuous effort to increase transmission capacity and improve signal quality over greater distances. We believe that our experience in rapidly deploying and periodically upgrading this technology will give the TyCom Global Network significant capacity, quality, reliability and time-to- market advantages over existing systems.

. Unique, Fully Integrated Systems Owner-Supplier. We have the ability to supply complete turnkey undersea fiber optic systems, including design, manufacture, installation, operation and maintenance. We have also demonstrated our ability to sell undersea bandwidth capacity. Because we have greater control than our competition over the range of activities necessary to design, manufacture, deploy and service advanced undersea fiber optic cable systems, we have been able to supply our systems customers faster, more reliably and more cost-effectively than our competitors.

. Proven Ability to Execute. Accelerating bandwidth demand provides opportunities to system owners who can capitalize on rapid deployment. Our continued drive to reduce fiber optic cable system delivery time has made us an industry leader. We reduced our systems delivery time from approximately 24 months in 1997 to approximately 12 to 18 months today. During 1999, we completed eight separate undersea fiber optic cable systems which comprised over 44,000 kilometers of cable, reaching 26 landing points in 22 countries. In addition, in less than one year, we sold capacity on the Atlantic Crossing-1 system valued in excess of $300 million to a variety of traditional and emerging carriers.

. Strong Management Team and Customer Relationships. Our management team has successfully engineered a significant improvement of our submarine systems business since its acquisition from AT&T in 1997, increasing annual revenues from approximately $950 million to over $1.6 billion and backlog from approximately $300 million to over $3.2 billion. Our management's performance and industry reputation has provided them access to the top executives of the world's major telecommunications carriers to which we intend to offer bandwidth capacity on the TyCom Global Network.

Our principal executive offices are located at The Zurich Centre, Second Floor, Suite 201, 90 Pitts Bay Road, Pembroke HM 08, Bermuda and our telephone number is (441) 298-9770.

The Offering

Common shares offered..... shares Common shares outstanding after this offering..... shares(1) Voting rights..... One vote per share Use of proceeds..... We estimate that our net proceeds from the offering will be approximately $ . We intend to use approximately $ of the net proceeds for the deployment of the first phase of our own worldwide undersea fiber optic cable system, the TyCom Global Network, and the remainder to pay a dividend to TGN Holdings Ltd.

Dividend policy..... We do not intend to pay dividends on our common shares in the foreseeable future. We plan to retain any earnings for use in the operation of our business and to fund future growth.

Proposed New York Stock Exchange symbol..... TCM Proposed Bermuda Stock Exchange symbol..... TCM

(1) Excludes common shares which are reserved for issuance under our share option plans. Options to purchase common shares under our share option plan were outstanding or had been approved for grant at , 2000.

# *Summary Consolidated Financial and Operating Data*

The following table presents summary consolidated financial and operating data for TyCom. The data presented in this table are derived from the consolidated financial statements and notes thereto which are included elsewhere in this prospectus. You should read the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further explanation of the financial data summarized here.

| | Fiscal Year Ended September 30, | | | (Unaudited) Quarters Ended December 31, | |
|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 1998 | 1999 |
| | (in millions) | | | | |
| Statement of Operations Data: Net revenue..... | $ 375.5 | $1,281.6 | $1,637.6 | $335.8 | $ 629.2 |
| Operating income (loss)..... | (265.5) | 262.3 | 323.6 | 81.2 | 102.7 |
| Income (loss) before income taxes..... | (267.5) | 238.3 | 269.1 | 67.4 | 97.5 |
| Net income (loss)..... | (156.6) | 152.0 | 163.0 | 40.7 | 63.0 |
| Other Data: EBITDA..... | $(253.9) | $ 298.8 | $ 370.7 | $ 90.8 | $ 118.5 |
| Capital expenditures..... | 18.7 | 28.2 | 97.4 | 24.9 | 30.2 |
| Net cash provided by operations..... | 272.4 | 46.9 | 773.5 | 5.0 | 253.3 |
| Net cash used in investing activities..... | (29.2) | (110.3) | (172.1) | (31.2) | (47.6) |
| Net cash provided by (used in) financing activities... | (243.2) | 113.1 | (639.0) | 24.7 | (200.6) |

As of December 31, 1999 (in millions)

| Balance Sheet Data: | |
|---|---|
| Cash..... | $ 17.2 |
| Short-term advances to Tyco..... | 649.1 |
| Working capital..... | 157.3 |
| Total assets..... | 2,485.8 |
| Long-term debt..... | 607.9 |
| Shareholder's equity..... | 496.2 |

The loss in fiscal year 1997 includes a charge of $361.0 million for the write-off of purchased in-process research and development related to the acquisition of the submarine systems business of AT&T Corp. in July 1997.

The operating results, which are presented in accordance with generally accepted accounting principles, are supplemented by a discussion of earnings before interest, taxes, depreciation and amortization data, which we refer to as EBITDA in this prospectus. As our operations transition to deploying the TyCom Global Network and selling bandwidth capacity, management will begin to view results on an EBITDA basis. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of our business, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles.

# *Risk Factors*

You should carefully consider each of the following risks and all of the other information set forth in this prospectus before deciding to invest in our common shares. Some of the following risks relate principally to our business in general and the industry in which we operate. Other risks relate principally to the securities market and ownership of our shares. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our common shares could decline due to any of these risks, and you may lose all or part of your investment.

Risk Factors Relating to TyCom We may not successfully manage the transformation of our business to one focused on the sale of capacity on an owned and operated global network.

TyCom must undergo substantial changes to make the transition from a company primarily involved in the design, manufacture, installation, operation and maintenance of undersea fiber optic cable systems for others to a larger and more complex organization which will principally own and operate and sell bandwidth capacity on a sophisticated global undersea fiber optic cable network, the TyCom Global Network. This transition will require that we, among other things, expand and refocus our marketing and sales force to sell undersea network bandwidth capacity, enhance our financial and management controls and systems, and develop and market new products and services. Any failure to meet these challenges, including failure to generate sufficient revenues to justify our investment in the TyCom Global Network or diversion of our resources from our existing cable system supply business, could have a material adverse effect on us, thereby jeopardizing our current business, even if the TyCom Global Network is unsuccessful. We cannot provide any assurance that we will succeed in managing this transition.

We may not deploy and operate the TyCom Global Network successfully.

Our ability to complete each phase of the TyCom Global Network on time and within budget will be affected by a variety of factors, many of which we cannot control, including those related to the availability of suitable landing sites, rights-of-way and terrestrial backhaul capacity, unforeseen engineering or construction challenges, including work stoppages, weather interference, natural disasters and environmental, marine or geological problems, unanticipated costs or technical failures, shortages of labor or materials, and our ability to manage and finance the deployment of each phase in a cost- effective manner. As a result, the phases of the TyCom Global Network may not be completed in accordance with our current estimates of costs and within the time frames that we currently expect. Any significant increase in the estimated cost of our network or any significant delay in the completion of any phase could have a material adverse effect on our business.

The operations, administration, maintenance and repair of the TyCom Global Network require the coordination and integration of sophisticated and highly specialized hardware and software technologies and equipment located throughout the world. Even if built to specifications, this network may not function as expected in a cost-effective manner. We anticipate that we will need to expand and upgrade the TyCom Global Network following its initial construction for us to compete effectively. Any expansion or upgrade of our network may require substantial additional operational, technical and managerial resources. If we are unable to expand or upgrade our network to respond to these developments on a timely basis and at a commercially reasonable cost, we may lose customers or revenues.

Any failure to meet the substantial capital requirements of the TyCom Global Network is likely to prevent us from fully realizing our business objectives.

We estimate that the implementation of the first phase of the TyCom Global Network, as currently contemplated, will require at least $ billion over the next three years. If we fail to obtain any required funds, whether from operations or by raising additional debt or equity capital, we may need to delay or abandon all or part of the TyCom Global Network or restrict our other spending plans or activities. We currently estimate that the proceeds from this offering, along with expected operating cash flow, will be sufficient to finance the first phase of the TyCom Global Network. To the extent that these sources of funds may not be sufficient, we will need to seek additional financing. The implementation of the TyCom Global Network and our future financial results could be adversely affected if we are unsuccessful in obtaining required funds through:

. cash flow from our operations;

. debt or equity financing; or . our revolving credit facility with Tyco.

If our operations do not produce sufficient cash flow to pay any financing obligations that we incur, our future financial results and our ability to implement our planned phase-in of the TyCom Global Network will be adversely affected.

Rapid technological changes and the possibility that our technology could be surpassed or become obsolete could adversely affect our business.

The TyCom Global Network will be subject to the risks inherent in a large- scale, complex undersea fiber optic cable system employing advanced technology, including the risk of technological or economic obsolescence. In addition, important aspects of our network will rely on technology that is in the development stage or that is largely commercially unproven. This new technology also may not be compatible with existing technology. If we do not continue to make the substantial investments needed to maintain our technological leadership, we will be unable to compete effectively because we will not be able to meet the expectations of our customers. Recent technological advances in fiber optic technology, which have resulted in significant declines in market prices for network capacity, continue to create significant pricing pressures on capacity suppliers. The pace and direction of technological change is inherently unpredictable, and even if we maintain and increase our research and development spending, we cannot provide any assurance that we will maintain our current leadership. For example, if subsequent generations of new products or new technologies are not developed by TyCom Laboratories, such products or technologies may enable competitors to install competing systems at a lower per-bit transmission cost on undersea cable routes currently targeted by us or to expand capacity on their existing systems, thus placing us at a competitive disadvantage. The effect of technological changes on our operations cannot be accurately predicted and any such change could have a material adverse effect on our costs or revenues.

In addition, we have no prior history of developing products for the terrestrial equipment marketplace and have only recently dedicated a group of research and development employees to explore the application of some of our undersea technologies to terrestrial systems. Our efforts in this area are currently exploratory and we cannot provide any assurance that we will ever develop any commercially viable terrestrial products.

Due to the limited number of potential customers for network services, our transformation to being an owner-operator may alienate some of our current or future customers.

Some of our current and potential customers may view our transformation to a company focused on the ownership, operation and sale of bandwidth capacity of an undersea fiber optic network unfavorably. They may therefore be less likely to place orders with TyCom for bandwidth capacity or system services, either because they now perceive us as a competitor or because of a concern that our shift in focus will divert our attention from our traditional system supply and maintenance business. The number of potential customers for capacity on undersea fiber optic cable systems is limited. Examples of these potential customers include traditional and emerging telecommunications carriers, Internet service providers, application service providers and other providers requiring significant bandwidth capacity that have the financial resources and bandwidth requirements necessary to pay for and justify the purchase of capacity. Ongoing consolidation in the telecommunications industry may further reduce the number of potential customers for our network services. As a result, our inability to attract or retain any significant capacity customers could have an adverse effect on our results of operations. Our existing relationships with many of these potential capacity customers are based on our historical experience as a provider of network systems and services, which generally do not compete with our customers' core businesses.

Because we face significant competition in the attraction and retention of skilled personnel, we may not be able to attract and retain the personnel necessary to achieve our business objectives, which include designing, manufacturing, installing, operating, maintaining and selling capacity on the TyCom Global Network.

Our future success depends partly on our ability to attract and retain qualified bandwidth capacity sales personnel and the continued service of our key sales, research, engineering, marketing, manufacturing, executive and administrative personnel, particularly in connection with the TyCom Global Network and the new managed bandwidth and selected Internet protocol products and services we intend to offer. Some of our key officers and employees currently do not have employment agreements with TyCom that would limit their ability to leave our employment or compete with us following their departure. If we fail to attract a sufficient number of new personnel or to retain our existing employees and these new personnel, our ability to manage our transition, growth and the day-to-day aspects of our complex network will be weakened and we will not be able to maintain and expand our business. Competition for qualified fiber optic cable system capacity sales specialists, fiber optic engineers, network operators and management personnel is especially intense. Although we believe we offer competitive salaries and benefits, certain of our departments have had to increase spending to retain personnel.

If we were to be found liable in any existing or future legal proceedings for substantial damages or enjoined from pursuing important activities, we could be materially adversely affected.

Tyco Submarine Systems Ltd. is a party to a recently filed law suit alleging that it failed to negotiate in good faith a system supply agreement for a cable system that the plaintiff alleges was to be substantially similar to the proposed TyCom Global Network. The plaintiff seeks $1 billion in compensatory damages and injunctive relief. While Tyco Submarine Systems Ltd. believes the claims asserted against it are without merit and intends to defend itself vigorously, an adverse decision could have a material adverse effect on our business.

In addition, in the ordinary course of our current business and in connection with the transformation of our business, we are subject to potential lawsuits and arbitration proceedings that could result in material adverse effects on us.

Network failure, delays and errors in transmissions or service interruptions could expose us to potential liability.

The TyCom Global Network will use sophisticated communications equipment, hardware, software, operating protocols and proprietary applications for the high speed transportation of large quantities of data among multiple locations. Given the complexity of our proposed network, it is possible that data will be lost or distorted. Delays in data delivery may cause significant losses to a customer using our network. Our operations depend on our ability to avoid and mitigate any damages from network failures. Our network may also contain undetected design faults that, despite our testing, may be discovered only after the network has been installed and is in use. The failure of any equipment or facility on the network could result in the interruption of customer service until we effect necessary repairs or install replacement equipment. Network failures, delays and errors could also result from:

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. natural disasters;              . excessive, sustained or peak user demand;
. power losses;                   . network software flaws;
. telecommunications failures;    . transmission cable cuts; and
. security breaches;              . computer viruses.
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These failures, faults or errors could cause delays, service interruptions, expose us to customer liability or require expensive modifications that could have a material adverse effect on our business.

Any unanticipated problems on the TyCom Global Network could interrupt service. Additionally, if a carrier or other service provider fails or is unable to provide the backhaul capacity to provide network-to-network connectivity to our customers, service to our customers will be interrupted. If service is not thereafter restored in a timely manner, agreements with our customers may obligate us to provide credits to them, which would reduce our revenues. Service disruptions could also damage our reputation with customers, such that we may lose existing customers or have difficulty attracting new ones.

We are dependent on our key suppliers.

We are dependent on third-party suppliers for substantial amounts of fiber, lasers, software, switches, routers and related long lead-time components that we assemble and integrate into undersea fiber optic cable systems for customers and into the TyCom Global Network. We are also dependent on unrelated providers of maintenance services in those cases in which our maintenance agreements provide that these services be supplied on a cooperative basis, with different parties being responsible for maintaining undersea cables in specified regions. If any of these relationships is terminated or a supplier fails or is unable to provide reliable services or equipment and we are unable to reach suitable alternative arrangements quickly, we may experience significant delays and additional costs, which could materially adversely affect us. In particular, currently there are only two companies, Corning and Lucent Technologies, that are capable of supplying optical fibers in the quantity and of the quality required by the TyCom Global Network. If either Corning or Lucent were to cease manufacturing optical fibers, if either of their manufacturing operations were interrupted for any significant amount of time, or if they were unable or unwilling to supply TyCom for any other reason, including capacity restraints, then we would be at least temporarily unable to obtain sufficient supplies of fiber, thus exposing us to significant delays and additional costs.

If we fail to maintain cooperative relationships with the providers of terrestrial access, our operations may be impaired.

We will depend upon providers of landing and backhaul services to offer access to the origination and termination points for the TyCom Global Network. Our ability to offer network-to-network connectivity is dependent on the willingness of these terrestrial providers to offer cost-effective terrestrial services, and to agree to connect other terrestrial networks to the TyCom Global Network. We cannot assure you that these providers will perform their contractual obligations or that there will not be political events or changes in relation to the providers which have adverse effects on us.

We may experience difficulties constructing or operating our networks in certain jurisdictions which may adversely affect our results of operations.

Our strategy depends on our ability to provide fiber optic cable capacity on the TyCom Global Network in a number of countries around the world, some of which have a history of political and economic instability. The following are among the principal difficulties we may face as a result of doing business outside the United States:

. political, economic and other uncertainties, including risk of war, revolution, expropriation, renegotiation or modification of existing contracts, labor disputes and other uncertainties arising out of foreign government sovereignty over our international operations;

. difficulties in staffing and managing our operations outside of the United States;

. delays or failures to obtain or maintain necessary landing licenses or licenses for the export of fiber optic systems technology and other required governmental approvals;

. longer payment cycles;

. problems in collecting accounts receivable;

. delays from customs brokers or government agencies with respect to necessary imports in the construction of the TyCom Global Network; and . potentially adverse consequences resulting from operating in multiple countries, each with their own laws and regulations, including tax laws and industry related regulations.

If we are unable to successfully overcome these difficulties, we may be unable to fully deploy and operate our network.

Installing and maintaining the TyCom Global Network could be adversely affected if we are unable to successfully operate and expand our fleet of cable laying and maintenance ships.

Installing and maintaining the TyCom Global Network on time and within budget depends in part upon successful operation and expansion of our fleet of cable laying and maintenance ships. The ownership and operation of any ocean- going fleet is affected by a number of risks inherent to shipping, many of which we cannot control, including mechanical failure, personal injury, vessel and material loss or damage, business interruption due to political conditions, hostilities, labor strikes, adverse weather conditions and catastrophic marine disasters, including environmental accidents and collisions. Some of our vessels are approaching the end of their economic lives. In general, expenditures necessary for maintaining a vessel in good operating condition increase as the age of the vessel increases, and older vessels may develop unexpected mechanical and operating problems despite adherence to regular maintenance schedules and proper upkeep. Our new ship building program is also affected by a number of inherent risks, many of which are likewise beyond our control, including the possibility of significant delays in delivery of, or failure to deliver, one or more of our new ships. We may be materially adversely affected by any of these risks which could cause loss of revenue, increased costs, delays or damage to our reputation.

Under the general maritime law in many jurisdictions, crew members, tort claimants, claimants for breach of certain maritime contracts, mortgagees, suppliers of goods and services to a vessel and shippers and consignees of cargo may be entitled to a maritime lien or a statutory lien against that

vessel for unsatisfied debts, claims or damages, and in many jurisdictions a maritime lienholder may enforce its lien by attaching a vessel through foreclosure proceedings.

Because many of our existing and prospective customers deal predominantly in non-U.S. currencies, we may be exposed to exchange rate risks and our net income may suffer due to currency translations.

Although we expect to invoice our sales of capacity on the TyCom Global Network and of network systems and related services in U.S. dollars, many of our prospective customers derive their revenues in currencies other than U.S. dollars. The obligations of customers with substantial revenues in other currencies may be subject to unpredictable and indeterminate increases in the event that those currencies lose value against the U.S. dollar. These customers may also become subject to exchange control restrictions limiting their ability to convert their revenue currencies into U.S. dollars, in which case they may not be able to pay us in U.S. dollars. We are also directly subject to exchange rate risks related to expenses we incur in other currencies, particularly those relating to our overseas operations and our non-U.S. dollar denominated debt obligations. As we expand the geographic reach of the TyCom Global Network, we may choose to invoice certain customers in currencies other than the U.S. dollar, which would further increase our direct exposure to currency risk. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quantitative and Qualitative Disclosures About Market Risk--Exchange Rate Sensitivity."

We may be unable to develop effective business support systems to implement customer orders and to provide and bill for services.

The failure to develop effective business support systems could have a material adverse effect on our ability to achieve our strategic goals. Our strategy depends upon our ability to develop sophisticated business support systems. This is a complicated undertaking requiring significant resources and expertise and support from third-party vendors. We will need business support systems for:

. implementing customer orders for fiber optic cable capacity sales and related services;

. enhanced functionality at network operating centers and their interface with our network management systems and applied software;

. delivering these sales and services and providing responsive customer care;

. financial and management information systems to monitor, track and analyze capacity sales and related allocations of resources; and . periodic billing for these sales and services.

We also need to further develop business support systems quickly enough to meet our expected schedule for the introduction of new products and services. In addition, we will require these business support systems to expand and adapt with our rapid growth.

We may be unable to obtain cable landing licenses and other regulatory approvals that we do not currently have and that are required to operate the TyCom Global Network; regulations applicable to our business may change unfavorably to us.

We cannot assure you that we will be able to obtain the authorizations that we need to implement our business plan and enter new markets or that these authorizations, if obtained, will not be later revoked. The telecommunications industry is highly regulated. The regulatory environment varies substantially from country to country and restricts our ability to compete in some markets. In the ordinary course of installation, maintenance and operation of the TyCom Global Network, we will be required to obtain and maintain various permits, licenses and other authorizations in the jurisdictions where our cables will land. Such licenses are typically issued for a term of years, subject to renewal. Moreover, the licenses may subject our business and operations to varying forms of regulation, which could change over the course of time. Regulation of the telecommunications industry is also changing rapidly, with effects on our opportunities, competition and other aspects of our business. Failure to obtain or maintain any required permits or licenses or other significant changes in applicable regulatory regimes could have a material adverse effect on us. Should we elect to construct terrestrial backhaul capacity to provide network connectivity in certain markets, we would also become subject to regulations that are significantly more complex and onerous than those currently applicable to the owners and operators of undersea cable network systems. For more information, you should read "Business--Regulation."

We may be adversely affected by the environmental, health and safety regulations to which we are subject.

We are subject to various environmental protection and health and safety laws and regulations governing, among other things, waste management and disposal, air emissions, water discharge, remediation of hazardous substances, procedures for the operation of certain vessels, such as our cable laying and maintenance ships, and employee health and safety. We cannot assure you that we have been or will be at all times in full compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators or in certain cases, in connection with the operation of our ships, be denied access to, or be detained at, certain ports. Although we have made and will continue to make capital and other expenditures to comply with environmental laws and regulations, we cannot assure you that our costs of complying with current and future environmental laws and regulations, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially adversely affect our business, results of operations or financial condition. For more information about our environmental compliance and potential environmental liabilities, see "Business--Environmental Matters."

Tyco has significant control over us, which could adversely affect our public shareholders.

After completion of this offering, Tyco will indirectly own % of our common shares. As a result, Tyco will be in a position to cause us to take actions that benefit only Tyco and that may adversely affect our public shareholders. As long as Tyco continues to beneficially own more than 50% of our outstanding common shares, Tyco will be able to exercise a controlling influence over us, including:

. the composition of our board of directors and, through it, our direction and policies, including the appointment and removal of officers;

. mergers or other business combinations;

. acquisitions or dispositions of our assets;

. future issuances by us of common shares or other securities;

. our incurrence of debt;

. amendments, waivers and modifications to the agreements between us and Tyco entered into in connection with the offering; and . payment of dividends on our common shares.

Conflicts of interest may arise between us and Tyco which could be resolved in a manner unfavorable to us.

Conflicts of interest could arise relating to the nature, quality and pricing of services or products provided by Tyco to us, our borrowings from Tyco and general issues relating to maintaining or increasing our profitability. In addition, one of our directors is both a senior officer and director of Tyco, and three of our directors are also executive officers of Tyco. These individuals and a number of our executive officers own substantial amounts of Tyco shares and options for Tyco shares. There could be potential conflicts of interest when these directors and officers are faced with decisions that could have different implications for us and Tyco.

Our directors and executive officers who are also directors and executive officers of Tyco will have obligations to both companies and may have conflicts of interest with respect to matters potentially or actually involving or affecting us, such as acquisitions, financings and other corporate opportunities that may be suitable for both us and Tyco. As a result, it is possible that these directors and executive officers could place the interests of Tyco ahead of our interests when the two are incompatible.

We rely on Tyco for services which Tyco could cease to provide to us; we may be unable to replace these services in a timely manner or on favorable terms.

We have never operated as a stand-alone company. While Tyco is contractually obligated to provide us with certain services, we cannot assure you that these services will be sustained at the same level as when we were wholly owned by Tyco or that we will obtain the same benefits. We cannot assure you that, after the expiration of these various arrangements, we will be able to replace these services in a timely manner or on terms and conditions, including cost, as favorable as those we will receive from Tyco.

These agreements were negotiated in the context of a parent-subsidiary relationship in connection with the offering. They were not the result of arm's length negotiations between independent parties. We cannot provide any assurance, therefore, that these agreements, other than the revolving credit facility, or the transactions which they provide for, will be on terms as favorable to us as could have been obtained from unaffiliated third parties. For more information about these arrangements, see the section of this prospectus entitled "Relationship With Tyco After The Offering and Certain Transactions."

Risk Factors Relating to the Industry Due to rapid growth in a changing industry, we may have overestimated future demand or underestimated future supply for network services and bandwidth capacity.

If we have significantly overestimated demand or underestimated available supply for network services, our ability to maintain profitability will be adversely affected. Part of our strategy is to begin implementation of the TyCom Global Network in a short time frame to take advantage of the imbalance of supply and demand for network services that currently exists and is projected to grow over the next several years in the global marketplace. At the same time, the international telecommunications industry is changing rapidly due to, among other things, regulatory liberalization, the privatization of established carriers, the expansion of telecommunications infrastructure, the growing use of the Internet, the globalization of the world's economies and the developing technology for wireless and satellite communication. Much of our planned growth is predicated upon the expectation that the demand for undersea bandwidth capacity will grow faster than the supply of undersea bandwidth capacity from new cables and other technology. A number of these factors, however, including the growth in the use of the Internet and the expansion of satellite and wireless communications, are relatively recent phenomena, and their future course is inherently difficult to predict. We cannot provide assurance that the demand growth we expect will occur or that supply will not expand more rapidly than we expect as a result of technological advances, new market entrants or other factors beyond our control.

Continued pricing pressures from our competitors are expected to cause prices for our services to decline.

We anticipate that prices for our services specifically, and transmission services in general, will decline over the next several years due primarily to:

. price competition as various network providers continue to install networks that will compete with our network;

. technological advances that permit substantial increases in the transmission capacity of both new and existing fiber; and . strategic alliances or similar transactions, such as long distance capacity purchasing alliances, that increase the parties' purchasing power.

If pricing pressures are greater than we anticipate or if we are unable to offset these pricing pressures by achieving significant cost reductions derived from continued technology improvements and new applications and manufacturing advances, our margins may be reduced, which would have an adverse effect on our results of operations and financial condition.

We face competition from a wide variety of sources and we may be unable to compete successfully.

Increased competition could lead to price reductions, fewer large sales, under-utilization of resources, reduced operating margins and loss of market share. The international telecommunications industry is highly competitive. We plan to compete as a:

. seller of undersea fiber optic cable capacity on the TyCom Global Network;

. provider of maintenance services for undersea fiber optic cable systems; and . supplier of new undersea fiber optic cable systems and upgrades.

Significant new and potentially larger competitors could also enter our market as a result of regulatory changes or the establishment of cooperative relationships. In addition, the ongoing consolidation of the telecommunications industry may create new competitors with an interest in entering the business of manufacturing, owning, operating and maintaining undersea fiber optic networks and very substantial advantages over us in size, financial resources, service integration and customer relationships. Recent technological advances may also greatly expand the capacity of existing and new fiber optic cables and could lead to even greater competition.

Competition as a Seller of Bandwidth Capacity. As we deploy the TyCom Global Network, we will be offering undersea bandwidth capacity and network-to-network connectivity to our customers. We will face competition and pricing pressure from existing and planned fiber optic cable networks, and from satellite providers. On certain routes, terrestrial cable systems may also compete with the TyCom Global Network. As we expand our range of available products and services, we expect to face competition from various competitors offering comparable products and services. Additionally, carriers hold ownership positions in some of these competing systems that may impact their purchase of additional capacity on our system. Accordingly, there can be no assurance that we will be able to compete successfully against systems to which our prospective customers have made long-term commitments.

There are a number of telecommunication companies that have announced the intention to construct a global network which includes a significant component of undersea bandwidth capacity. These companies include FLAG Telecom, Global Crossing Ltd., MCI WorldCom, Teleglobe, CTR Group Limited, the sponsor of Project Oxygen, and New Millennium Development Group. It is our belief that other telecommunication companies may also from time to time explore the merits of a private global network.

The planned routes underlying the TyCom Global Network are currently served by several undersea cables as well as satellites. Primary sources of competition for our network may result from the following systems, identified by system name and sponsor, in the regions where we intend to install segments of our network during the first phase of the deployment:

```
ATLANTIC:                                  MEDITERRANEAN:
 Hibernia (Worldwide Fiber)                  FLAG (FLAG Telecom)
 Yellow / AC-2 (Level 3/Global Crossing)     SEA-ME-WE3 (Consortium)
 Atlantic Crossing-1 (Global Crossing)     BALTIC:
 TAT-14 (Consortium)                         Pangea (Pangea Ltd.)
 FLAG Atlantic (FLAG Telecom)
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PACIFIC: Japan-US (Consortium) Pacific Crossing-1 (Global Crossing) The continued expansion of terrestrial networks will also affect competition in the regional undersea cable markets.

Many of our capacity sales competitors have, and potential new competitors are likely to enjoy, substantial competitive advantages, including the following:

. greater name recognition in certain regions;

. greater financial, technical, marketing and other resources;

. larger customer bases; and . well-established relationships with current and potential customers.

Competition as a Provider of Undersea Cable Maintenance Services. The market for undersea cable maintenance services is competitive, although long-term contracts for cable maintenance services typically accompany contracts for the manufacture and installation of an undersea cable system. As a result, the basis for competition in the undersea cable maintenance market mirrors the undersea cable supply market.

Competition as a Supplier of Undersea Fiber Optic Cable Systems. Competition to design, manufacture and install undersea fiber optic cable systems remains intense. Participants in this market compete on the basis of, among other things, price, technology, time-to-market, the provision of finance and regional and long-term relationships. In the future, we will be offering less of our cable system design, manufacturing and installation capacity to our customers and we believe that our existing competitors and potential new cable system suppliers will play a more significant role in the undersea cable system market.

Intellectual property rights are key to our business and we may expend significant resources enforcing our rights or defending claims against us.

Our success depends in large part on our proprietary technology. We rely on a combination of patents, trademarks, service marks and trade secrets, confidentiality mechanisms and licensing arrangements to establish and protect our proprietary rights. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could harm our operating results.

Our pending patent and trademark and service mark registration applications may not be allowed or competitors may challenge the validity or scope of these patent applications or trademark and service mark registrations. In addition, our intellectual property may not provide us a significant competitive advantage. We rely in part on licenses of intellectual property useful for our business. We cannot assure you that these licenses will be available in the future on favorable terms or at all.

We may be required to spend significant resources to monitor and police our intellectual property rights. We may not be able to detect infringement and may lose competitive position in the market before we do so. In addition, competitors may design around our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some jurisdictions, which could make it easier for competitors to capture market share.

While we do not believe that any of our cable system components or technologies infringe upon the valid intellectual property rights of third parties, we may be unaware of intellectual property rights of others that may cover some of our cable system components or technology. Any litigation regarding patents or other intellectual property could be costly and time- consuming, and divert our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements. We may not be able to obtain royalty or license agreements on terms acceptable to us, or at all, however. We also may

be subject to significant damages or injunctions against development and use of certain of our cable system components or technologies which may be integrated into our network or other cable systems we supply.

Risks Relating to the Offering Because the price you pay for our common shares exceeds the average price paid by our existing shareholder, you will be immediately and substantially diluted.

If you purchase our common shares in this offering, you will experience immediate and substantial dilution of $ per common share, based upon an estimated initial public offering price of $ per common share, the mid-point of the estimated offering range, because the price you pay will be substantially greater than the net tangible book value per share of $ for the common shares you acquire. This dilution is due in large part to the fact that the consideration paid by TGN Holdings Ltd. amounted to an average price of $ per common share when it obtained its common shares, which is substantially less than the initial public offering price. To the extent outstanding options to purchase common shares are exercised, there will be further dilution. You should read "Dilution" for a more in-depth description of the dilutive effects of this offering.

Future sales of our common shares by securityholders may adversely affect our common share price.

If our shareholders sell a large number of common shares, or if we issue a large number of our common shares in connection with future acquisitions, financings, or other circumstances, the market price of our common shares could decline significantly. Moreover, the perception in the public market that these shareholders might sell common shares could depress the market price of the common shares. Immediately after this offering, the public market for our common shares will include only the common shares that are being sold in this offering, or common shares if the underwriters exercise their over-allotment option in full. After the offering, we intend to register common shares which are reserved for issuance under our share option plans. Once we register these shares, they can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. We will not be able to issue the common shares, however, without the consent of Goldman, Sachs & Co. and Salomon Smith Barney Inc. during the 180 days after the date of this prospectus. You should read the section in this prospectus entitled "Shares Eligible for Future Sale" for additional information on this topic.

In addition, we have agreed that we will, upon the request of Tyco, use our commercially reasonable best efforts to effect the registration under applicable federal and state securities laws of the common shares indirectly owned by Tyco following the offering.

Our directors and officers, who are expected to have beneficial ownership of common shares in the aggregate as of , 2000 and of outstanding options, Tyco and TGN Holdings Ltd., have entered into lock-up agreements in which they have agreed that they will not sell, directly or indirectly, any common shares without the prior written consent of Goldman, Sachs & Co. and Salomon Smith Barney Inc. for a period of 180 days from the date of this prospectus.

Our common shares have no prior public market, and we cannot assure you that an active trading market will develop.

Prior to this offering, there has been no market for our common shares. Although we have filed applications to have our common shares listed on the New York Stock Exchange and the Bermuda Stock Exchange, our applications may not be approved and an active public market may not develop for our common shares. The initial public offering price of our common shares will be determined by negotiations between ourselves and the underwriters. We cannot provide any assurance that the prices at which the common shares will sell in the public market after this offering will not be lower than the price at which the common shares are sold in this offering. Investors may encounter difficulties in selling our common shares.

The price of our common shares is likely to fluctuate and may be affected by numerous market conditions beyond our control.

Our share price is likely to fluctuate in the future due to the volatility of the stock market in general and a variety of factors, many of which are beyond our control, including:

. quarterly variations in actual or anticipated results of our operations;

. changes in financial estimates by securities analysts;

. actions or announcements by our competitors;

. regulatory actions;

. market outlook for the telecommunications industry generally and the fiber optic cable industry specifically;

. departures of our key personnel; and . future sales of our common shares.

Because we are at an early stage in the development of our network, our actual results could differ materially from those anticipated in the forward-looking statements contained in this prospectus.

We are at an early stage in the development of the TyCom Global Network, which we expect will account for a significant portion of our business in the future. Accordingly, all statements in this prospectus that are not clearly historical in nature are forward-looking. Discussions containing forward- looking statements are found in the material set forth under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as in this prospectus generally. When used in this prospectus, the words "anticipate," "believe," "expect," "estimate" and similar expressions are generally intended to identify forward-looking statements. Examples of forward-looking statements include the statements concerning our operations, prospects, size and growth of world telecommunications traffic, growth of the use of the Internet, size and growth of addressable markets, technological and customer support capabilities, pricing, new product and services development, potential expansions to our network, potential customers and liquidity and working capital needs, estimated demand forecast, and information concerning characteristics of competing systems. These forward-looking statements are inherently predictive and speculative and we cannot assure you that any of such statements will prove to be correct. Actual results and developments may be materially different from those expressed or

implied by such statements. You should carefully review the other risk factors set forth in this section of this prospectus for a discussion of factors which could result in any of such forward-looking statements proving to be inaccurate.

Our historical financial information is not representative of our results as a separate company focused on the sale of network capacity.

The historical financial information we have included in this prospectus has been carved out from Tyco's and AT&T Corp.'s consolidated financial statements and does not reflect what our financial position, results of operations and liquidity would have been had we been a separate, stand-alone entity during the periods presented. Tyco did not account for us, and we were not operated as, a single stand-alone entity for these periods. The historical financial information is also not necessarily indicative of what our results of operations, financial positions and liquidity will be in the future. In particular, the historical financial information is based on our traditional business as a systems supplier and maintenance provider and does not in any way reflect the significant changes in our revenues, cost structure, and operations that will result from our transformation into a company focused on the sale of capacity of undersea fiber optic cable networks. The historical financial data also does not reflect changes in our operations that will result from our separation from Tyco or the increased costs associated with being a public, stand-alone company.

Since most of our assets will be located outside of the United States, it may be difficult to bring and enforce suits against us.

We are incorporated in Bermuda and most of our assets will be located outside of the United States. As a result, it may be difficult for our shareholders to serve notice of a lawsuit on us within the United States. It may also be difficult for our shareholders to enforce in Bermuda, judgments of United States courts. Appleby Spurling & Kempe, our counsel in Bermuda, has advised us that there is some doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon United States federal securities laws.

## *Use of Proceeds*

We will receive estimated net proceeds from this offering of approximately $ , assuming an initial public offering price of $ , after deducting the underwriting discount. We intend to use approximately $ of the net proceeds for the deployment of the first phase of our own worldwide undersea fiber optic cable system, the TyCom Global Network, and the remainder to pay a dividend to TGN Holdings Ltd. Tyco will pay all of the expenses of the offering. Pending these uses, we intend to invest the proceeds under our cash management arrangements with Tyco.

Although we currently intend to use the net proceeds as stated, the precise allocation of funds will depend on future commercial, technological, regulatory and other developments which may affect our business, the competitive climate in which we operate and the emergence of future opportunities.

Because of the number and variability of factors that determine our use of the net proceeds of the offering, we cannot assure you that our application of the net proceeds will not vary substantially from our current intentions.

If the underwriters exercise their over-allotment option and purchase shares from TGN Holdings Ltd., we will not receive any of the proceeds from the sale of those shares.

## *Dividends*

We currently anticipate that we will retain all available funds for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then existing conditions, including our financial condition, results of operations, contractual and other relevant legal and regulatory restrictions, capital requirements, business prospects, and other factors our board of directors deems relevant.

## *Corporate Structure and Reorganization*

TyCom Ltd. was formed on March 8, 2000 and is a wholly-owned indirect subsidiary of Tyco International Ltd. Prior to the offering, Tyco will effectuate a restructuring that will result in TyCom owning the operating entities that comprise the TyCom business. In exchange, TGN Holdings Ltd. will receive common shares of TyCom. After the offering, Tyco will indirectly own % of the common shares of TyCom, assuming no exercise of the over- allotment option.

As part of the restructuring, on March , 2000, Tyco intends to cause the TyCom operating entities to declare dividends to Tyco totaling up to $600 million. In addition, we anticipate that before the closing of the offering TyCom will declare a dividend payable to its sole shareholder in an amount calculated to result in TyCom retaining $ in net proceeds from the offering. This dividend will be paid promptly after the closing of the offering out of the net proceeds from the offering. Investors in this offering will not participate in these dividends.

## *Capitalization*

The following table sets forth our capitalization at December 31, 1999:

. on an actual basis; and . on an as adjusted basis to reflect our receipt of the estimated net proceeds from the sale of common shares in the offering and the payment of a dividend to TGN Holdings Ltd.

This table should be read in conjunction with "Selected Consolidated Financial Data," our consolidated financial statements and notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included elsewhere in this prospectus.

December 31, 1999 Actual As Adjusted (in millions)

```
Cash and cash equivalents..............................  $   17.2
Short-term advances to Tyco............................      649.1
```

Current portion of long-term debt..... $ 2.2

```
Long-term debt:
 Revolving credit facility from Tyco.....................       --
 8.0% Peseta denominated note due 2003.................. $    6.6
 6.7% loan from Tyco.....................................     202.5
 7.2% loan from Tyco.....................................     398.8
```

Minority interest..... 54.6

```
Shareholder's equity:
 Common shares,       authorized;       issued and
  outstanding............................................       --
 Share premium..........................................       --
 Tyco investment........................................     513.4
 Currency translation adjustment........................     (17.2)
Total shareholder's equity..............................     496.2
Total capitalization.................................... $1,158.7     $
```

In connection with the formation of TyCom and the related organizational restructuring of Tyco in March 2000, it is anticipated that all of our long- term loans from Tyco will be refinanced with new long-term loans from Tyco, which will have maturities of at least 10 years. Similar to the refinanced debt, this new debt will be prepayable without penalty at par value at any time. TyCom also intends to enter into a revolving credit facility with Tyco for borrowings of up to $ and available for a period of not less than three years. Interest rates on these loans will be no less favorable than those generally available to TyCom from a third party commercial lender. In addition, it is anticipated that Tyco will cause a dividend of up to $600 million to be declared by the TyCom operating entities as part of this same organizational restructuring. Before the closing of the offering, we also intend to declare a dividend payable to TGN Holdings Ltd. in an amount calculated to result in TyCom retaining approximately $ in net proceeds from the offering. Please see "Corporate Structure and Reorganization" for more information.

# *Dilution*

```
   Our pro forma net tangible book value as of          , 2000 was $     or
$     per common share. Pro forma net tangible book value per share is
determined by dividing our tangible net worth, total assets less total
liabilities, by the aggregate number of common shares outstanding. After giving
effect to the sale by us of the    common shares in this offering, at an
assumed initial public offering price of $      per share, the midpoint of the
range set forth on the cover page of this prospectus, and the receipt and
application of the net proceeds, our pro forma net tangible book value at
       , 2000 would have been $      or $     per share. This represents an
immediate increase in pro forma net tangible book value to our existing
shareholder of $     per share and an immediate dilution to new investors of
$     per share. The following table illustrates this per share dilution:
```

Assumed initial public offering price..... $ Pro forma net tangible book value per share as of , 2000... Increase in pro forma net tangible book value per share attributable to new investors..... Pro forma net tangible book value per share after offering..... Dilution per share to new investors.....

Dilution is determined by subtracting pro forma net tangible book value per share after the offering from the initial public offering price per share.The following table sets forth, on a pro forma basis, as of , 2000, the number of common shares purchased from us, the total consideration paid, or to be paid, and the average price per share paid, or to be paid, by our existing shareholder and by the new investors, at an assumed initial public offering price of $ per common share, the midpoint of the range set forth on the cover page of this prospectus, before deducting the underwriting discount:

| | Shares Purchased | | Total Consideration | | Average Price Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| Existing shareholder..... | | % | $ | % | $ |
| New investors..... | | | | | |
| Total..... | | 100% | $ | 100% | |

# *Selected Consolidated Financial Data*

The following table sets forth our selected consolidated financial information for the fiscal years ended September 30, 1995, 1996, 1997, 1998 and 1999 and the quarters ended December 31, 1998 and 1999. TyCom is a wholly-owned indirect subsidiary of Tyco International Ltd., a company incorporated in Bermuda. The following financial information presents the consolidated financial position and results of operations of TyCom as a subsidiary of Tyco, including adjustments necessary for a fair presentation of the business. The financial information presented may not be indicative of our future results as an owner-supplier or the results that would have been achieved had TyCom operated as a separate, stand-alone entity. This selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included in this prospectus.

(Unaudited) Quarter Ended Year Ended September 30, December 31, (Unaudited) (Unaudited) 1995 1996 1997 1998 1999 1998 1999 (in millions)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Consolidated Statements of Operations Data: | | | | | | | |
| Net revenue..... | $154.3 | $162.6 | $ 375.5 | $1,281.6 | $1,637.6 | $ 335.8 | $ 629.2 |
| Cost of revenue..... | 97.2 | 98.0 | 246.9 | 891.4 | 1,179.7 | 224.1 | 489.4 |
| Sales and marketing.... | 2.1 | 2.5 | 7.4 | 23.4 | 17.6 | 4.2 | 4.0 |
| Research and development..... | -- | -- | 9.5 | 39.5 | 52.7 | 11.4 | 13.0 |
| General and administrative..... | 4.1 | 5.1 | 16.2 | 65.0 | 64.0 | 14.9 | 20.1 |
| Write-off of in-process research and development..... | -- | -- | 361.0(1) | -- | -- | -- | -- |
| Operating income (loss)..... | 50.9 | 57.0 | (265.5) | 262.3 | 323.6 | 81.2 | 102.7 |
| Interest income (expense), net..... | -- | -- | 1.8 | (9.9) | (39.3) | (10.2) | (0.2) |
| Minority interest..... | -- | -- | (3.8) | (14.1) | (15.2) | (3.6) | (5.0) |
| Income (loss) before income taxes | 50.9 | 57.0 | (267.5) | 238.3 | 269.1 | 67.4 | 97.5 |
| Income tax (expense) benefit..... | (18.3) | (20.0) | 110.9 | (86.3) | (106.1) | (26.7) | (34.5) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net income (loss)..... | $ 32.6 | $ 37.0 | $ (156.6) | $ 152.0 | $ 163.0 | $ 40.7 | $ 63.0 |
| Pro forma income (loss) per common share: | | | | | | | |
| Basic..... | | | | | | | |
| Diluted..... | | | | | | | |
| Other Data: | | | | | | | |
| EBITDA (2)..... | $ 55.6 | $ 61.7 | $ (253.9) | $ 298.8 | $ 370.7 | $ 90.8 | $ 118.5 |
| Capital expenditures... | 5.2 | 3.7 | 18.7 | 28.2 | 97.4 | 24.9 | 30.2 |
| Net cash provided by operating activities.. | 33.1 | 35.2 | 272.4 | 46.9 | 773.5 | 5.0 | 253.3 |
| Net cash used in investing activities.. | (5.2) | (3.7) | (29.2) | (110.3) | (172.1) | (31.2) | (47.6) |
| Net cash provided (used) by financing activities..... | (25.7) | (31.6) | (243.2) | 113.1 | (639.0) | 24.7 | (200.6) |
| Consolidated Balance Sheet Data: | | | | | | | |
| Total assets..... | $ 48.7 | $ 53.3 | $1,364.4 | $1,366.8 | $2,392.2 | $1,533.3 | $2,485.8 |
| Long-term debt..... | -- | -- | -- | 600.0 | 608.2 | 601.3 | 607.9 |
| Shareholder's equity... | 32.5 | 38.0 | 676.8 | 213.7 | 498.5 | 236.2 | 496.2 |

(1) Represents a charge for the write-off of purchased in-process research and development related to the acquisition of the submarine systems business of AT&T Corp. in July 1997. (2) The operating results, which are presented in accordance with generally accepted accounting principles, are supplemented by a discussion of EBITDA. As the operations of our business transition to deploying the TyCom Global Network and selling bandwidth capacity, management will begin to view results on an EBITDA basis. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of our business, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles.

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

You should read this discussion in conjunction with the consolidated financial statements and notes thereto and other financial information included elsewhere in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and the matters set forth in this prospectus generally.

Introduction

TyCom Ltd., a Bermuda company, was incorporated in March 2000, as a wholly- owned indirect subsidiary of Tyco International Ltd. to serve as the holding company for its undersea fiber optic cable communications business.

The consolidated financial statements of TyCom included elsewhere in this prospectus include Simplex Technologies, acquired by Tyco in 1974, for all periods presented. The consolidated financial statements also include Tyco Submarine Systems Ltd., formerly AT&T's submarine systems business,

acquired by Tyco on July 1, 1997, and Telecomunicaciones Marinas, S.A., known as Temasa, acquired by Tyco on May 18, 1999. Tyco Submarine Systems Ltd. and Temasa are included in the consolidated financial statements from their respective dates of acquisition.

We plan to apply our proven strengths and expertise as a supplier of undersea fiber optic systems to become a leading "carrier's carrier" and the first undersea telecommunications fiber optic network owner-supplier. We intend to design, manufacture, install, own, sell capacity on, operate and maintain what we believe will be the world's longest, most extensive and most technologically advanced global undersea telecommunications fiber optic network--the TyCom Global Network. We are launching the TyCom Global Network to satisfy the increasing demand for undersea fiber optic connectivity driven by the growth of the Internet and the expansion of wireless and other bandwidth intensive applications.

During construction of the Atlantic ring of the TyCom Global Network, our revenues and operating income may decrease from current levels. After completion of the Atlantic ring, we expect that our primary source of revenues will be through the sale of bandwidth capacity. In keeping with industry practice, we intend to sell capacity on the TyCom Global Network primarily in the form of indefeasible rights of use on terms tailored to our customer's particular needs. Each agreement is expected to provide that, in return for payment of the purchase price, the customer receives beneficial ownership of the relevant capacity. In addition, the customer becomes responsible for paying the agreed maintenance charges.

The Financial Accounting Standards Board has recently issued Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66." This interpretation clarifies that sales of real estate with property improvements or integral equipment that cannot be removed and used separately from the real estate without incurring significant costs should be accounted for under FASB Statement No. 66, "Accounting for Sales of Real Estate". The provisions of this interpretation are effective for all sales of real estate with property improvements or integral equipment entered into after June 30, 1999. The application of this interpretation will result in the deferral of revenue for certain bandwidth capacity sales contracts that do not satisfy the requirements of SFAS No. 66. To the extent that we enter into contracts in the future that will satisfy the requirements for sales type lease accounting, we will recognize revenue without deferral.

The interpretation and application of FASB Interpretation No. 43 and also the accounting for sales of capacity are evolving within the telecommunications industry. A number of questions and issues are being taken to the accounting standard setting boards and different accounting treatments may ultimately be approved. We anticipate that any changes to the accounting treatment will have no impact on our historical financial statements or future cash flows; however, they may impact the timing of our future revenues and earnings.

Results of Operations References to fiscal 1999, fiscal 1998 and fiscal 1997 are to the twelve month fiscal years ended September 30, 1999, 1998 and 1997, respectively.

Net income was $63.0 million for the quarter ended December 31, 1999, as compared to $40.7 million for the quarter ended December 31, 1998. Net income (loss) was $163.0 million in fiscal 1999, as compared to $152.0 million in fiscal 1998 and $(156.6) million in fiscal 1997. Net loss for fiscal 1997 included an after-tax charge of $220.2 million ($361.0 million pre-tax) for the write-off of purchased in-process research and development costs associated with the acquisition of the submarine systems business of AT&T. The operating results, which are presented in accordance with GAAP, are supplemented by a discussion of EBITDA. As the operations of our business transition to building the TyCom Global Network and selling bandwidth capacity, we will begin to view results on an EBITDA basis. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of our business, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles.

When we make an acquisition, the acquired company is immediately integrated with our existing operations. Consequently, we do not separately track the operating results of acquired companies. The discussion below includes estimated revenue comparisons that exclude the effects of acquisitions.

Quarter Ended December 31, 1999 Compared to the Quarter Ended December 31, 1998 Revenues Revenues increased 87.4% during the quarter ended December 31, 1999 to $629.2 million from $335.8 million in the quarter ended December 31, 1998. The major projects driving revenue growth included the Pacific Crossing-1, SAm-1, Atlantic Crossing-1 upgrades and Hibernia cable systems. Pacific Crossing-1 was contracted in April 1998 and consists of a 21,000 kilometer four fiber pair ring between the United States and Japan. The SAm-1 system was contracted in July 1999 and consists of a 22,000 kilometer ring network connecting the major telecommunication centers around South America. Atlantic Crossing-1 was contracted in March 1997 and consists of a 14,000 kilometer, four fiber pair ring between the United States, United Kingdom, Netherlands and Germany. The Hibernia system was contracted in June 1999 and consists of a 12,200 kilometer four fiber pair ring between the United States, Canada, United Kingdom and Ireland. Additionally, revenues increased in part due to the acquisition of Temasa in May 1999. Excluding the impact of Temasa, revenues increased an estimated 82.2% in the quarter ended December 31, 1999.

Operating Results

Operating income increased $21.5 million, or 26.5%, to $102.7 million in the quarter ended December 31, 1999. Operating income was 16.3% of revenues in the quarter ended December 31, 1999, as compared to 24.2% in the quarter ended December 31, 1998. The increase in operating income was primarily due to increased project revenue and the inclusion of the results of Temasa in the quarter ended December 31, 1999, partially offset by increased operating expenses. Operating income as a percentage of revenue decreased primarily as a result of several items. In the quarter ended December 31, 1999, cost of revenue was negatively impacted by recording a reserve of $18.9 million for liquidated damages for late delivery of a project; recording $10.4 million in bad debt reserves for potential bad debt exposure; and recording $11.6 million in inventory reserves for potential excess and

obsolete inventory due to technology changes on terminal equipment. In the quarter ended December 31, 1998, $8.1 million in income was generated from capacity sales commissions related to the Atlantic Crossing-1 project and $1.3 million was generated related to a contract management fee.

EBITDA increased $27.7 million, or 30.5%, to $118.5 million in the quarter ended December 31, 1999. Depreciation and amortization expense for the quarter ended December 31, 1999 was $15.8 million compared to $9.6 million for the quarter ended December 31, 1998. The increase of $6.2 million was principally due to an increase in depreciation related to the addition of a new cable ship, the C.S. Tyco Provider, to the fleet and the establishment of a new manufacturing facility. In addition, amortization of goodwill increased due to the acquisition of Temasa in fiscal 1999.

During the quarter ended December 31, 1999, we incurred $4.0 million in sales and marketing costs compared to $4.2 million during the quarter ended December 31, 1998. Sales and marketing expenses were 0.6% and 1.3% of total revenues during the quarters ended December 31, 1999 and 1998, respectively. The decrease in sales and marketing costs as a percentage of revenue was the result of higher project revenue for the current period.

Research and development costs were $13.0 million and $11.4 million in the quarters ended December 31, 1999 and 1998, respectively. Research and development expenses increased due to higher spending related to additional personnel, higher depreciation and higher overhead costs related to a new TyCom Laboratories research and development facility. Research and development expenses were 2.1% and 3.4% of total revenues during the quarters ended December 31, 1999 and 1998, respectively. The decrease in research and development costs as a percentage of revenue was due to higher project revenue for the current period.

During the quarter ended December 31, 1999, we incurred $20.1 million in general and administrative costs compared to $14.9 million during the quarter ended December 31, 1998. General and administrative expenses were 3.2% and 4.4% of total revenues during the quarters ended December 31, 1999 and 1998, respectively. The increase in general and administrative costs was due primarily to an increase in bonus expense, as a result of increased profits, increased legal expenses and, to a lesser extent, higher information technology costs associated with enhancing business systems.

Interest Expense, net Interest expense, net, was $0.2 million for the quarter ended December 31, 1999 as compared to $10.2 million for the quarter ended December 31, 1998. Interest expense, net, decreased due primarily to an increase in interest income on short-term advances to Tyco. The balance of short-term advances to Tyco fluctuates due to the timing of contracts. The weighted average rate of interest on all long-term debt during the quarters ended December 31, 1999 and 1998 was 7.1% and 7.2%, respectively.

Income Tax Expense

The effective income tax rate was 35.4% during the quarter ended December 31, 1999, as compared to 39.6% in the quarter ended December 31, 1998. The decrease in the effective income tax rate was primarily due to higher earnings in tax jurisdictions with lower income tax rates.

We believe that we will generate sufficient future income to realize the tax benefits related to our deferred tax assets.

Fiscal 1999 Compared to Fiscal 1998 Revenues Revenues increased 27.8% during fiscal 1999 to $1,637.6 million from $1,281.6 million in fiscal 1998. This increase was due primarily to higher industry demand driving backlog and project activity. Fiscal 1998 revenues were primarily due to the Atlantic Crossing-1 cable system and several smaller systems. Fiscal 1999 revenues were impacted by several large projects, including Pacific Crossing-1, Pan American Crossing, China-US and Americas II. The Pan American Crossing system is a 7,000 kilometer system connecting California, Mexico, Panama, Venezuela and St. Croix. The China-US system was contracted in December 1997 and consists of a 30,000 kilometer ring network connecting the United States and China. The Americas II contract was signed in February 1998 and consists of an 8,300 kilometer four fiber pair ring connecting the United States and the Caribbean with a number of Latin American countries. Revenue also increased due to higher service revenue, particularly operations and maintenance revenue and capacity sales commissions on the Atlantic Crossing-1 system and, to a lesser extent, due to the acquisition of Temasa during fiscal 1999. Excluding the impact of Temasa, revenues increased an estimated 26.2%.

Operating Results

Operating income increased $61.3 million, or 23.4%, to $323.6 million in fiscal 1999. Operating income was 19.8% of revenues in fiscal 1999, as compared to 20.5% in fiscal 1998. Operating income increased due to higher project revenues, offset in part by several lower margin projects and costs associated with completing one project. In addition, service revenues were higher due to operations and maintenance revenue for the Atlantic Crossing-1 project. Also, operating income was approximately $45 million higher due to bandwidth capacity sales commissions on the Atlantic Crossing-1 project. Operating income as a percentage of revenue decreased primarily as a result of several lower margin projects and costs associated with completing one project, partially offset by capacity sales commissions. In addition, the inclusion of Temasa favorably impacted operating income for the period.

EBITDA increased $71.9 million, or 24.1%, to $370.7 million. Depreciation and amortization expense in fiscal 1999 was $47.1 million compared to $36.5 million in fiscal 1998. The increase of $10.6 million was principally due to an increase in depreciation related to the purchase of a cable ship, the C.S. Tyco Provider, during fiscal 1999 and additional research and development equipment. In addition, amortization of goodwill associated with Temasa contributed to this increase.

During fiscal 1999, we incurred $17.6 million in sales and marketing costs compared to $23.4 million during fiscal 1998. Sales and marketing expenses were 1.1% and 1.8% of total revenues during fiscal 1999 and fiscal 1998, respectively. The decrease in sales and marketing costs was primarily attributable to a reduction in sales personnel, who were previously selling bandwidth capacity for Atlantic Crossing-1, and related expenditures.

Research and development costs were $52.7 million and $39.5 million in fiscal 1999 and fiscal 1998, respectively. The $13.2 million increase was due to additional personnel, higher depreciation expenses and higher overhead costs related to the new TyCom Laboratories research and development facility.

Research and development expenses were 3.2% and 3.1% of total revenues during fiscal 1999 and fiscal 1998, respectively. Research and development costs as a percentage of revenue remained substantially the same due to total research and development expenses increasing at a rate consistent with the increase in total revenues.

During fiscal 1999, we incurred $64.0 million in general and administrative costs compared to $65.0 million during fiscal 1998. This slight decrease was due to lower bonus expense, partially offset by goodwill associated with the Temasa acquisition and higher fees to Tyco under the service arrangements. General and administrative expenses were 3.9% and 5.1% of total revenues during fiscal 1999 and fiscal 1998, respectively. General and administrative expenses as a percentage of revenues decreased due to higher revenues.

Interest Expense, net Interest expense, net, was $39.3 million for fiscal 1999 as compared to $9.9 million for fiscal 1998. Interest expense, net, increased due primarily to issuing a total of $600.0 million of long-term loans from Tyco in February and March 1998. The weighted average rate of interest on all long-term debt during fiscal 1999 and 1998 was 7.1% and 7.2%, respectively.

Income Tax Expense

The effective income tax rate was 39.4% during fiscal 1999, as compared to 36.2% in fiscal 1998. The increase in the effective income tax rate was primarily due to the generation of fewer tax credits, partially offset by higher earnings in tax jurisdictions with lower income tax rates.

Fiscal 1998 Compared to Fiscal 1997 Revenues Revenues increased 241.3% during fiscal 1998 to $1,281.6 million from $375.5 million in fiscal 1997. This increase was due primarily to inclusion for a full year of the AT&T submarine systems business acquired in July 1997. Excluding the impact of this acquisition, revenues increased an estimated 27.3%. The primary reason for the project revenue growth was the Atlantic Crossing-1 cable system, and to a lesser extent, the Columbus III and Americas II systems. The Columbus III contract was signed in February 1998 and consists of a 10,000 kilometer system connecting the United States, Azores, Portugal, Spain and Italy.

Operating Results

Excluding the write-off of purchased in-process research and development, operating income increased $166.8 million, or 174.7%, to $262.3 million in fiscal 1998 from $95.5 million in fiscal 1997 and represented 20.5% of revenues in fiscal 1998, as compared to 25.4% in fiscal 1997. The increase in operating income was due to a full year inclusion of the AT&T submarine systems business, with Atlantic Crossing-1, Columbus III and Americas II contributing to these higher results. The decrease in operating income as a percentage of revenues was due to the inclusion of AT&T's submarine systems business, which was a lower margin business than Simplex.

EBITDA, excluding the write-off of purchased in-process research and development, increased $191.7 million, or 179.0%, to $298.8 million in fiscal 1998 from $107.1 million in fiscal 1997. Depreciation and amortization expense in fiscal 1998 was $36.5 million compared to $11.6 million in fiscal 1997. The increase was principally due to a full year inclusion of AT&T submarine systems business and capital expenditures related to research and development technology.

Operating expenses increased substantially on a relative basis due to the inclusion of the results of AT&T's submarine systems business for a full year in fiscal 1998. During fiscal 1998, we incurred $23.4 million in sales and marketing costs compared to $7.4 million during fiscal 1997. Sales and marketing expenses were 1.8% and 2.0% of total revenues during fiscal 1998 and fiscal 1997, respectively. Research and development costs were $39.5 million and $9.5 million in fiscal 1998 and fiscal 1997, respectively. During fiscal 1998, we incurred $65.0 million in general and administrative costs compared to $16.2 million during fiscal 1997. General and administrative expenses were 5.1% and 4.3% of total revenues during fiscal 1998 and fiscal 1997, respectively.

Interest Expense, net Interest expense, net was $9.9 million for fiscal 1998 as compared to interest income of $1.8 million for fiscal 1997. Interest expense increased due to amounts outstanding on long-term loans from Tyco made in February and March 1998.

The weighted average rate of interest on all long-term debt during fiscal 1998 was 7.2%. There was no long-term debt outstanding during fiscal 1997.

Income Tax Expense

The effective income tax rate was 36.2% during fiscal 1998, as compared to 32.0% in fiscal 1997, excluding the impact related to the write-off of purchased in-process research and development. The increase in the effective income tax rate was primarily due to utilization of tax credits in fiscal 1997 on a smaller taxable income base.

Liquidity and Capital Resources As presented in the consolidated statement of cash flows, net cash provided by operating activities was $253.3 million in the quarter ended December 31, 1999 and $773.5 million in fiscal 1999. The significant changes in working capital in the quarter ended December 31, 1999 were a $143.5 million decrease in contracts in process, a $96.5 million increase in accrued expenses and other current liabilities and a $75.6 million increase in accounts receivable. The significant changes in working capital in fiscal 1999 were a $725.5 million decrease in contracts in process and a $183.6 million increase in accounts receivable.

For the quarter ended December 31, 1999, contracts in process decreased due primarily to the $90 million customer billing on the China-U.S. project and $37 million customer billing on the Columbus III project. The increase in accrued expenses and other current liabilities was due principally to a $71 million increase in customer advances. The accounts receivable increase was due to the billings noted above, partially offset by cash collected on other outstanding balances.

For fiscal 1999, contracts in process decreased due to billings in excess of costs related to SAm-1, Yellow, Hibernia, Pacific Crossing-1, and Pan American Crossing contracts. The Yellow cable system was contracted in June 1999 and consists of a 6,150 kilometer point-to-point transatlantic system connecting the United States and the United Kingdom. All of these balances will be reduced to zero over the life of the contract. The increase in accounts receivable reflects the increase in business volume and timing of billing milestones for the applicable contracts. Specifically, accounts receivable for Pacific

Crossing-1 increased by $80 million, Atlantic Crossing-1 increased by $38 million, Americas II increased by $35 million, Hibernia increased by $19 million, and Yellow increased by $16 million. We expect to collect these balances in fiscal 2000.

Our accounts receivable are largely comprised of a few major customers. At December 31, 1999, two customers comprised approximately 46% of total accounts receivable. At September 30, 1999, one customer comprised approximately 52% of total accounts receivable. We mitigate such concentrations of credit risk through a review of a customer's credit history before extending credit and evaluating customers' ability to perform obligations under its agreements. We do not expect our customers to fail to meet their obligations under contracts given their credit rating or the financing in place for the applicable contracts. In addition, we establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. As we expand our undersea cable business to become a carriers' carrier, we believe the concentrations of credit risk will decrease due to an increased number of customers.

During the quarter ended December 31, 1999 and fiscal 1999, we used cash of $30.2 million and $97.4 million, respectively, to purchase property, plant and equipment. Our level of capital expenditures, excluding those relating to the TyCom Global Network, is expected to increase moderately during fiscal 2000, and the primary source of funds for such expenditures is expected to be cash from operating activities and short-term loans provided by Tyco under the revolving credit facility discussed below.

During fiscal 1999, Tyco acquired Temasa for cash of $280.0 million. This business was contributed to us by Tyco subsequent to the acquisition. In addition, during the quarter ended December 31, 1999 and fiscal 1999, we paid out cash of $0.7 million and $8.5 million, respectively, for purchase accounting liabilities established in connection with the acquisitions of Temasa and the AT&T submarine systems business.

Short-term advances to Tyco reflect cash balances generated from our operating activities that we transferred to Tyco to be included in Tyco's consolidated cash management activities. The advances are available to TyCom on an as needed basis. Short-term advances increased due to positive cash flow for the quarter ended December 31, 1999 and fiscal 1999.

Tyco has provided short-term and long-term borrowings to us to finance our cash flow needs. Short-term loans have been provided by Tyco to fund the purchase of significant expenditures related to projects. At December 31, 1999, short-term loans of $6.7 million were outstanding and are included in accrued expenses and other current liabilities on our consolidated balance sheet.

At December 31, 1999, our total long-term debt was $607.9 million, primarily consisting of long-term loans from Tyco. In connection with the formation of TyCom and the related organizational restructuring of Tyco in March 2000, it is anticipated that all of our long-term loans from Tyco will be refinanced with new long-term loans from Tyco, which will have maturities of at least 10 years. Interest rates on these loans will be no less favorable than those available to TyCom from a third party commercial lender. Similar to the existing loans, these new loans will be prepayable without penalty at

par value at any time. In addition, it is anticipated that Tyco will cause the TyCom operating entities to dividend of up to $600 million to it as part of this same organizational restructuring in March 2000. Please see "Corporate Structure and Reorganization" for more information about this dividend.

We believe that our portion of the net proceeds from this offering, together with cash flow from operations and, to the extent necessary, additional financing, will fund the first phase of the TyCom Global Network and the related capital requirements. We will enter into a revolving credit facility with Tyco in an amount up to $ million. Such facility will be available for a period of not less than three years. It is anticipated that before the closing of the offering, TyCom will declare a dividend payable to its sole shareholder in an amount calculated to result in TyCom retaining $ in net proceeds from the offering.

You should also read "Business--Legal Proceedings" and "Risk Factors--If we were to be found liable in any existing or future legal proceedings for substantial damages or enjoined from pursuing important activities, we could be materially adversely affected" for information relating to the potential impact of certain litigation.

Backlog

At December 31, 1999, we had a backlog of unfilled orders of $3,248.7 million, compared to a backlog of $3,535.4 million at September 30, 1999 and $2,480.7 million at September 30, 1998. Backlog decreased from September 30, 1999 to December 31, 1999, due to a decline in bookings. Backlog increased from September 30, 1998 to September 30, 1999 due to increased industry demand driving contract bookings for the period. Major contracts booked included SAm- 1, Hibernia and Yellow cable systems. We expect backlog to continue to decline as we begin to focus on the development of the TyCom Global Network.

Backlog includes maintenance contracts of $724.8 million, $529.7 million and $544.2 million as of December 31, 1999, and September 30, 1999 and 1998, respectively. Maintenance backlog increased from September 30, 1999 to December 31, 1999 due to booking maintenance contracts for the Hibernia and SAm-1 systems. Maintenance backlog decreased from September 30, 1998 to September 30, 1999 due to revenue recognition on outstanding maintenance agreements, partially offset by the inclusion of the Temasa backlog due to the acquisition of this business in May 1999.

Quantitative and Qualitative Disclosures About Market Risk We are subject to market risk associated with changes in interest rates, non-U.S. dollar exchange rates and certain commodity prices. In order to manage the volatility relating to our more significant market risks, we enter into interest rate swaps and commodity swaps. We do not anticipate any material changes in our primary market risk exposures in fiscal 2000.

We utilize risk management procedures and controls in executing derivative financial instrument transactions. We do not execute transactions or hold derivative financial instruments for trading purposes. Derivative financial instruments related to interest rate and exchange rate sensitivity of debt

obligations as well as commodity price exposures are used with the goal of mitigating a significant portion of these exposures when it is cost-effective to do so. Counter-parties to derivative financial instruments are limited to financial institutions with at least an AA long-term credit rating.

Interest Rate Sensitivity The table below provides information about our financial instruments as of September 30, 1999 that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents cash flows of principal repayment (in millions) and weighted average interest rates. For interest rate swaps, the table presents notional amounts (in millions) and weighted average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. The amounts included in the table below are in U.S. dollars.

| Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| (in millions, except percentages) | | | | | | | |

Total debt: Fixed rate (Spanish Peseta denominated)... 2.3 2.6 2.8 1.5 -- -- 9.2 8.7 Average interest rate..... 8.0% 8.0% 8.0% 8.0% -- -- Fixed rate (US$)..... -- 398.8 -- -- -- 202.5 601.3 601.3 Average interest rate..... -- 7.2% -- -- -- 6.7% Interest rate swap: Fixed to variable (Spanish Peseta denominated)..... 2.3 2.6 2.8 1.5 -- -- 9.2 0.5 Average pay rate (1)..... 3.0% 3.0% 3.0% 3.0% -- -- Average receive rate..... 8.0% 8.0% 8.0% 8.0% -- -- (1) Weighted average variable interest rates are based on applicable rates as of September 30, 1999 per the terms of the contracts of the related financial instruments.

Exchange Rate Sensitivity The table below provides information about our financial instruments as of September 30, 1999 that are sensitive to non-U.S. dollar exchange rates. These instruments include debt obligations, interest rate swaps and forward non-U.S. dollar exchange contracts. For debt obligations, the table presents cash flows of principal repayment (in millions) and weighted average interest rates. For interest rate swaps, the table presents notional amounts (in millions) and weighted average interest rates. For forward non-U.S. dollar exchange contracts, the table presents notional amounts (in millions) and weighted average contractual strike prices. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. The amounts included in the table below are in U.S. dollars.

| Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| (in millions, except percentages) | | | | | | | |

Total debt: Fixed rate (Spanish Peseta denominated)... 2.3 2.6 2.8 1.5 -- -- 9.2 8.7 Average interest rate..... 8.0% 8.0% 8.0% 8.0% -- -- Interest rate swap: Fixed to variable (Spanish Peseta denominated)..... 2.3 2.6 2.8 1.5 -- -- 9.2 0.5 Average pay rate (1)..... 3.0% 3.0% 3.0% 3.0% -- -- Average receive rate..... 8.0% 8.0% 8.0% 8.0% -- -- Forward contracts: Received US$ / Pay Euro..... 16.2 -- -- -- -- -- 16.2 1.1 Average contractual exchange rate..... 1.14 -- -- -- -- -- (1) Weighted average variable interest rates are based on applicable rates as of September 30, 1999 per the terms of the contracts of the related financial instruments.

Commodity Price Sensitivity The table below provides information about our financial instruments as of September 30, 1999 that are sensitive to changes in commodities prices. Total contract dollar amounts (in millions) and notional quantity amounts are presented for forward commodity contracts. Contract amounts are used to calculate the contractual payments quantity of the commodity to be exchanged under the contracts.

| Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 | Fiscal 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| (in millions, except percentages) | | | | | | | |

Forward contracts: Copper Contract amount (US$)..... 9.0 9.4 2.3 -- -- -- 20.7 1.1 Contract quantity (in 000 metric tons).... 5.1 5.5 1.4 -- -- -- 12.0 Our exposure to market risk from changes in interest rates, non-U.S. dollar exchange rates and commodity prices has not changed materially from its exposure as of the most recent year ended September 30, 1999.

Accounting and Technical Pronouncements In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In June 1999, the FASB issued SFAS No. 137 which defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We are currently analyzing this standard.

During fiscal 1999, we adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income (loss) and its components in financial statements. The purpose of reporting comprehensive income (loss) is to report a measure of all changes in equity, other than transactions with shareholders. Total comprehensive income (loss) is included in the consolidated statements of shareholder's equity.

Year 2000 Compliance

Our Year 2000 compliance programs and systems modifications were completed on time, and the conversion process was successful. Our business has not been adversely affected due to the failure of key third parties to successfully complete the Year 2000 conversion. Although there can be no assurances that all of our material third-party relationships had successful conversion programs, we do not expect that any such failure would have a material adverse affect on our financial position, results of operations or liquidity. The costs of our Year 2000 program to date have not been material, and we know of no further required modifications to our information technology or embedded technology systems that would have a material impact on our financial position, results of operations or liquidity.

Conversion to the Euro On January 1, 1999, 11 European countries began using the "Euro" as their single currency, while still continuing to use their own notes and coins for cash transactions. Banknotes and coins denominated in Euros are expected to be put in circulation and local notes and coins will cease to be legal tender during 2002. Temasa, along with the rest of Spain, will convert to the Euro in 2002. Introduction of the Euro has not and is not expected to result in any material adverse impact upon our business.

# *Business*

We are the world's leading independent, fully integrated, turnkey supplier of undersea fiber optic networks and services. We are pioneers in the undersea fiber optic network industry, having designed the first fiber optic repeatered system and the first transoceanic optically amplified system. We have designed, engineered, manufactured and installed over 350,000 kilometers of undersea cable, more than any other supplier, and have played a leading role in the design and construction of most of the world's undersea cable networks.

Our industry leadership is built on the technological accomplishments of the internationally recognized TyCom Laboratories, which has its origins in Bell Labs. TyCom Laboratories continues to drive our technological leadership, setting new records in the laboratory environment by increasing the bandwidth capacity of fiber optic transmission over transoceanic distances in each of the last nine years. Transoceanic fiber optic cable systems require specialized technology that is significantly more sophisticated than that currently used in their terrestrial counterparts. Our scientists and design engineers work closely with our specialized manufacturing and product engineering personnel to be the first-to-market with leading edge fiber optic cable systems and services. We are also one of a small number of undersea fiber optic cable system suppliers to have a large fleet of specially designed cable laying and maintenance ships stationed around the globe. The TyCom fleet currently participates in the maintenance of more than 300,000 kilometers of undersea cable.

We plan to apply our proven strengths and expertise to become a leading carriers' carrier and the first undersea telecommunications fiber optic network owner-supplier. We intend to design, manufacture, install, own, sell bandwidth capacity on, operate and maintain what we believe will be the world's longest, most extensive and most technologically advanced global undersea telecommunications fiber optic network--the TyCom Global Network. We are launching the TyCom Global Network to satisfy the increasing demand for undersea fiber optic connectivity driven by the growth of the Internet and the expansion of wireless and other bandwidth-intensive applications. Recent research by Ovum projects that transatlantic fiber optic traffic volume will increase at a compound annual growth rate of approximately 102% from 2000 through 2005 and that transpacific traffic volume will increase at a compound annual growth rate of approximately 100% over the same period. Given our technology leadership and our experience in the supply, operation and maintenance of undersea systems, we believe we are uniquely positioned to provide undersea network capacity to meet this rapidly accelerating bandwidth demand. Through the TyCom Global Network, we plan to provide greatly expanded undersea bandwidth capacity, system support and select value-added services to our targeted customer base of traditional and emerging telecommunications carriers and to the new service providers, including Internet service providers, application service providers, and to those other providers. As we deploy the TyCom Global Network, we remain dedicated to meeting the needs of our existing systems customers by completing our backlog. We also intend to reserve design, manufacturing, installation and maintenance capacity to enable us to continue to offer a portion of our overall capacity to existing or new systems customers, but on a more limited basis than in the past.

We plan to deploy the TyCom Global Network in a number of phases over the next ten years. Ultimately, we expect our network will span approximately 250,000 kilometers, serve all six inhabited continents and link to terrestrial telecommunications systems that reach most of the world's population. We expect to connect first to those telecommunications centers around the world where voice, data and Internet demand for bandwidth is the greatest. We have begun implementation of the first phase of our network, which is scheduled for completion in 2002. It will offer a minimum capacity of 2.56 terabits per second over a fully integrated system, span approximately 70,000 undersea kilometers and connect 25 major telecommunications centers around the globe. We will utilize leading edge proprietary technology developed by TyCom Laboratories to design and manufacture the necessary cable, optical amplifiers and terminal equipment. We also plan to design, build, equip and staff the network operating centers and cable stations necessary to monitor and route the bandwidth traffic over the network. Our construction and maintenance division, including our fleet of cable ships, will install and maintain the TyCom Global Network. Our senior management team has built strong relationships with the top executives of the traditional and emerging telecommunications carriers that are our current cable system supply customers and comprise a significant number of the customers we have targeted for the sale of bandwidth capacity on the TyCom Global Network. We intend to capitalize on those valuable relationships and our reputation for the on-time delivery of leading edge undersea cable systems as we expand our sales and marketing staff to meet the challenge of selling network capacity and related services.

Our Market Opportunity We are building the TyCom Global Network to capitalize on several significant trends in the telecommunications industry:

Increases in Global Telecommunications Demand. Recent research by Ovum projects that transatlantic fiber optic traffic volume will increase at a compound annual growth rate of approximately 102% from 2000 through 2005. The rapidly increasing development of terrestrial networks over the last few years in the United States and Europe is creating bandwidth demand requiring global connectivity which fuels a need for large bandwidth transoceanic networks. According to Ovum, transpacific traffic volume will increase at a compound annual growth rate of approximately 100% from 2000 through 2005. Although the Pacific terrestrial infrastructure has developed more slowly than the Atlantic, the use of wireless Internet connectivity and the ongoing deployment of terrestrial infrastructure incorporating the latest technology results in similar demand for large bandwidth transoceanic systems. This projected demand for increased undersea bandwidth capacity will provide a significant opportunity to system and capacity suppliers, especially those that have the technology, capital and infrastructure required for fast deployment and reliable maintenance of undersea fiber optic cable systems.

Continuing Global Deregulation and the Emergence of New Telecommunications Services Providers. The ongoing process of deregulation and privatization continues to create opportunities for new entrants in the lines of business historically serviced by the traditional carriers, while the emergence of new technologies has resulted in the creation of entirely new categories of competitors, including wireless operators, Internet service providers, application service providers and other providers requiring significant bandwidth capacity. In many cases, these new entrants have attempted to enhance their competitive position by focusing on providing bandwidth-intensive services, such as data

transmission and Internet access. We expect this dynamic and highly competitive market to continue to provide significant opportunities for expanding international undersea fiber optic capacity and connectivity.

Transformation of the Undersea Cable System Market. Historically, consortia of national telecommunications carriers planned, constructed and owned undersea cable systems. This model has become increasingly less effective in a market where carriers' capital is best deployed elsewhere and carriers have found themselves in competition with each other. As a result, today's undersea cable system market is marked by the emergence of independent developers building open-access systems and selling bandwidth capacity and related services to a variety of carriers on a flexible, market-driven basis.

Our Business Strategy Our goal is to become the leading worldwide supplier of undersea fiber optic bandwidth capacity. We expect to achieve that goal by deploying the TyCom Global Network to capitalize on our proven ability to design, manufacture, install, operate and maintain highly sophisticated undersea fiber optic networks, our world-class leading edge technology, our fast time-to-market, our fully integrated range of services and our other competitive advantages in the marketplace. The principal elements of our business strategy will be to:

Deploy the World's Most Extensive and Technologically Advanced Global Undersea Fiber Optic Network. We intend to build the most extensive global undersea fiber optic network in the world. We expect that the TyCom Global Network will ultimately span approximately 250,000 kilometers, service all six inhabited continents and link terrestrial telecommunication systems that reach most of the world's population. Our network will be developed using our leading edge proprietary technology, which will be designed to permit rapid expansion of bandwidth capacity rapidly through on-demand capacity upgrades at our land- based cable stations. Our plan is to build the TyCom Global Network in phases over the next ten years. We plan to deploy first on the high volume East/West traffic routes of the Atlantic and the Pacific where anticipated demand for bandwidth is the greatest. We plan to employ a flexible approach allowing network-to-network connectivity by providing access to terrestrial capacity independent from any service provider. We expect this approach to reinforce our position as a carriers' carrier, minimizing the potential for alienating our targeted bandwidth capacity customers. We intend to enhance this flexibility in meeting our need for terrestrial connectivity by acquiring or leasing dark fiber capacity on existing terrestrial systems, by building our own terrestrial backhaul in key markets and by engaging in strategic capacity swaps and equity investments as and when cost-effective opportunities are available.

Transform TyCom into a Leading Seller of Undersea Bandwidth Capacity. We intend to leverage our core competencies and competitive advantages to become a leading provider of upgradable undersea bandwidth capacity and reliable international connectivity. We expect that our customers will be traditional and emerging carriers and new bandwidth service providers seeking to connect with geographically diverse terrestrial networks. We are actively expanding our existing sales and marketing organization to focus on sales of bandwidth capacity on the TyCom Global Network. We do not expect

to compete with our customers for retail end-users since our network targets telecommunications carriers and other service providers, thus providing us with the opportunity to become a neutral owner-supplier of provider of choice to those customers.

Maintain and Leverage Our Technological Leadership. We intend to continue to develop and leverage our next generation fiber optic system and related technologies, which will enable us to meet our customers' growing needs ahead of our competition and at reduced transmission cost per bit of capacity. Our development of dense wavelength division multiplexing applications, which significantly increase available bandwidth by transmitting signals of different wavelengths through a single optical fiber, has enabled us generally to be the first to market with higher capacity undersea systems. Our plan is to further investment in TyCom Laboratories to foster applied research advancements in network capacity, transmission speeds and network optimization. Our goal is to be the first-to-market with cost-effective integrated optical solutions. We expect that our investment in these technologies will allow the TyCom Global Network to offer substantially more capacity than existing undersea cable systems and enable on-demand capacity upgrades at our land-based cable stations. In addition, we have a forward-looking research team that is actively exploring how our leading edge proprietary undersea fiber optic technology might be utilized in terrestrial networks and other commercial applications.

Develop a Broad Range of Products and Services in Collaboration with Our Customers. We intend to capitalize on the expanding demand for new telecommunications services resulting from deregulation and technological advances. We currently intend to develop managed bandwidth and selected Internet protocol products and services in consultation with our customers to meet the evolving needs of a wide range of established and emerging telecommunications carriers, Internet service providers, application service providers and other providers requiring significant bandwidth capacity and to provide them with the flexibility to buy services from us rather than build these capabilities themselves.

Continue to Serve Our Existing Customers. We remain dedicated to meeting the needs of our existing customers by completing our backlog, which stood at approximately $3.2 billion as of December 31, 1999. Consistent with our commitment to maintain our supplier role in the marketplace, we also intend to reserve design, manufacturing, installation and maintenance capacity to enable us to continue to offer a portion of our overall capacity to existing or new systems customers, but on a more limited basis than in the past.

Our Competitive Advantages Leadership in the Development of the Latest Technology. We are engineering and constructing the TyCom Global Network using the most advanced fiber optic network architectures, amplifier repeaters, dense wavelength division multiplexing, advanced forward error correction and other technology developed by TyCom Laboratories. In each of the last nine years, our research and development team has set records in the laboratory environment by increasing bandwidth capacity of fiber optic transmission over transoceanic distances. We believe our experience in rapidly deploying and periodically upgrading this technology will give the TyCom Global Network significant capacity, quality, reliability and time-to-market advantages over existing systems.

Unique, Fully Integrated Systems Owner-Supplier. We are the world's leading independent, fully integrated, turnkey supplier of undersea fiber optic networks and services. We have the ability to supply complete turnkey undersea fiber optic systems, including design, manufacture, installation, operation and maintenance. We have also demonstrated our ability to sell undersea bandwidth capacity. Because we have greater control than our competition over the range of activities necessary to design, manufacture, deploy and service advanced undersea fiber optic cable systems, we have been able to supply our systems customers faster, more reliably and more cost-effectively than our competitors. We believe that our experience in controlling product quality and system delivery schedules and supplying on-demand capacity upgrades will greatly benefit the TyCom Global Network. As a fully integrated owner-supplier, we believe we will be able to react more effectively than our competitors to changes in network capacity demand and other market opportunities.

Proven Ability to Execute. Accelerating bandwidth demand provides opportunities to system owners who can capitalize on rapid deployment. Our continued drive to reduce fiber optic cable system delivery time has made us an industry leader. As AT&T's submarine systems business prior to being acquired by Tyco in 1997, we had an annual undersea cable manufacturing capacity of approximately 22,000 kilometers. Two years after the acquisition, we had an annual undersea cable manufacturing capacity of 45,000 kilometers, which we expect to increase to 60,000 kilometers by mid-calendar year 2000. Further, we reduced our cable system delivery time from approximately 24 months in 1997 to approximately 12 to 18 months today. During 1999, we completed eight separate undersea fiber optic cable systems which comprised over 44,000 kilometers of cable, reaching 26 landing points in 22 countries. In addition to providing network operating services for the Atlantic Crossing-1 system, we sold capacity on that system valued in excess of $300 million in less than one year to a variety of traditional and emerging carriers.

Strong Management Team and Customer Relationships. Our management team has successfully engineered a significant improvement of our submarine systems business since its acquisition from AT&T in 1997. Since the acquisition, our annual revenues have increased from approximately $950 million to over $1.6 billion. Our backlog has grown from approximately $300 million at the time of the acquisition to over $3.2 billion. Our management's performance and industry reputation has provided it access to top executives of the world's major telecommunications carriers to which we intend to offer bandwidth capacity on the TyCom Global Network.

The TyCom Global Network On January 17, 2000, we announced plans to design, manufacture, install, sell bandwidth capacity on, operate and maintain our own global undersea fiber optic communications network, to be known as the TyCom Global Network. Upon its completion, we expect our network to be the world's longest, most extensive and most technologically advanced undersea telecommunications fiber optic network. The TyCom Global Network will be constructed in a number of phases. The first phase of the network is planned to offer a minimum capacity of 2.56 terabits per second over a fully integrated system that will span more than approximately 70,000 kilometers of undersea fiber optic cable and connect the following 25 major telecommunications centers around the globe:

. Amsterdam, Netherlands . Madrid, Spain . Athens, Greece . Marmaris, Turkey . Barcelona, Spain . New York, United States . Bilbao, Spain . Palermo, Italy . Copenhagen, Denmark . Paris, France . Gdansk, Poland . Rome, Italy . Hamburg, Germany . Seattle, United States . Helsinki, Finland . Stockholm, Sweden . Hong Kong, China . St. Petersburg, Russia . Honolulu, United States . Tanguisson, Guam . Lisbon, Portugal . Tel Aviv, Israel . London, United Kingdom . Tokyo, Japan . Los Angeles, United States We expect the transatlantic portion of the first phase to be operational by the end of 2001. We expect the remainder of the first phase, consisting of the transpacific and European systems, to be operational by the end of 2002. The timing and sequence of implementing additional phases of the network will be based on future requirements of global and regional demand. The following tables show the initial anticipated characteristics of the first phase of the TyCom Global Network upon installation:

Europe (Western Atlantic Pacific Mediterranean)

| | | | |
|---|---|---|---|
| Approximate cable length in thousands of kilometers | 13 | 32 | 6 |
| Number of segments | 2 | 7 | 4 |
| Fiber pairs | 4 | 4 | 4 |
| Initial capacity in gigabits per second | 200 | 160 | 180 |

| | Europe (Western Europe) | Europe (Eastern Mediterranean) | Europe (Baltic) | Europe (UK Germany) |
|---|---|---|---|---|
| Approximate cable length in thousands of kilometers | 5 | 6 | 3 | 1 |
| Number of segments | 3 | 5 | 6 | 2 |
| Fiber pairs | 4 | 4 | 4 | 4 |
| Initial capacity in gigabits per second | 160 | 80 | 120 | 240 |

Each of the cable segments will contain a minimum of four fiber pairs, and each of these fiber pairs will be capable of carrying 64 wavelengths of traffic, each wavelength operating at a nominal rate of ten gigabits per second. Upon completion, the transatlantic portion of the first phase will be a digital fiber optic system with a minimum upgradeable design capacity of 2.56 terabits per second. The transatlantic portion will be configured as a ring consisting of northern and southern cable segments connecting the system interface at the cable station in Brean, United Kingdom to and from the system interface at the cable station in Wall Township, New Jersey.

Deployment of the transatlantic portion of our network is underway. We have filed an application for a license to land and operate a private fiber optic submarine cable network in the United States. We have entered into a contract for the purchase of land for the U.S. based cable station and anticipate a timely closing. The initial undersea cable route study for the first phase of our network is near completion.

We will provide maintenance for the subsea portion of our network through our SEAHORSE maintenance program. In addition to the current SEAHORSE Atlantic and SEAHORSE South America programs, we intend to add similar programs in the Pacific, Mediterranean, and Baltic. As SEAHORSE expands to maintain the TyCom Global Network, it will continue to service existing, as well as future, customers.

The submarine cable will terminate in specially-designed cable stations. Drawing upon our experience in the design, construction, and operation of cable stations, we plan to build cable stations that feature advanced technical and operational design elements and allow customers to locate their equipment in a designated area of the cable station for access from our undersea network to the customer's terrestrial network. Terrestrial backhaul will connect a cable station to a telehouse, a facility located in close proximity to a point where the terrestrial systems of major telecommunications carriers converge. This will allow our customers to interconnect with their own terrestrial network or the terrestrial telecommunications carrier of their choice, providing true one stop network-to-network connectivity for all cities served by our network.

Sales and Marketing

We intend to market undersea bandwidth capacity on the TyCom Global Network to a range of customers. The number of potential customers for capacity on transoceanic fiber optic cable systems is limited to those traditional and emerging telecommunications carriers, Internet service providers, application service providers and other providers requiring significant bandwidth capacity that have the financial resources and bandwidth requirements necessary to justify and pay for the purchase of capacity. As a result, we believe access to key decision-makers at these targeted customers is critical to the success of any sales and marketing effort. Our overall performance and reputation for reliability as a system supplier has allowed our senior management to build valuable and enduring relationships with the top executives of nearly all of the world's major telecommunications carriers. In addition, in less than one year, we sold bandwidth capacity valued in excess of $300 million on the Atlantic Crossing-1 system to a variety of traditional and emerging carriers.

Since the commercial introduction of fiber optic cable in 1988, we have sold over 192,000 kilometers of undersea fiber optic cable systems valued at over $8 billion, with $3 billion being sold within the past three years, to virtually every major telecommunications carrier in the world, many emerging carriers, and to most of the private developers of undersea telecommunications systems. Our principal systems customers over the past four years include:

| The Americas | Europe | Asia/Pacific | Middle |
|---|---|---|---|
| AT&T | Antelecom (Netherlands) | China Telecom | East/Asia |
| Batelco (Bahamas) | British Telecom (UK) | Hongkong Telecom | Egypt Telecom |
| CANTV (Venezuela) | Cable & Wireless (UK) | KDD (Japan) | ONPT Morocco |
| FaciliCom (US) | CPRM (Portugal) | Korea Telecom | Telekom South Africa |
| Entel (Chile) | Deutsche Telekom | Marubeni (Japan) | |
| Embratel (Brazil) | ESAT (Ireland) | PLDT (Philippines) | |
| FLAG Telecom | France Telecom | Singapore Telecom | |
| Global Crossing | Marconi (Italy) | | |
| Level 3 | Telecom Italia | | |
| MCI WorldCom | Telefonica de Espana | | |
| Pacific Gateway | UKRETELECOM (Ukraine) | | |
| Primus (US) | | | |
| Sprint | | | |
| TeleBermuda | | | |
| Telefonica Peru | | | |
| Worldwide Fiber | | | |

Our current sales and marketing organization consists of over 60 professionals with extensive telecommunication, technical or service backgrounds. We have begun a global recruiting process to secure additional members of our sales force for the TyCom Global Network marketing team from among those with experience in bandwidth capacity sales. We have sales and marketing offices in the United States, France and Singapore. We anticipate adding sales and marketing offices in Bermuda and London by June 2000 and in Hong Kong by the end of 2000 and will establish additional offices as required by demand for undersea network capacity. Further, we will establish a global customer care center in Bermuda by the end of 2000.

In keeping with industry practice, we intend to sell capacity on the TyCom Global Network primarily in the form of indefeasible rights of use whereby a customer acquires the right to use capacity on our network in minimum increments of 155 megabits per second for the life of the system on terms tailored to our customer's particular needs. We will offer a competitive pricing schedule for capacity sales on our network.

The integration of all network customer related activities will be designed to provide TyCom with the means of addressing the specific needs of our customers. TyCom has always linked system design and development with the systems sales process. This same principle is being applied for the evolution to a capacity sales oriented organization. In coordination with major purchasers of bandwidth capacity on our network, we will expand the design and development process to include traffic engineering and demand analysis for the ongoing deployment plans of the TyCom Global Network.

Technology and Research and Development--TyCom Laboratories TyCom Laboratories, our internationally recognized research and development laboratory, has contributed to many of the latest advancements in undersea fiber optic technology. TyCom Laboratories is committed to continuing its world class research and development for advancements in fiber optic networks and network services and to incorporate these advancements in our leading edge telecommunication systems. The majority of our scientists and researchers were previously part of Bell Labs, which pioneered the use of fiber optic technology for undersea communication. While part of Bell Labs, many of our current employees led the design and development of the first fiber optic repeatered system and the first transoceanic optically amplified system.

The TyCom Laboratories team is comprised of over 250 people, nearly a third of whom hold Ph.D. degrees. Many of our scientists and engineers are recognized as leaders in their fields. Our research is at the leading edge of advancements in network architectures, ultra-long distance transmission, optical amplification, dense wavelength division multiplexing and forward error correction. In each of the last nine years, TyCom Laboratories has set world records in the laboratory environment for advances in the transmission capacity of fiber optic cable over transoceanic distances. The research performed by TyCom Laboratories is an applied science; that is, our scientists and researchers work closely with our system design and manufacturing teams to allow their technological breakthroughs to be rapidly incorporated in our latest undersea systems.

TyCom Laboratories' intellectual property portfolio includes many key enabling technologies involving terminal transmission and power equipment, optical amplifiers, cable and fiber, network management systems and software, installation and repair technologies and network integration. We continue to augment our research and development capability to achieve greater transmission speeds and network optimization for the purpose of integrating these advances in our latest undersea systems. We have also developed particular expertise in applying transmission optimization technologies that maintain signal integrity under the extremely adverse and confined conditions of transoceanic distances. This type of signal optimization is integral to the terrestrial ultra-long haul telecommunications market. We believe our know-how in this area is readily transferable and of great utility to terrestrial applications and have begun to explore potential opportunities in this area.

Our scientists and research staff are actively engaged in key areas of new fiber optic technology. Highlights of some of our recent developments include:

. Introduction of dense wavelength division multiplexing technology with channel rates of ten gigabits per second, with the total number of ten gigabit channels setting undersea capacity records;

. The development of optical amplifiers providing wider bandwidths, less noise and more output power than previous generation amplifiers;

. Introduction of advanced forward error correction, or FEC, algorithms to provide up to four times greater transmission capacity on today's fibers. FEC technology transmits excess information from a transmitter so that a receiver can make modifications to protect against and correct transmittal errors. Second generation FEC, which is in development at TyCom Laboratories, permits a near doubling of that enhanced transmission capacity. Our scientists are currently working on a third generation of forward error correction to further increase capacity;

. Advancement of network management systems to maintain and control complex network architectures, including advanced software and hardware technologies to monitor our cable systems and provide fault identification, performance management, fiber/data capacity allocation, network configuration and network inventory management; and . Development of higher fiber count undersea cable doubling maximum capacity at fixed transmission rates. Historically, due to mechanical, electrical and spatial constraints related to handling and the powering of repeaters within an undersea cable system, the number of optical fibers contained in such a system was limited. Despite these constraints, through our advanced technology, we are able to increase the number of transmission fibers in our undersea cables and increase system capacity.

The scientists and staff of TyCom Laboratories conduct their research at a world-class facility located in Eatontown, New Jersey that was specifically designed for our undersea research and development activities. Advancements are designed, developed, and tested under simulations of actual conditions, and adapted for rapid integration into system components. The staff at TyCom Laboratories also works closely with fiber optic component suppliers around the globe to advance critical elements of the subsystems we design, including optical amplifiers, fiber optic cable, terminal transmission equipment, network management systems, and emerging new network technologies.

Undersea Fiber Optic Cable Systems TyCom designs and manufactures each of the primary components which make up an undersea fiber optic cable system. A cable system contains two distinct sections, the land-based portion or "dry plant" and the subsea portion, or "wet plant". These sections are depicted in the following illustration:

[Chart]

Dry Plant

The dry plant consists of the equipment and facilities that enable and distribute the undersea system's transmission capacity to the terrestrial networks. These components reside in cable stations located on shore near the various landing points of the undersea network. The dry plant equipment provides the functions of optimizing the terrestrial transmission signals into formats which are suitable for long-haul undersea transmission and converting the long-haul transmission signals back to standard terrestrial transmission signals. The dry plant equipment also monitors, controls and powers the undersea wet plant equipment and provides the maintenance features necessary to allow the identification and location of faults which affect transmission performance. The primary components of the dry plant are described below.

Line Termination Equipment. Our line termination equipment includes equipment which is used for performing the dense wavelength division multiplexing function needed to aggregate and separate multiple wavelengths of light onto a single fiber, converting terrestrial network transmission signals into a format which is conducive to long haul undersea transmission, and amplifying the transmission signal as it is launched onto and received from the undersea cable. Line termination equipment is a general term which includes the three distinct components described below: high performance optical equipment, wavelength termination equipment and transmission line amplifiers.

High Performance Optical Equipment. Our proprietary high performance optical equipment includes optical transceivers which convert terrestrial signals to a proprietary long haul transmission format, providing the high power, high fidelity and precise wavelengths necessary for transoceanic transmission distances of up to 12,000 kilometers.

Wavelength Termination Equipment. Our wavelength termination equipment is comprised of optical multiplexers which combine transceiver signals from multiple optical sources onto a single fiber and then separate the signals on the receiving end. This component also enables the dense wavelength division multiplexing function.

Transmission Line Amplifiers. Before launching the transmission signal onto the undersea cable, the transmission line amplifiers increase the signal to the level needed for transmission. In the receiving direction, the terminal line amplifiers increase the received signal to the level needed to separate the individual wavelengths before they are processed in the high performance optical equipment.

Power Feed Equipment. Our power feed equipment, specially designed for undersea application, provides a constant current source for powering the undersea repeaters. This equipment is designed to support a variety of applications, including point-to-point single cable networks and complex network branching.

Line Monitoring Equipment. Our line monitoring equipment performs diagnostic monitoring of the network, providing preventive maintenance and fault detection and location in the event of a cable fault or break.

Network Management System. The network management system is used to monitor all of the components of the undersea network. This equipment is the aggregation point for fault management, performance management, security management and configuration management across the undersea network. The network management equipment provides all functions required for the operations and maintenance staff to track network performance and configure transmission paths.

Wet Plant

The wet plant consists of the equipment that is installed in the undersea environment from shore to shore. The wet plant can be subdivided into two groups: passive equipment, which is comprised of undersea fiber optic cables which house and protect the fibers that propagate the optical signals, and active equipment, which is comprised of repeaters, which periodically amplify the optical signal along the cable route, and undersea branching units, which connect and route fibers, transmission traffic and power from three cable ends.

Undersea Cables. We build our undersea TeraWave(TM) Cables to precise specifications, as described in the following table:

TeraWave(TM) Cables SL 21 SL 17 SL 12

| | | | |
|---|---|---|---|
| Outside Diameter | 21 millimeters | 17 millimeters | 12 millimeters |
| Breaking Strength | 24,000 pounds | 17,900 pounds | 10,000 pounds |
| Working Load | 17,500 pounds | 12,800 pounds | 5,500 pounds |
| Maximum Fiber Pairs | 8 pairs | 4 pairs | 12 pairs |
| System Type Supported | Repeatered | Repeatered | Non-repeatered short-haul |

The various cables utilized for repeatered systems can generally support up to eight pairs of optical fibers encased in a structure of steel, copper, and extruded polyethylene with a final outer diameter of up to 21 millimeters. The copper tube serves as an electrical conductor to feed power from the cable stations to the submerged amplifiers and to provide resistance to hydrostatic pressure. Steel wires provide tensile strength, which is especially critical when the cable is deployed or recovered for repair. The polyethylene screen acts as an electrical insulator. In shallower waters, the cable typically has additional steel armor to provide protection from abrasion and damage from fishing trawlers and anchors. The following illustration of our SL 17 cable depicts the basic structure and features of our TeraWave(TM) cables.

# *[Graphic of Terawave(tm) Sl17 Cable]*

Repeaters. Our repeaters are undersea optical amplifiers that amplify voice and data signals as they travel across thousands of kilometers of fiber optic cable. Repeaters are integrated into the cable at pre-determined periodic intervals to meet the signal-to-noise requirements of the system. Used typically in systems spanning between 300 and 12,000 kilometers, repeaters provide the ability to optically amplify signals on each of up to eight fiber pairs.

Gain Equalization Units. Gain equalization units are used to compensate for the uneven gain of optical amplifiers so that each transmission signal is amplified by the same amount. This allows the complete transmission bandwidth of an optical amplifier to be utilized and thus maximizes the capacity of the undersea system.

Undersea Branching Units. Undersea branching units allow for the independent routing of optical fibers, transmission traffic, and system power along different system segments.

Manufacturing Capabilities Our manufacturing facilities employ equipment and quality assurance methods which support our strategy of manufacturing key components for successful integration into undersea fiber optic cable systems. We rely on third party suppliers for certain components using a procurement philosophy which emphasizes dual sourcing and close interaction among our own manufacturing operations and our suppliers. We believe that our manufacturing infrastructure is readily scalable on a rapid basis to allow us to meet our customers' needs as well as the requirements of the TyCom Global Network.

We have three manufacturing facilities which produce the integral dry plant and wet plant components of an undersea system.

Exeter Manufacturing Facility. Our high performance optical transmission products manufacturing facility is located in Exeter, New Hampshire and began manufacturing operations in 1999 to add capacity for product lines previously manufactured at our Clark, New Jersey Manufacturing Center. Exeter currently utilizes 75,000 square feet of manufacturing floor space, and is expected to double its size to 150,000 square feet by the end of 2000. Exeter utilizes the following proprietary manufacturing technology in the manufacture of its terminal products which include optical transceivers, multiplexers and amplifiers:

. Automated high speed optical testing (including bit error rate testing);

. Electronic database tools for testing circuit packs;

. Electronic work instructions with hypertext;

. High technology component critical parameter management; and . Specialty optical splicing methods and designs.

Simplex Technologies, Inc. Simplex is the world's largest undersea cable factory with more than 500,000 square feet of manufacturing space and the capability to simultaneously load two of the industry's largest cable ships at its own deep water pier. From 1997 to 1999, Simplex increased its annual production of undersea cable from 22,000 kilometers to an estimated 45,000 kilometers. By mid-calendar year 2000, Simplex's annual manufacturing capacity will be 60,000 kilometers. Simplex can also integrate repeaters and other wet plant components and can store 60,000 kilometers of assembled wet plant. Today, about 200,000 kilometers of Simplex undersea fiber optic cable is in service, the largest installed base in the market.

Simplex's 85-acre facility on the shores of the Piscataqua River in Newington, New Hampshire houses custom designed equipment including:

. Computer controlled fiber optic cabling production lines;

. Thermoplastic extruders that produce insulating and jacketing layers;

. Cabling and twisting machines; and . Cable armor lines.

Simplex manufactures each type of our TeraWave cable.

Clark Manufacturing Center. We also operate an electrical and optical equipment manufacturing facility located in Clark, New Jersey. Clark pioneered some of the world's most innovative manufacturing processes related to optical transmission technology, including fiber handling and inspection, specialized tools and fixtures and splicing and testing techniques. To date, Clark has manufactured over 8,300 repeaters for more than 70 undersea cable systems in its 103,500 square-foot facility. We are currently in the process of expanding Clark's floor space by 20,000 square feet, with completion of the expansion planned for May 2000.

Clark manufactures the following equipment for undersea application:

. Repeaters;

. Gain equalization units; and . Branching units.

Network Engineering, Construction, Operations and Maintenance TyCom's network engineering, construction, operations and maintenance department operates one of the world's largest and most modern fleets specifically designed for installing, maintaining and repairing undersea fiber optic cable systems. This department also performs all other aspects of cable installation and maintenance, including: route surveys, installation engineering, land cable installation and maintenance, construction of cable stations and telehouses, installation of terminal equipment, and operation and maintenance of cable stations and telehouses.

Fleet. We operate 11 specially designed cable laying and maintenance ships and are preparing to increase our fleet with the construction of two new state- of-the art cable ships scheduled for completion in 2002. Our five United States flagged vessels are each owned by a limited partnership of which we are the managing general partner and Teleglobe is the limited partner. Teleglobe owns a 25% interest in three of the limited partnerships and a 45% interest in the remaining two. We plan to add up to 21 additional ships over the course of the deployment of the TyCom Global Network, primarily in a maintenance capacity. We have deep-water ports in Newington, New Hampshire; Baltimore, Maryland; Portland, Oregon; Honolulu, Hawaii; and Valencia and Vigo, Spain, as well as various wet plant storage depots around the world. We plan to add additional deep-water ports as needed to meet our growing needs. Our ships can remain at sea for up to 60 days without refueling, and can carry as much as 6,000 kilometers of cable.

The following table sets forth a description of each of the ships in our fleet and their significant operating characteristics:

| Ship | Primary Mission | Year Built | Service Speed-Knots | Length- Meters | Cable Capacity- Metric Tons |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| C.S. Charles L. Brown* | Maintenance | 1954 | 13 | 100 | 1,100 |
| C.S. Long Lines* | Maintenance | 1963 | 15 | 156 | 6,000 |
| C.S. Global Link* | Maintenance | 1990 | 15 | 146 | 6,000 |
| C.S. Global Sentinel* | Maintenance | 1990 | 15 | 146 | 6,000 |
| C.S. Global Mariner* | Maintenance | 1992 | 14 | 146 | 5,000 |
| C.S. Tyco Provider | Installation | 1978 | 12 | 141 | 6,000 |
| C.S. Coastal Connector | Installation | 1979 | 14 | 88 | 1,500 |
| B.C. Atlantida | Maintenance | 1984 | 13 | 114 | 2,500 |
| B.C. Teneo | Maintenance | 1993 | 12 | 81 | 1,100 |
| B.C. Iberus | Installation | 1978 | 13 | 136 | 5,000 |
| M.V. Dock Express 20** | Installation | 1983 | 13 | 170 | 9,000 |

* United States flagged vessels. ** Under long-term charter Our survey engineers map the ocean floor with sonar and other sophisticated equipment to determine the best path for the cable with consideration given to earthquake faults, currents, shipping and deep-sea fishing routes. The majority of our ships are outfitted with computerized dynamic positioning systems, which control their propulsion systems to accurately maintain their position to within a few meters. The cable control rooms have sonar equipment for profiling the sea floor which allow cable engineers to precisely evaluate pre-surveyed areas of the seabed for optimum installation over the engineered cable route. The ships carry some of the most advanced cable machinery, sea plows, and robotic submersible vehicles used to install and maintain cable systems. Each ship generally carries a crew of 60 to 100 marine and technical personnel depending on the assigned task.

Network Operations and Administration. Our network operations team consists of a hierarchy of network operating center, regional operations center, cable station and telehouse experts. Our network operations and administration division performs all aspects of network operations and administration services, including customer care services, network operations planning, information systems planning, service provisioning, and network fault management.

Our planned customer care center will provide a single point of contact for all customer inquiries. The center will maintain an enhanced interactive customer Internet site. This site will enable customers to monitor the performance of their bandwidth capacity, initiate service activation, report trouble and receive status on work in progress. Additionally, the center will manage all customer capacity sales billing and collection functions.

The network operating center provides command and control for our network as it continuously monitors the system to detect faults or breaks in the network cables and their precise location. The center manages and coordinates the location and repair of network faults, network performance and all cable station and telehouse activities. Our network operating center manages the engineering and implementation of all service provisioning, the network's restoration needs and develops and implements cable awareness and damage prevention programs to minimize the occurrence of external aggression through educating shipping traffic about the location of the cable. Until September 1999, we provided the full suite of operations, administration and maintenance services for the Atlantic Crossing-1 cable system, including network operations, and we continue to provide dry and wet plant maintenance services. We are also planning the deployment of a network operating center and cable station operations in four countries for the Hibernia cable system.

We will deploy regional network operations centers concurrent with the implementation of the transpacific and European portions of our network. These centers will be strategically located to provide direct control of the expanding segments of our network. One or more regional operations centers will serve as the back-up disaster recovery site for the network operation center. All regional operations centers will report directly to the network operation center. Our network operation center and all regional operations centers will be staffed seven days a week, 24 hours a day.

Dry Plant Maintenance. The cable stations and telehouses are normally staffed five days a week, 12 hours a day when no faults exist. During fault periods the cable stations are manned continuously as required. The cable station and telehouse personnel are responsible for all on-site repair and provisioning activities, including those required to address the co-location and interconnection requirements of our customers. Additionally, our cable station and telehouse staff are responsible for routine, preventive and corrective maintenance for the terrestrial based cable.

Wet Plant Maintenance. The expanding reach of undersea fiber optic cable systems worldwide has created a need for undersea maintenance capabilities in new areas of the world. We offer wet plant maintenance capabilities to serve these new regions as well as the regions that have traditionally required such service. Our new wet plant maintenance program, SEAHORSE, is intended to respond to customers' needs for more flexible, responsive and reliable maintenance services.

Our SEAHORSE maintenance program features all-inclusive fixed fees, exclusively dedicated cable ships, full maintenance authority functions, spares management, fault location and cable awareness and damage prevention programs. Stationing of our cable ships and shore-based storage depots is planned to provide the optimum coverage and shortest transit times, resulting in minimum repair times and maximum cable availability.

The undersea maintenance services we provide are performed exclusively by our vessels. We charter vessels to augment the installation capabilities of our fleet. Traditionally, we have utilized our own ships for approximately 50% of the installation services we perform, relying on chartered vessels to perform the remaining portion. A typical charter agreement lasts from three to twelve months, with options to renew. We expect our use of chartered vessels to decrease as new vessels are added to our fleet.

Quality System Overview Our manufacturing facilities have a well developed quality system which includes backward and forward component/product traceability and computer controlled product routing. We conduct manufacturing line reviews to qualify all new products and processes and have an extensive corrective action system. We utilize exhaustive failure mode analysis techniques in order to ensure the reliability of our products. We also have comprehensive training plans in place for all employees.

We were re-certified to ISO 9001 standards in October 1999 by Det Norske Veritas. This certification includes TyCom Laboratories in Eatontown, New Jersey, our offices in Morristown, New Jersey, and the Clark and Simplex manufacturing facilities. Exeter, our newest facility, received its ISO 9001 certification in February 2000. In addition, we undergo internal quality audits performed on a regular basis.

Recent TyCom Undersea Fiber Optic Cable Systems The following describes the largest fiber optic cable system supply contracts we signed in 1999:

Hibernia

In June 1999, we entered into a $607 million supply contract with Worldwide Telecom (Bermuda) Ltd., a subsidiary of Worldwide Fiber Inc., to design, manufacture, supply, deliver, install and commission the Hibernia system. The Hibernia system will utilize advanced dense wavelength division multiplexing fiber optic technology and be the first transatlantic undersea ring network utilizing 48 wavelengths. The Hibernia system will be able to sustain growth up to a total capacity of 1.92 terabits per second. The Hibernia system was developed as a 12,200 kilometer four fiber pair ring network between the United Kingdom, Ireland, Canada and the United States. The Hibernia system is planned for completion in March 2001.

SAm-1

In July 1999, we entered into a $900 million supply contract with Telefonica Internacional, S.A., to design, manufacture, supply, deliver, install and commission the SAm-1 system. Upon completion, SAm-1 will be a ring network around South America utilizing wavelength division multiplexing technology permitting up to 48 wavelengths on four fiber pairs enabling the system to sustain growth up to a total capacity of 1.92 terabits per second. We are responsible for system implementation, cable, repeaters, terminal equipment and marine services for the 22,000 kilometer long system to be built in three phases, which will connect the major telecommunication centers in South America. The SAm-1 system is planned for completion in January 2001.

Yellow

In June 1999, we entered into a supply contract with Level 3 to design, manufacture, supply, deliver, install and commission the Yellow system. The Yellow system utilizes wavelength division multiplexing technology permitting up to 48 wavelengths on a four fiber pair transatlantic system from the United Kingdom to the United States. The Yellow system will be upgradeable to a total capacity of 1.28 terabits per second. The Yellow system is planned for completion in September 2000.

The following table shows the significant undersea fiber optic networks that we have recently installed or are currently installing.

Scheduled Project Customer Service Date System Length Location

| | | | | |
|---|---|---|---|---|
| Hibernia | Worldwide Fiber | March 2001 | 12,200 kilometers | US--Europe |
| SAm-1 | Telefonica de Espana | January 2001 | 22,000 kilometers | South America--US |
| China-US Cable* | Carrier Consortium | November 2000 | 30,000 kilometers | US--Asia |
| Yellow | Level 3 | September 2000 | 6,150 kilometers | US--United Kingdom |
| Pacific Crossing-1 | Global Crossing | July 2000 | 21,000 kilometers | US--Japan |
| Americas II* | Carrier Consortium | April 2000 | 8,300 kilometers | US--Caribbean--South America |
| MAYA-1* | Carrier Consortium | March 2000 | 4,700 kilometers | Caribbean |
| Pan American Crossing | Global Crossing | February 2000 | 7,000 kilometers | Panama, Caribbean-- |
| | | April 2000 | 2,700 kilometers | Venezuela, US--Mexico |
| Columbus III* | Carrier Consortium | November 1999 | 10,000 kilometers | US--Europe |
| Guam-Philippines* | Guam-Philippines Cable | March 1999 | 3,600 kilometers | Pacific |
| Atlantic Crossing-1 | Global Crossing | February 1999 | 14,000 kilometers | US--Europe |

| | | | | |
|---|---|---|---|---|
| Alaska United | General Communications | December 1998 | 4,000 kilometers | North Pacific--US |
| PanAm* | Carrier Consortium | June 1998 | 9,000 kilometers | Caribbean--South America |
| FLAG* | FLAG Telecom | September 1997 | 27,000 kilometers | Europe--Asia |

* System provided in conjunction with other suppliers.

TyCom Maintenance Agreements The following summarizes recent maintenance agreements we have entered into with customers.

SEAHORSE Atlantic

In October 1999, the Hibernia cable system entered into the SEAHORSE Atlantic Wet Maintenance Service program. Pursuant to the agreement with Worldwide Telecom (Barbados) Inc., a subsidiary of WorldWide Fiber Inc., we agreed to provide all wet plant maintenance services for the Hibernia system through the use of three fully dedicated cable ships. We believe that the SEAHORSE Atlantic Program offers the best repair completion time currently available in the Atlantic region. Revenues are initially expected to be approximately $19 million per year, beginning in 2001. The initial term of the agreement runs through 2006.

SEAHORSE South America In October 1999, the SAm-1 Network entered into the SEAHORSE South America Wet Maintenance Service Program. In so doing, we agreed to provide Telefonica Internacional, S.A. with all wet plant maintenance services for the SAm-1 Network through the use of two fully dedicated cable ships. We believe that the SEAHORSE South America Program offers the best repair completion time currently available in the South and Central America region. Revenues are initially expected to be approximately $25 million per year, beginning in 2001. The initial term of the agreement runs through 2006.

Hibernia

In November 1999, we signed a dry plant operations, administration and maintenance agreement with Worldwide Telecom (Barbados) Inc. for the operation, administration and maintenance of the dry plant portions of the Hibernia system. Revenues in the first contract year, starting in 2001, will be approximately $15 million, with revenues of approximately $11 million annually expected thereafter. The initial term of the agreement is five years.

Atlantic Crossing-1

In March 1997, we entered into an operations, administration and maintenance agreement with Atlantic Crossing Ltd. for the operation, administration and maintenance of the Atlantic Crossing-1 system. Atlantic Crossing-1 recently took over the operations and administration functions for this system, though we continue to provide all wet and dry plant maintenance services. We receive annual revenues under the agreement of approximately $20 million. The initial term of the agreement is eight years.

Consortium Maintenance Agreements We have a long history of providing undersea maintenance services to cable- owning consortiums in the Atlantic, Pacific and Mediterranean regions. Currently, three of our cable ships participate in the Atlantic Cable Maintenance Agreement. Our participation in the agreement will be reduced to one ship in 2001. Presently, two of our cable ships participate in the

Pacific and Indian Ocean Cable Maintenance Agreement. Additionally, one of our ships participates in the Pan American Cable System and one ship participates in the Mediterranean Cable Maintenance Agreement. Our average annual revenues from these agreements are approximately $75 million.

Intellectual Property Because of our long history of designing, installing and maintaining and operating undersea fiber optic systems, both as a part of AT&T and as Tyco Submarine Systems Ltd., we own or have rights to intellectual property in key enabling technology areas including long-haul optical transmission and receiving technologies and equipment, network management systems and software, undersea cables and fiber, optical amplifiers, power feed equipment, component and system manufacturing technologies, network integration and system installation and repair technologies. A significant portion of our intellectual property has been generated by TyCom Laboratories. As a result of Tyco's acquisition of AT&T Submarine Systems in July of 1997, certain intellectual property assets, including issued United States and non-United States patents and patent applications, know-how, trade secrets and other intellectual property were assigned to Tyco Submarine Systems Ltd. The process of making the filings required to transfer ownership of several issued patents assigned to Tyco Submarine Systems Ltd. from AT&T is continuing. As of February 1, 2000, we owned 180 issued patents, including 52 United States patents and 128 non-United States patents. In addition, as of February 1, 2000, we had 363 pending patent applications, including 102 United States patent applications and 261 non- United States patent applications. We vigorously defend our intellectual property portfolio and enforce our rights if infringement or misappropriation occurs with respect to any and all of our intellectual property.

We require our employees and consultants to execute agreements, upon commencement of employment or consulting relationships, that assign any intellectual property developed by an individual during the term of his or her employment to TyCom as well as corollary confidentiality agreements with respect to proprietary information.

We have pending trademark registration applications for TyCom, TyCom Networks and TeraWave. We also have pending service mark registration applications for TyCom, TyCom Networks and SEAHORSE.

Sources and Availability of Materials and Suppliers We make significant purchases of electronic components, fiber, optical components, synchronous digital hierarchy equipment and other materials and components from many sources. We have been able to obtain sufficient materials and components from sources around the world to meet our needs. We also develop and maintain alternative sources for essential materials and components.

Our suppliers are selected based on their ability to consistently meet quality, reliability, delivery, cost and performance requirements. We purchase the fiber that we use in manufacturing undersea cable from Lucent and Corning. We purchase certain optical components for use in the manufacture of our repeaters from Lucent, Corning, JDS-Uniphase, and FDK. In the event that any of these suppliers were unable to continue as our supplier of optical components, alternative sources of supply are available. General Dynamics Advanced Technology Systems currently supplies our power feed equipment under an exclusive manufacturing arrangement which expires in approximately two years. If General

Dynamics Advanced Technology Systems were unable to continue as our supplier, we have the capability of manufacturing the power feed equipment ourselves. There are currently five major suppliers of synchronous digital hierarchy equipment: Nortel, Lucent, NEC, Toshiba and Alcatel, as well as a number of smaller suppliers. We do not have a concentration of sources of supply of materials, labor, services or other rights that, if suddenly eliminated, could severely impact our operations. Please see "Risk Factors--We are dependent on our key suppliers" for more information.

We also purchase undersea cable from Hitachi Cable Limited of Japan on an as-needed basis to enhance the capabilities of Simplex. Our relationship with Hitachi provides us with certain advantages in the supply of Asian systems, including proximity and the ability to satisfy possible local content concerns.

Competition

The international telecommunications industry is highly competitive. We plan to compete as a:

. seller of undersea fiber optic cable capacity on the TyCom Global Network;

. provider of maintenance services for undersea fiber optic cable systems; and . supplier of new undersea fiber optic cable systems and upgrades.

Significant new and potentially larger competitors could enter our market as a result of regulatory changes or the establishment of cooperative relationships. In addition, the ongoing consolidation of the telecommunications industry may create new competitors with an interest in entering the business of owning and operating undersea fiber optic networks and very substantial advantages over us in size, financial resources, service integration and customer relationships. Recent technological advances may also greatly expand the capacity of existing and new fiber optic cables and could lead to even greater competition. Increased competition could lead to price reductions, fewer large-volume sales, under-utilization of resources, reduced operating margins and loss of market share.

Competition as a Seller of Capacity. As we deploy the TyCom Global Network, we will be offering undersea bandwidth capacity and network-to-network connectivity to our customers. We will face competition and pricing pressure from existing and planned fiber optic cable networks, and from satellite providers. On certain routes, terrestrial cable systems may also compete with the TyCom Global Network. As we expand our range of available products and services, we expect to face competition from various competitors offering comparable products and services. Additionally, carriers hold ownership positions in some of these competing systems that may impact their purchase of additional capacity on our system. Accordingly, there can be no assurance that we will be able to compete successfully against systems to which prospective customers have made long-term commitments.

There are a number of telecommunications companies that have announced the intention to construct a global network which includes a significant component of undersea network capacity. These companies include FLAG Telecom, Global Crossing, MCI WorldCom, Teleglobe, CTR Group Limited, the sponsor of Project Oxygen, and New Millennium Development Group. It is our belief that other companies may also from time to time explore the merits of a private global network.

The planned routes underlying the TyCom Global Network are currently served by several undersea cables as well as satellites. Primary sources of competition for our network may result from the following systems, identified by system name and sponsor in the regions where we intend to install segments of our network during the first phase of the deployment:

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   ATLANTIC:                              MEDITERRANEAN:
    Hibernia (Worldwide Fiber)             FLAG (FLAG Telecom)
    Yellow/AC-2 (Level 3/Global            SEA-ME-WE3 (Consortium)
Crossing)
    Atlantic Crossing-1 (Global            BALTIC:
Crossing)                                  Pangea (Pangea Ltd.)
    TAT-14 (Consortium)
    FLAG Atlantic (FLAG Telecom)
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PACIFIC: Japan-US (Consortium) Pacific Crossing-1 (Global Crossing) The continued expansion of terrestrial networks will also affect competition in the regional undersea cable markets.

Many of our capacity sales competitors have, and potential new competitors are likely to enjoy, substantial competitive advantages, including the following:

. greater name recognition in certain regions;

. greater financial, technical, marketing and other resources;

. larger customer bases; and . well-established relationships with current and potential customers.

Competition as a Provider of Undersea Cable Maintenance Services. The market for undersea cable maintenance services is competitive, although long-term contracts for cable maintenance services typically accompany contracts for construction and installation of an undersea cable system. As a result, the basis for competition in the undersea cable maintenance market mirrors that for the undersea cable supply market. There is currently one significant competitor in the undersea maintenance market, Global Marine Systems Limited, a subsidiary of Global Crossing Ltd., and other smaller players who own or lease vessels which from time to time participate in maintenance agreements.

Competition as a Supplier of Undersea Fiber Optic Cable Systems. Competition to design, construct and install undersea fiber optic cable systems remains intense. Participants in this market compete on the basis of, among other things, price, technology, time-to- market, the provision of finance and regional and long-term relationships. In the future, we will be offering less of our cable system design, manufacturing and installation capacity to our customers and our existing competitors and potential new cable system suppliers will play a more significant role in the undersea cable system market. There are currently two other major providers of undersea fiber optic systems: Alcatel Submarine Networks S.A. and KDD Submarine Cable Systems Inc. Other smaller players compete on a more limited basis, either as subcontractors to other providers or as suppliers of regional or non- repeatered systems.

Regulation

In connection with the construction, installation, operation and maintenance of the TyCom Global Network, we must obtain and comply with terms of various permits, licenses and other authorizations in jurisdictions where our network lands. Specifically, we must obtain a cable landing license from the

Federal Communications Commission in the United States and comparable facilities and services licenses in other jurisdictions. Generally, landing licenses are granted for a term of years. Such licenses may subject our business and operations to varying forms of regulation, which may change over time. Failure to obtain or renew such a license, or a material adverse change in the nature of the regulation to which our business is subject, could have a material adverse effect on our business. Additionally, our international operations may be affected from time to time by political developments and national and local laws and regulations and may be subject to risks such as the imposition of governmental controls, license requirements and changes in tariffs. We have a well-established history of obtaining and maintaining all permits, licenses and other authorizations required for submarine cable systems worldwide. We have filed the application for the United States landing license required for the first phase of our network from the United States to the United Kingdom.

In the United States, we must obtain from the FCC a license to land and operate a submarine cable in accordance with "An Act Relating to the Landing and Operation of Submarine Cables in the United States," 47 U.S.C. (S)(S) 34- 39. The Act allows the FCC to deny an application for a cable landing license if to do so would "assist in securing rights for the landing or operation of cables in foreign countries, or in maintaining the rights or interests of the United States or of its citizens in foreign countries, or will promote the security of the United States or may grant such license upon such terms as shall be necessary to assure just and reasonable rates and service in the operation and use of cables so licensed," 47 U.S.C. (S) 35. The FCC also reserves the right to deny or condition the grant of cable landing licenses where the applicant is, or is affiliated with, a foreign carrier having market power in a destination country for the submarine cable. We believe that none of these concerns is likely to be raised by our application for TyCom. The FCC applies a presumption in favor of licensing submarine cables that connect the United States with other World Trade Organization-member countries, such as the United Kingdom, and we are neither a foreign carrier nor affiliated with a foreign carrier in countries where we plan to land our cables, including the United Kingdom. Furthermore, the FCC has a well-established policy of encouraging private submarine cable systems as a means to increase competition in the undersea cable market. The grant of cable landing licenses for the TyCom Global Network would further the FCC's policy of favoring competition because it will offer other alternatives for traffic on the routes we plan to serve. For private submarine cable systems (i.e., non-common-carrier submarine cable systems that provide capacity on a wholesale, or carriers' carrier, basis), such as the TyCom Global Network, the FCC requires only a cable landing license. For common carrier submarine cable systems (and for common-carrier customers who purchase capacity on private submarine cable systems), however, the FCC also requires a Section 214 authorization, pursuant to the Communications Act of 1934, to provide international common carrier services. Section 214 authorization subjects a licensee to tariff, contract filing, traffic reporting, and non-discrimination requirements, as well as the international settlement rates regime for circuit- switched traffic. Future changes in our network's offerings could lead to FCC classification of such offerings as common carrier services. Such a classification would require us to seek an international services authorization under Section 214 of the Communications Act of 1934, and subject us to additional regulation.

In the United Kingdom, we will be required to obtain a Public Telecommunications Operator License from the Secretary of State for Trade and Industry pursuant to the Telecommunications Act of 1984. This is a new, standard form, license and is available on application to the Secretary and on payment of the application fee of UK(Pounds)40,000. Similar to the FCC's pro- competition policy, the Secretary follows a policy of promoting effective competition and the prevention of abuse of market power or monopoly. These licenses are granted to operations, such as the TyCom Global Network, which demonstrate they meet certain basic requirements and that they have a business need. They generally last for a period of 25 years, with annual fees of not more than 0.08% of UK turnover and not less than UK(Pounds)3000.

Continuing Global Deregulation. The World Trade Organization Agreement on Basic Telecommunications, concluded in 1997, greatly accelerated deregulation of international telecommunications facilities and services. Commitments under the WTO Agreement vary by country, but the 73 countries making commitments as of January 1999 generally agreed to greater market access, relaxed foreign ownership and investment rules, and pro-competitive regulatory principles. The WTO Agreement also gives WTO members the right to enforce other countries' commitments and seek penalties for non-compliance from the WTO's Dispute Resolution Body. Those 73 countries making telecom commitments must offer such benefits not just to each other, but to the entire WTO membership. The WTO continues to conduct negotiations in 2000 to liberalize further trade in telecommunications services, particularly as they relate to the Internet.

To implement its commitments under the WTO Agreement, the United States largely abandoned its long-standing requirement that the destination country grant reciprocal landing rights to U.S. cables and carriers prior to licensing in the United States. Instead, it adopted a presumption that submarine cables landing in WTO-member countries are in the public interest. For non-WTO destination countries, submarine cable operators must still demonstrate to the FCC that they lack market power in the destination country, or that the destination country affords effective competitive opportunities to U.S. international carriers. The United States also continues to license private submarine cables, which are exempt from common carrier regulation by the FCC.

Environmental and Health and Safety Matters We are subject to various environmental protection and health and safety laws and regulations. These laws and regulations govern, among other things, waste management and disposal, air emissions, water discharge, procedures for the operation of certain vessels, such as our cable laying and maintenance ships, and employee health and safety. We are also required to obtain permits from governmental authorities for certain operations. We cannot assure you that we have been, or will be at all times, in full compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators or in certain cases, in connection with the operation of our ships, be denied access to, or be detained at, certain ports. Although we have made, and will continue to make, capital and other expenditures to comply with environmental laws and regulations, we do not expect these expenditures to be material in 2000 or 2001. However, because environmental laws change frequently and have become more stringent over time, we cannot assure you that our costs of complying with

current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, results of operations or financial condition.

We are also subject to environmental laws requiring the investigation and cleanup of contamination at properties we currently own or operate or formerly owned or operated, at disposal or treatment facilities to which we sent or arranged to send hazardous wastes or in connection with the ships we own or operate. We are aware of contamination at certain of our properties. In particular, one of our facilities is the subject of cleanup under the New Jersey Industrial Site Recovery Act. The prior owner has assumed all responsibility and costs for the cleanup of contamination at this property and has also agreed to indemnify us in the event that we incur any other costs related to this cleanup. In addition, we have been named as a potentially responsible party under the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, more commonly known as Superfund, at a site in New Hampshire. We are one of a group of parties that is participating in the investigation and cleanup of this site. Although we believe that any costs or liabilities in connection with this site will not materially adversely affect our business, results of operations or financial condition, we cannot assure you that these costs and liabilities will not exceed the current amount of our reserves for this site or that any amounts in excess thereof or other environmental cleanup costs and liabilities will not be material.

Employees

As of January 31, 2000, TyCom employed approximately 2,363 full-time and seven part-time employees. Approximately 480 of our employees at the Clark Manufacturing Center located in Clark Township, New Jersey are covered under a union contract that expires in January 2005. TyCom's manufacturing facilities in Newington and Exeter, New Hampshire are not unionized. We consider our relationship with our employees to be good and have not experienced any significant interruptions of operations due to labor disagreements.

Our fleet officers and crew who work on our ships are provided from several different maritime sources, although the engineers in charge of the installation and maintenance operations are our employees. Our United States flag officers are sourced from the American Maritime Officers union. This contract expires in June 2000 and renewal negotiations are ongoing. Crew on our United States flagged ships are provided by the Seaman International Union under a contract that expires in June 2001. Crew for our ships which fly non- United States flags are provided by third party ship management companies. We contract all licensed officers and unlicensed seamen through the identified unions and ship management companies. In 1999, through these contracts we provided full time employment to approximately 440 personnel and part-time employment to an additional 1,300 personnel. Since 1963, there has been no labor strike involving any of our maritime crewing contracts.

Properties

Our operations are conducted in facilities throughout the world aggregating 1.2 million square feet of floor space, of which about 800,000 square feet are owned and approximately 400,000 square feet are leased. Manufacturing facilities total approximately 800,000 square feet of owned and leased floor

space in New Hampshire and New Jersey. Wet plant port and storage depot facilities total approximately 185,000 square feet of floor space and are located in Maryland and Oregon in North America as well as Hawaii, St. Croix, Guam, and Spain. Our research and development facility totals about 140,000 square feet located in Eatontown, New Jersey. Headquarters, sales and administration offices total approximately 80,000 square feet and are located in Bermuda, New Jersey, Singapore, Spain, and France.

Legal Proceedings

Tyco Submarine Systems Ltd. On January 31, 2000, a complaint was filed in the United States District Court for the District of New Jersey asserting claims against Tyco Submarine Systems Ltd. and Tyco Group S.a.r.l., a Luxembourg subsidiary of Tyco. The claims arise out of negotiations conducted by Tyco Group with IDT Europe B.V.B.A., a Belgian corporation, concerning the possible formation of a joint venture for the development of an undersea fiber optic telecommunications system to be supplied by Tyco Submarine Systems Ltd., which the complaint alleges was to be substantially similar to the proposed TyCom Global Network. The plaintiff alleges that Tyco Group breached a Memorandum of Understanding dated November 9, 1999 (which expired in December 1999), and alleged implied covenants of good faith and fair dealing, in various ways, including by failing to negotiate in good faith to complete and finalize various agreements relating to the proposed joint venture. The plaintiff seeks, among other relief such as attorneys' fees and costs, specific performance of Tyco Group's alleged obligation to negotiate and execute such agreements, as well as compensatory and punitive damages. The plaintiff also alleges that Tyco Group tortiously interfered with contractual relations, business relations and fiduciary duties relating to an agreement to reserve required manufacturing intervals and undertake certain long-lead time activities which plaintiff claims it had with Tyco Submarine Systems Ltd.

With respect to Tyco Submarine Systems Ltd., the plaintiff alleges breach of an "Instruction to Proceed", an agreement by which the plaintiff reserved manufacturing capacity for the cable system and authorized the undertaking of certain long-lead time activities which was the subject of the joint venture. Plaintiff also alleges that Tyco Submarine Systems Ltd. failed to negotiate in good faith a system supply agreement for the cable system. The plaintiff also claims breach of an alleged implied covenant of good faith and fair dealing. The plaintiff seeks, among other relief such as attorneys' fees and costs, compensatory damages of $1 billion and injunctive relief precluding Tyco Submarine Systems Ltd. from undertaking any business activity contrary to the terms of the Instruction to Proceed. Tyco Submarine Systems Ltd. believes that the claims asserted against it are without merit and intends to defend itself vigorously.

Simplex. Simplex has been named as a defendant in nearly one hundred asbestos personal injury cases involving a total of 3,400 individual plaintiffs. In defense of these cases, Simplex has established that, for all periods relevant to the litigation, the wire and cable products produced by Simplex did not contain asbestos. Simplex is determined to resist the claims aggressively and to refuse even nominal settlement demands. In most cases, Simplex has either been summarily dismissed based upon lack of product identification or voluntarily dismissed.

Two New Jersey cases were tried respectively in October of 1996 and December of 1997 in which juries found Simplex without any liability. By early 1999, all the remaining litigation had been dismissed summarily by the court or voluntarily by the plaintiffs. Simplex was named in several new cases in late 1999 and early 2000, and we believe that Simplex will be dismissed from these cases.

Simplex has been reimbursed by its insurance carriers for all defense fees and costs incurred by it in connection with this litigation, and the carriers are currently paying the defense fees and costs on the remaining active cases.

Other proceedings. We are a defendant in a number of other pending legal proceedings incidental to present and former operations, including various workers' compensation and personal injury claims. We do not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on our financial position, results of operations or liquidity.

Undersea Cable System Issues In the normal course of business, Tyco Submarine Systems Ltd. enters into system supply, maintenance and related contracts under which any failure to perform or delay in performance on our part can result in liability to our customers. These system supply and maintenance contracts generally call for amicable settlement of disputes, differences or claims by mutual discussion. The types of issues that typically arise include liquidated damages for our delay or failure to perform, force majeure costs claimed by us, items that customers assert must be completed or rectified prior to final acceptance of an undersea system, breach of product warranty, termination charges and a variety of other, often offsetting, obligations owed by us to customers or by customers to us. Failing amicable settlement, our system supply and maintenance contracts provide for settlement through arbitration. Historically, we have resolved our system supply, maintenance and related contract differences in a commercial manner in the context of ongoing customer relationships. Over the past ten years, neither we nor any of our customers have issued a demand for arbitration under any of these contracts. We believe that our practices in this regard are fairly typical in the industry. Currently, TyCom is in the process of resolving differences with system supply and maintenance customers involving system final acceptance, force majeure, liquidated damages, capacity sales commissions owed to us, termination charges and other contract issues in connection with a number of agreements, including several large contracts with a single customer. On the basis of past experience and ongoing discussions with customers relating to these contracts, we anticipate resolution of these differences in a manner that will not have a material adverse effect on our financial condition, results of operations or liquidity. We cannot provide any assurance that arbitration or litigation involving material claims against us will not arise out of these or other contracts.

Insurance

We have policies of insurance in full force and effect for risks usual to our business including, but not limited to, protection against property damage to our assets and third party liability exposures.

Exchange Controls

Under Bermuda law, we have been designated as non-resident for exchange control purposes. Consequently, there are currently no restrictions imposed by Bermuda law that apply to us with respect to the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-Bermuda resident holders of our common shares.

# *Management*

Directors, Executive Officers and Key Management The following table sets forth certain information regarding the directors and executive officers of TyCom Ltd., and other key management of some principal business functions of TyCom (US) Inc., a wholly-owned subsidiary of TyCom Ltd., as of , 2000:

Name Age Position

Directors and Executive Officers L. Dennis Kozlowski..... 53 Executive Chairman and Director, TyCom Ltd. Neil R. Garvey..... 44 President, Chief Executive Officer and Director, TyCom Ltd. Mark H. Swartz..... 39 Vice President and Director, TyCom Ltd. Claire L. Calandra..... 49 Executive Vice President and Chief Operating Officer, TyCom (US) David W. Van Rossum..... 38 Vice President and Chief Financial Officer, TyCom Ltd.

Other Key Management Ronald L. Armstrong..... 43 Vice President--Project Management and Quality, TyCom (US) Frederick M. Hamilton... 55 Vice President--Network Construction and Maintenance, TyCom (US) William S. Jackson..... 46 Vice President--Manufacturing and Business Development, TyCom (US) Byron S. Kalogerou..... 39 Vice President, General Counsel and Secretary, TyCom Ltd. Robert M. Paski..... 44 Vice President--Network Engineering and Operations, TyCom (US) Peter K. Runge..... 60 Vice President and Chief Technical Officer, TyCom (US) L. Dennis Kozlowski. Mr. Kozlowski is Executive Chairman of TyCom and is one of our directors. Mr. Kozlowski has been Chairman of the Board, President and Chief Executive Officer of Tyco since July 1997, and served as Chairman of the Board of Tyco International (US) Inc. from January 1993 until July 1997, Chief Executive Officer of Tyco US since July 1992, President of Tyco US since 1989, and had been associated with Tyco US since 1975. Mr. Kozlowski has a B.S. from Seton Hall University.

Neil R. Garvey. Mr. Garvey has been President and Chief Executive Officer of Tyco Submarine Systems Ltd. since July 1997 when the company was acquired by Tyco International Ltd. from AT&T. Previously, Mr. Garvey was President of Simplex Technologies, Inc. from July 1995. Before becoming its president, Mr. Garvey held a variety of positions over an 18-year career at Simplex Technologies, Inc., including Vice President--Finance and Administration, Vice President--Marketing and Vice President--Marketing and Subsidiary Operations. Mr. Garvey has a B.A. from St. Anselm College and an M.B.A. from New Hampshire College.

Mark H. Swartz. Mr. Swartz is a Vice President of TyCom Ltd. and is one of our directors. Mr. Swartz has been Executive Vice President and Chief Financial Officer of Tyco since July 1997, Vice President and Chief Financial Officer of Tyco US since February 1995; Director of Mergers and Acquisitions of

Tyco US from 1993 to 1995 and associated with Tyco US since 1991. Mr. Swartz holds a B.A. from the University of California at San Diego.

Claire L. Calandra. Ms. Calandra has been the Executive Vice President and Chief Operating Officer of Tyco Submarine Systems Ltd. since January 1999. Previously, Ms. Calandra was the Vice President and General Counsel for Tyco Submarine Systems Ltd. from July 1997 when the company was acquired from AT&T. During 14 years with AT&T, Ms. Calandra held a variety of legal and business positions, including Chief of Staff in the Office of the Vice Chairman of AT&T, Director of International at AT&T and Chief Counsel of AT&T General Business Systems. Ms. Calandra received her undergraduate degree from Douglass College, Rutgers University and a J.D. from Rutgers Law School. Ms. Calandra is a member of the Bar in New Jersey and Washington D.C.

David W. Van Rossum. Mr. Van Rossum has been Vice President and Chief Financial Officer for Tyco Submarine Systems Ltd. since July 1997 when the company was acquired by Tyco International Ltd. Previously, Mr. Van Rossum was the Director of Finance and Contracts for Simplex Technologies, Inc. between 1996 and 1997. During a 15-year career at Simplex Technologies Inc., Mr. Van Rossum held a number of other positions, including Director of Business Development and Controller. Mr. Van Rossum has a B.S. in Business Administration from the University of New Hampshire and an M.B.A. from New Hampshire College.

Ronald L. Armstrong. Mr. Armstrong has served as Vice President of Project Management and Quality Implementation for Tyco Submarine Systems Ltd. since July 1, 1997. Prior to that, Mr. Armstrong had a 16-year career with Tyco, including positions at Simplex Technologies as Contracts Manager, Director of Quality Assurance and Vice President of Engineering. Mr. Armstrong holds a B.S. in Engineering from Lowell Technological Institute, an M.B.A. from New Hampshire College and a J.D. from Suffolk University Law School. Mr. Armstrong is a member of the Bar in Maine, Massachusetts and New Hampshire.

Frederick M. Hamilton. Mr. Hamilton has served as Vice President of Network Construction and Maintenance for Tyco Submarine Systems Ltd. since 1995. Prior to that, Mr. Hamilton served for over 25 years as an officer in the U.S. Coast Guard in a wide variety of responsible leadership assignments. Mr. Hamilton holds a B.S. in General Engineering from the U.S. Coast Guard Academy, an M.S. in Mechanical Engineering and an M.S. in Naval Architecture and Marine Engineering, both from the Massachusetts Institute of Technology, and an M.B.A. in Management from the Massachusetts Institute of Technology, Sloan School of Management.

William S. Jackson. Mr. Jackson has served as Vice President of Manufacturing and Business Development since 1997 and President of Simplex since 1997. Prior to that, Mr. Jackson served as Vice President of Marketing, Sales and Project Management from 1995, Vice President of Finance and Administration from 1989, and Director of Business Development from 1987. Mr. Jackson holds a B.S. in Business Administration from the Whittemore School of Business and Economics of the University of New Hampshire.

Byron S. Kalogerou. Mr. Kalogerou has been the Vice President and General Counsel for Tyco Submarine Systems Ltd. since January 2000. Mr. Kalogerou is also Vice President and Assistant Secretary of Tyco International Ltd. Mr. Kalogerou joined Tyco in 1990 and has held a variety of positions, including Associate General Counsel and General Counsel of Tyco's International Operations. Mr. Kalogerou was previously Associate General Counsel of United Dominion Industries, Inc. Mr. Kalogerou holds a B.A. from Dartmouth College and a J.D. from Vermont Law School. Mr. Kalogerou is a member of the Bar in Massachusetts.

Robert M. Paski. Mr. Paski has been Vice President of Network Engineering and Operations for Tyco Submarine Systems Ltd. since February 2000. Previously, Mr. Paski had been Vice President of Terminal Products since August, 1998 and prior to that, the Managing Director of Management Services and Atlantic Crossing for Tyco Submarine Systems Ltd. since July 1997 when the company was acquired from AT&T. While with AT&T and Bell Laboratories beginning in 1977, Mr. Paski held a variety of positions including Director-Management Services and Quality Implementation, District Manager-Submarine Cable System Installation and Technical Manager-Development of Sub-System Components. Mr. Paski has a B.S. and M.S. in Electrical Engineering from Purdue University and attended the Global Telecommunications Management Program at Thunderbird American Graduate School.

Peter K. Runge, Ph.D. Dr. Runge has been Vice President and Chief Technical Officer for Tyco Submarine Systems Ltd. since August 1998. Previously, Dr. Runge had been Managing Director-System Implementation for Tyco Submarine Systems Ltd. since July 1997 when the company was acquired from AT&T. While with AT&T and Bell Laboratories, Dr. Runge held a variety of positions over a 30-year career in the field of optical undersea communications networks. Dr. Runge has a B.S., M.S. and Ph.D. in Electrical Engineering from the Technical University Braunschweig in Germany. Additionally, Dr. Runge has numerous professional awards in honor of his work, most recently receiving the 1996 AT&T Laboratories Fellow Award, and has 16 patents to his credit.

Board Composition

The board is composed of the following employee directors: L. Dennis Kozlowski, Neil R. Garvey and Mark H. Swartz and the following two independent directors: and .

Board Committees

The audit committee is comprised of two independent directors. The audit committee reviews the internal financial controls of TyCom. It meets with appropriate financial personnel as well as TyCom's independent auditors. The audit committee reviews the scope and results of the professional services provided by TyCom's independent auditors and the fees charged for such services and makes such recommendations to the board of directors as it deems appropriate, including recommendations as to the appointment of independent auditors.

The compensation committee is comprised of two independent directors. The compensation committee sets the compensation and benefits of our executive officers and key managers.

Director Compensation Each independent director shall be entitled by way of remuneration for his or her services as a director to (1) payment of such cash sum not exceeding per annum as the directors may from time to time determine and (2) the grant of options to acquire up to common shares as of the first day of each fiscal year. In addition, each independent director may be entitled to receive options to acquire common shares of Tyco. Each director's total compensation package for the fiscal 2000 year is the annualized fee of in cash, prorated for the number of full or partial months remaining in the fiscal year as of the closing of the offering and options to acquire common shares at the offering price.

Independent directors may make an irrevocable election each year to receive some or all of their annual cash fee in the form of additional stock options. Options are granted under the Long Term Incentive Plan, have an exercise price that is equal to the fair market value of a TyCom common share at the time of grant, and have a term of ten years from date of grant. Each option provides for an automatic grant of a restoration option to the extent a director uses TyCom common shares towards payment of his or her option exercise price. The options that all independent directors receive as part of their compensation package vest and are exercisable the first day of the fiscal year following the year for which they are granted, except that the options granted at the time of the offering vest and become exercisable on the first anniversary of the date of grant. The options that independent directors elect to receive in lieu of cash compensation are immediately vested, but are not exercisable until the first day of the fiscal year following the year for which they are granted.

Stock Plans

Directors are eligible to participate in the Long Term Incentive Plan. See "Long Term Incentive Plan."

Executive Compensation The table below presents the annual and long-term compensation for services in all capacities to Tyco and its subsidiaries for the Chief Executive Officer of TyCom and the other four most highly compensated executive officers of TyCom during fiscal 1999. All compensation for the named officers was paid by Tyco and/or one of its subsidiaries and all share awards or options relate to shares in Tyco.

Summary Compensation Table(1)

| | | Annual Compensation(2) | | | Long-Term Compensation | | |
|---|---|---|---|---|---|---|---|
| Name & Principal Position | Year | Salary | Cash Bonus(3) | Stock Bonus | Restricted Stock Awards | Shares Underlying Stock Options (4) | Long-term Incentive Payouts | All Other Compensation (6) |
| L. Dennis Kozlowski..... | 1999 | $1,350,000 | $3,200,000 | | $25,707,178(5) | 6,621,834 | | $387,001 |
| Executive Chairman, | 1998 | 1,250,000 | 2,500,000 | | 20,140,000 | 3,832,800 | | 901,002 |
| TyCom Ltd. | 1997 | 1,250,000 | 2,544,260 | | | 6,600,000 | $6,508,125 | 108,125 |
| Neil R. Garvey..... | 1999 | 425,000 | 1,940,000 | $570,996(4) | -- | 178,500 | | 195,076 |
| Chief Executive Officer | 1998 | 400,000 | 1,675,000 | 787,313 | -- | -- | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 84,761 | | | | | | | |
| and President, TyCom | 1997 | 256,000 | 501,500 | -- | -- | 300,000 | |
| 2,850 | | | | | | | |
| Ltd. | | | | | | | |
| Mark H. Swartz..... | 1999 | 750,000 | 1,600,000 | | 12,029,641(5) | 2,976,480 | |
| 150,014 | | | | | | | |
| Vice President, TyCom | 1998 | 559,500 | 1,250,000 | | 10,070,000 | 2,764,666 | |
| 256,878 | | | | | | | |
| Ltd. | 1997 | 559,500 | 1,272,130 | | | 2,200,000 | 2,169,375 |
| 31,994 | | | | | | | |

Claire L. Calandra..... 1999 268,750 1,500,000 -- -- 60,000 -- 146,246 Executive Vice President and Chief Operating Officer, TyCom (US) David W. Van Rossum..... 1999 190,750 775,000 -- -- -- -- 59,364 Vice President and Chief Financial Officer, TyCom Ltd.

(1) The salary information presented for fiscal 1997 for the named officers reflects their annual salaries as of July 2, 1997 and other additional compensation and long-term incentives for the period from July 2, 1997 through the end of Fiscal 1997. In September 1997, Tyco changed its fiscal year end from December 31 to September 30. The change in year end resulted in a short fiscal year covering the nine month transition period from January 1 to September 30, 1997. References to fiscal 1999 and fiscal 1998 and fiscal 1997 refer to the twelve months ended September 30, 1999 and 1998 and the nine month transition period ended September 30, 1997, respectively. (2) Under the Tyco Deferred Compensation Plan, the amount of total salary and bonus that has been deferred for fiscal 1999 is as follows: Mr. Garvey: $970,000; Mr. Swartz: $1,975,000; Ms. Calandra: $525,000; and Mr. Van Rossum: $155,000. None of the named officers had "Other Annual Compensation" in excess of $50,000. (3) The bonus amount shown in the table for Mr. Garvey reflects an annual bonus payment that was based solely on the performance of Mr. Garvey's division, which included Tyco Submarine Systems Ltd., Simplex Technologies, Inc., Telecommunicaciones Marinas, S.A., Tyco Printed Circuit Group LP, and The Rochester Corporation during fiscal year 1999, as determined using performance objectives established early in the fiscal year. The bonus amounts shown in the table for Messrs. Kozlowski and Swartz reflect annual bonus payments that were based on the performance of Tyco International Ltd. during fiscal year 1999, as determined using performance objectives established early in the fiscal year. The bonus amounts for Mr. Van Rossum and Ms. Calandra reflect an annual bonus payment that was based on a combination of the performance of Tyco Submarine Systems Ltd., Simplex Technologies, Inc., Telecommunicaciones Marinas, S.A., Tyco Printed Circuit Group LP, and The Rochester Corporation during fiscal year 1999 and individual objectives. (4) For fiscal 1999, Mr. Garvey received 13,860 Tyco shares as a bonus payment. The number of shares that vested for the year was determined using performance objectives established early in the fiscal year. The amount listed in the table reflects the fair market value of the shares ($41.19735) on the date shares vested (October 18, 1999). (5) The amounts shown are the value of restricted shares awarded to the named individuals as determined using specific performance criteria (e.g., increase in earnings per share that is a minimum of 17.5% over the prior year) established early in the fiscal year. Shares may also be subject to time-based vesting criteria. Any shares not vested within three years are forfeited. Recipients of all restricted shares have the right to vote such shares and receive dividends. For fiscal 1999, the amount shown is based on the market value of Tyco common shares on the date of the grant ($41.19735 on October 18,

1999). The shares vested on January 5, 2000. (6) The amounts shown in the table reflect contributions made on behalf of the named individuals under Tyco's qualified and non-qualified defined contribution plans, as follows:

| Name | Company Matching Contribution (qualified plan) | Company Contribution (non-qualified plan) |
|---|---|---|
| Mr. Kozlowski | $ 5,366 | $234,675 |
| Mr. Garvey | 10,137 | 173,266 |
| Mr. Swartz | 8,073 | 78,875 |
| Ms. Calandra | 9,800 | 83,572 |
| Mr. Van Rossum | 11,119 | 46,541 |

Deferred compensation plan interest for calendar year 1998 was credited to the individuals' accounts as of December 31, 1998. The amounts shown in the table include interest credited on deferred compensation in excess of 120% of the applicable federal long-term rate as follows: Mr. Kozlowski: $81,960; Mr. Garvey: $11,673; Mr. Swartz: $63,066: Ms. Calandra: $1,934; and Mr. Van Rossum: $1,555. The amount shown in the table for Mr. Kozlowski also includes Tyco director's fees of $65,000. The amount shown in the table for Ms. Calandra also includes a taxable Employee Stock Purchase Plan match of $825, a merit bonus of $50,000, and taxable insurance premium payments of $116. The amount shown in the table for Mr. Van Rossum also includes a taxable Employee Stock Purchase Plan match of $90 and taxable insurance premium payments of $60.

Option Grants in Last Fiscal Year The following table shows all grants of Tyco stock options to the named officers during fiscal 1999 under the Tyco International Ltd. Long Term Incentive Plan (the "LTIP") and the Tyco International Ltd. Long Term Incentive Plan II (the "LTIP II"). There were no outstanding TyCom options on September 30, 1999.

# *Options Granted in the Last Fiscal Year (1999)*

| | | Individual Grants | | | | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Options Granted | Percent of Total Options Granted to Employees in Fiscal Year(5) | Exercise Price ($/Share) | Expiration Date | Grant Date Present Value(6) |
| L. Dennis Kozlowski | TYC 141,600(1) | 0.47% | $27.45330 | (7) | (7) |
| | TYC 584,000(1) | 1.93 | 29.23095 | (7) | (7) |
| | TYC 120,400(1) | 0.40 | 39.00000 | (7) | (7) |
| | TYC 40,000(1)(2) | 0.13 | 44.62500 | 6/10/09 | $423,800 |
| | TYC 2,305,114(3) | 7.60 | 50.99245 | 7/17/07-10/22/08 | 27,626,791 |
| | TYC 3,420,720(3) | 11.32 | 49.99995 | 7/17/07 | 40,431,035 |
| Neil R. Garvey | TYC 150,000(4) | 0.49 | 25.90210 | 10/1/08 | 729,000 |
| | TYC 28,500(1) | 0.09 | 29.23095 | 10/22/08 | 173,138 |
| Mark H. Swartz | TYC 312,000(1) | 1.03 | 29.23095 | (7) | (7) |
| | TYC 482,160(3) | 1.59 | 50.99245 | 7/17/07 | 5,778,688 |
| | TYC 2,182,320(3) | 7.20 | 49.99995 | 7/17/07-10/22/08 | 25,718,641 |
| Claire L. Calandra | TYC 60,000(4) | 0.20 | 28.75355 | 10/21/08 | $334,200 |
| David W. Van Rossum | -- -- | -- | -- | -- | -- |

Shares and options have been retroactively restated to give effect to the Tyco two-for-one stock split distributed on October 21, 1999, effected in the form of a stock dividend.

Certain options granted to the named officers include a restoration feature whereby participants receive options to replace exercised options, if the shares or share proceeds (1) are used to pay the exercise price of stock options, (2) are applied to satisfy tax withholding obligations or repay indebtedness to the company, or (3) are sold by trusts for tax planning purposes. In certain cases, restoration options are granted to an executive who has returned vested restricted stock to Tyco, enabling the executive to maintain the level of his equity interest in Tyco. Restoration options are granted at an exercise price which is equal to the market price of the shares on the day such restoration options are granted.

(1) Restoration options having the following terms: granted at fair market value; immediately vested, not exercisable for two months; term equal to ten years.

(2) Options transferred to and held by the KFT Family Partnership L.P.

(3) Restoration options having the following terms: granted at fair market value; immediately vested, but not exercisable for two months; term equal to the remaining term of the options they replaced.

(4) Options granted at fair market value on the date of the grant, vesting 100% at the end of three years, and expiring ten years from the date of grant.

(5) Represents the percentage of all options granted in fiscal 1999 under the LTIP and LTIP II.

(6) All options are granted at an exercise price equal to the market value of Tyco's common shares on the date of grant. Therefore, if there is no appreciation in that market value, no value will be realizable. As permitted by the rules of the SEC, Tyco chose the Black-Scholes option pricing model to estimate the grant date present value of the options set forth in this table. The following assumptions were used: expected life of three years; interest rates of 4.18%-5.90%, which represent the yield of a zero coupon Treasury strip with a maturity date similar to the assumed exercise period; assumed annual volatility of underlying stock of 22.88%- 24.06%, calculated based on 36 months of historical Tyco share price movement; quarterly dividend payment of $0.0125 per share; and the vesting schedule for each option grant as noted above.

(7) Options transferred to a family partnership, which then exercised the options during fiscal 1999. The grant date present value for these options was $799,332, $3,547,800, and $1,033,032, respectively, for Mr. Kozlowski and $1,895,400 for Mr. Swartz.

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year End Option Values Shown below is information with respect to aggregate Tyco option exercises by the named officers in the fiscal year ended September 30, 1999 and with respect to unexercised Tyco stock options held by them at September 30, 1999. There were no outstanding TyCom options on September 30, 1999.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR (1999) AND FISCAL YEAR END OPTION VALUE (1999)

| Name | Number of Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised Options at Fiscal Year End | | Value of Unexercised In-the-Money Options, at Fiscal Year End(1) | |
|---|---|---|---|---|---|---|
| | | | Type | Exercisable | Unexercisable | Exercisable | Unexercisable |
| L. Dennis Kozlowski..... | 6,312,400(2) | $139,739,099 | TYC | 5,735,834 | 2,000,000 | $2,823,139 | $63,333,200 |
| | | | TYC | 40,000(3) | | 247,914 | |
| Neil R. Garvey..... | -- | | TYC | 228,500 | 250,000 | 6,948,689 | 6,904,773 |
| Mark H. Swartz..... | 2,752,668(4) | 62,802,959 | TYC | 2,664,480 | 1,333,332 | 1,795,831 | 41,867,925 |
| Claire L. Calandra..... | -- | | TYC | 20,000 | 70,000 | 612,238 | 1,630,277 |
| David W. Van Rossum..... | -- | | TYC | 24,000 | 16,000 | 1,059,623 | 706,416 |

Shares and options have been retroactively restated to give effect to the Tyco two-for-one stock split distributed on October 21, 1999, effected in the form of a stock dividend.

(1) Based on the volume weighted average price of Tyco common shares on September 30, 1999 of $50.82285.

(2) Shares issued on exercise of options transferred by Mr. Kozlowski to the KFT Family Partnership L.P.

(3) Options held by the KFT Family Partnership L.P.

(4) Shares issued on exercise of options transferred by Mr. Swartz to the KMS Family Partnership L.P.

Employment Agreements We intend to enter into employment agreements with certain of our officers and employees.

Long Term Incentive Plan We have established the TyCom Ltd. Long Term Incentive Plan (the "Incentive Plan") to provide additional incentive to our employees, officers and directors and directors of Tyco pursuant to which a total of common shares have been reserved for issuance. The Incentive Plan was approved by the board of directors on , 2000. Pursuant to the Incentive Plan, we may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, stock bonuses and other stock-based awards. Our board of directors has delegated authority to a committee to select the employees, officers and directors to whom awards under the Incentive Plan are granted. No options have been granted under the Incentive Plan. Concurrent with the consummation of this offering, we intend to grant options to purchase common shares at the initial public offering price to certain officers and employees, including options for , , , and shares for Mr. Kozlowski, Mr. Garvey, Mr. Swartz, Ms. Calandra and Mr. Van Rossum, respectively. All of these options have ten-year terms and become vested and exercisable over a period ending . In addition, options on shares for each independent director of TyCom and options on shares for each independent director of Tyco will be

granted concurrent with the consummation of this offering at the initial public offering price. These options will have ten-year terms and become fully vested and exercisable on the first anniversary of the date of grant.

Subject to the terms and conditions of the Incentive Plan, the terms and conditions of each individual option grant are evidenced by an agreement between us and the optionee. Options granted under the Incentive Plan vest as determined by the committee and as set forth in the agreement. The maximum term of a stock option under the Incentive Plan is stated in the relevant agreement, provided that the maximum term of an incentive stock option is ten years if the optionee at the time of grant has voting power over more than 10% of our capital stock outstanding, the maximum term is five years. Terms of any stock appreciation rights, restricted stock, stock bonuses and any other awards shall be determined by the committee at the time such awards are granted.

In the event that we are involved in a merger and are not the surviving entity or there is a sale or disposition of all, or substantially all, of our assets, all awards granted under the Incentive Plan shall become fully vested.

Founders Share Option Grant

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   Under the TyCom Founders Share Option Grant, approved by the board of
directors on   , 2000, approximately    full-time employees will receive a one-
time stock option grant of    shares at the time of the offering. These options
will vest over three years based upon the optionee continuing to be employed by
us.
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Employee Share Purchase Plan The following groups of our employees are eligible to participate in an employee share purchase plan: substantially all of our non-union full-time employees in the United States, union employees where plan participation has been collectively bargained and, where registered and approved in local jurisdictions, substantially all full-time employees outside of the United States. Eligible employees may authorize payroll deductions of up to % of base salary to be made for the purchase of shares. We match a part of the employee's payroll deduction. All shares purchased under the plan are purchased on the open market by a designated broker.

Certain Defined Benefit Plans Neither Tyco nor TyCom nor their subsidiaries maintain any defined benefit or actuarial retirement plans in which the named officers participate.

Employee Corporate Loan Program Tyco US established the 1983 Key Employee Corporate Loan Program, as amended, to encourage ownership of Tyco common shares by key employees. Loans are primarily used for the payment of taxes due as a result of the vesting of restricted stock.

The Tyco compensation committee administers this loan program. The Tyco compensation committee authorizes loans, which may not exceed the amount allowable under any regulation of the United States Treasury or other applicable statute or regulation. Loans may be required to be secured by Tyco common shares owned by the employee or may be unsecured. Loans generally bear interest at Tyco's incremental short-term borrowing rate of 5.5% for 1999. Loans are generally repayable in ten years or when the participant reaches age 69, whichever occurs first, except that earlier payments must be made

in the event that the participant's employment with Tyco or its subsidiaries terminates. The participant is also required to make loan payments upon the sale or other disposition of Tyco common shares, other than gifts to certain family members, with respect to which loans have been granted.

At September 30, 1999, the amount of loans outstanding under this loan program totaled $18,569,137, of which $0 was loaned to Mr. Kozlowski, $304,363 was loaned to Mr. Garvey and $0 was loaned to Mr. Swartz. The largest amount of indebtedness outstanding at any time since October 1, 1998 by Mr. Kozlowski was $52,688,249, by Mr. Garvey was $1,153,645 and by Mr. Swartz was $17,435,319. None of the other named officers had a loan under this program during the fiscal year 1999.

## *Relationship with Tyco After the Offering and Certain Transactions*

History. TyCom was incorporated in March 2000 to serve as the holding company of the undersea fiber optic cable business of Tyco and is the product of the combination of three businesses which Tyco had acquired and integrated. Simplex Wire and Cable Company, now known as Simplex Technologies, Inc., was acquired by Tyco in 1974. In 1997, Tyco acquired the submarine systems business of AT&T, to which Simplex had been a long-time supplier. In 1999, Tyco acquired Telecomunicaciones Marinas S.A., the undersea cable installation and maintenance division of Telefonica S.A.

Stock Ownership and Participation in Management. We have been advised that Tyco has no present intention of disposing of any of our common shares that it will own indirectly after the offering, although it is under no obligation to refrain from disposing of TyCom shares beyond the 180-day period after the date of this prospectus prescribed by the lock-up agreement with the underwriters. As a result, we cannot provide any assurance that Tyco will maintain its TyCom holdings after it is free of the restrictions of the lock-up agreement.

Of the persons to be elected to our board, three are executive officers of both Tyco and TyCom and the remaining two are independent. For so long as Tyco continues to beneficially own more than 50% of our outstanding common shares, it will be able to approve any matter, other than certain matters requiring a greater majority vote, submitted to a vote of our shareholders without the consent of our other shareholders, including, among other things, the amendment of our memorandum of association and bye-laws and the election of all members of the board of directors. In addition, through its controlling beneficial ownership, Tyco will be able to exercise a controlling influence over our company, including determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, our access to the capital markets, the payment of dividends and any change of control of our company. In these and other situations, various conflicts of interest between us and Tyco could arise. Furthermore, ownership interests of our directors and officers in Tyco's common shares or service as a director or officer of both us and Tyco could create, or appear to create, potential conflicts

of interest when directors and officers are faced with decisions that could have different implications for us and Tyco. We cannot assure you that conflicts of interest will not arise or will be resolved in a manner favorable to us.

Continuing Agreements We have historically been the beneficiary of certain corporate services provided by Tyco to us. For purposes of governing certain on-going relationships between Tyco and us, we have entered into various agreements or arrangements, including those described below. The agreements described below were negotiated in the context of the offering and are therefore not the result of arm's length negotiations between independent parties. We cannot provide any assurance, therefore, that these agreements, or the transactions which they provide for will be on terms as favorable to us as could have been obtained from unaffiliated third parties.

Services Agreement. We have entered into a services agreement with Tyco in which Tyco agreed to provide various services after the offering. Those services will include the following:

. Financial. General financial and treasury services with respect to the preparation of TyCom's consolidated financial statements and annual reports, oversight of its cash management systems, tax reporting and compliance and other aspects of TyCom's financial management.

. Securities Filings. Services with respect to the preparation and filing of any reports required to be filed by or with respect to TyCom with the Securities and Exchange Commission and all stock exchanges and markets for which such reports are required to be filed.

. Professional Services. Services and advice with respect to obtaining insurance, accounting, environmental, legal, treasury, human resources and other professional services.

. Real Estate. Services with respect to leasing or purchasing necessary facilities for TyCom's business.

. Investor Relations/Investment Advisory Services. Investor and shareholder relations services and analysis, business and financial advice and consulting services with respect to proposed ventures by TyCom and proposed acquisitions or dispositions of the assets and business of TyCom.

. Benefits and Share Option Plans. Administration of TyCom's employee benefit, share option plan and other compensation plans.

Tax Indemnification Agreement. We have entered into a tax indemnification agreement with Tyco in which Tyco has agreed to indemnify us against all of our U.S. and non-U.S. income tax liabilities for periods prior to the offering to the extent these liabilities are in excess of the income taxes previously paid or accrued as an expense with respect to such periods. Pursuant to this agreement, Tyco has the right to control all audits and contests relating to the indemnified taxes. Although Tyco has agreed to indemnify us against these tax liabilities, we will nonetheless be liable for such taxes in the event that they are not discharged by Tyco. In addition, Tyco will not indemnify us against, and we will remain responsible for, all of our non-income tax liabilities for periods prior to the offering as well as all of our income and non-income tax liabilities for periods after the offering.

Revolving Credit Facility. We have entered into a revolving credit facility with Tyco to provide for borrowings by us, for any purpose in an amount up to $ . The applicable interest rate and other material terms will be negotiated on terms no less favorable than those generally available to TyCom from a third party commercial lender. The duration of this agreement will not be less than three years.

Cash Management Agreement. We have entered into an agreement with Tyco pursuant to which we will deposit our excess cash with Tyco for investment under Tyco's cash management programs. Under these programs, cash is deposited into an account, which may include cash from other participants in Tyco's cash management programs, and then invested for each participant in the account. Each participant may withdraw, as needed, deposited cash as well as its pro rata share of investment income from such account minus its pro rata share of costs attributable to such investment income.

Registration Rights Agreement. In addition, we have agreed that we will, upon the request of Tyco, use our commercially reasonable best efforts to effect the registration under applicable federal and state securities laws of any common shares owned by Tyco.

Affiliate Purchases. We purchase certain of the components for integration into our fiber optic cable systems, including drawn wire and multi-layered printed circuit boards, from subsidiaries of Tyco at prices which approximate fair market value.

Expenses

All of the costs and expenses related to this offering will be paid by Tyco.

Tyco Equity Investments Related to Our Business Hibernia In September 1999, Tyco entered a shareholders agreement with Worldwide Fiber. Tyco's investment of $125 million represents a 8.3% interest in Worldwide Fiber Inc.

SAm-1

In December 1999, Tyco entered into a joint venture agreement with Telefonica Internacional, S.A. for which a closing is scheduled to occur prior to April 15, 2000. Tyco will subscribe to 15% of the share capital of the joint venture company and Telefonica will hold 85% of the shares. The joint venture company will own and operate the SAm-1 network.

Worldwide Fiber and Telefonica are customers of TyCom and may be competitors of the TyCom Global Network.

# *Principal and Selling Shareholders*

TGN Holdings Ltd., an indirect wholly-owned subsidiary of Tyco, owns all of our outstanding common shares. Immediately after consummation of the offering, assuming the underwriters do not exercise their over-allotment option, TGN Holdings Ltd. will own of our common shares, which will represent approximately % of our outstanding common shares.

The following table sets forth certain information known to us regarding beneficial ownership of our common shares as of , 2000, and as adjusted to reflect the sale of shares offered hereby, held by:

. each person or group of affiliated persons known by us to beneficially own more than 5% of our voting shares;

. each of our directors;

. our chief executive officer and each of our other four most highly compensated executive officers; and . all directors and executive officers as a group.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable pursuant to options to purchase shares that are exercisable within 60 days of , 2000. Shares issuable pursuant to options are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person. The number of common shares outstanding after this offering includes shares being offered for sale by us in this offering. The percentage of beneficial ownership for the following table is based on common shares outstanding as of , 2000, and common shares outstanding after the completion of this offering. Unless otherwise indicated, the address for each listed shareholder is: c/o TyCom Ltd., The Zurich Centre, Second Floor, Suite 201, 90 Pitts Bay Road, Pembroke HM 08, Bermuda. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares.

| | | Percent of total | |
|---|---|---|---|
| Name and Address of Beneficial Owner | Number of shares beneficially owned | Before the offering | After the offering |
| TGN Holdings Ltd..... 100% %(1) The Zurich Center, 2nd Floor 90 Pitts Bay Road Pembroke HM 08, Bermuda | | | |
| Directors and Executive Officers: | | | |
| L. Dennis Kozlowski..... | | -- | |
| Neil R. Garvey..... | | -- | |
| Mark H. Swartz..... | | -- | |
| Claire L. Calandra..... | | -- | |
| David W. Van Rossum..... | | -- | |
| All Directors and Executive Officers as a Group: ( people)..... -- (1) If the underwriters exercise their over-allotment option in full, TGN Holdings Ltd. will sell common shares and will own common shares, or % of the total, after the offering. | | | |

# *Description of Share Capital*

General

Immediately following the completion of this offering, our authorized share capital will consist of common shares, par value $0.25 per common share. Upon completion of this offering, there will be outstanding common shares and outstanding options to purchase common shares.

Common Shares

Prior to this offering, there were common shares outstanding, all of which were held of record by TGN Holdings Ltd. There will be common shares outstanding, assuming no exercise of outstanding options, after giving effect to the sale of the common shares offered hereby. The holders of common shares present in person or by proxy at a general meeting are entitled, on a vote by show of hands, to vote one vote each and, on a poll vote, to one vote per share on all matters to be voted upon by the shareholders. The holders of common shares are entitled to receive dividends out of assets legally available for such purposes at times and in amounts as our board of directors may from time to time determine. Cumulative voting for the election of directors is not provided for in our memorandum of association or bye-laws, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. The common shares are not entitled to preemptive rights and are not subject to conversion or redemption.

There are no sinking fund provisions applicable to the common shares. All outstanding common shares are fully paid and non-assessable, and the common shares to be issued upon completion of this offering will be fully paid and non-assessable.

Preference Shares

The board of directors has the authority to issue the preference shares in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the shareholders. Otherwise, the board may issue additional preference shares and fix the rights and restriction with the approval of a resolution of shareholders. The issuance of preference shares may have the effect of delaying, deferring or preventing a change in control of us without further action by the shareholders and may adversely affect the voting and other rights of the holders of common shares. At present, we have no plans to issue any of the preference shares.

Options

As of , 2000, options to purchase a total of common shares were outstanding or had been approved and up to additional common shares may be subject to options granted in the future under our options plan. All of the options are subject to standard anti-dilution provisions.

Bermuda Law

We are an exempted company organized under the Companies Act 1981 of Bermuda. The rights of our shareholders, including those persons who will become shareholders in connection with this offering, are governed by Bermuda law and our memorandum of association and bye-laws. The Companies Act 1981 of Bermuda differs in some material respects from laws generally applicable to United States corporations and their shareholders. The following is a summary of the material provisions of Bermuda law and our organizational documents.

Dividends. Under Bermuda law, a company may pay dividends that are declared from time to time by its board of directors unless there are reasonable grounds for believing that the company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its

assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

Voting Rights. Under Bermuda law, except as otherwise provided in the Companies Act 1981 of Bermuda or our bye-laws, questions brought before a general meeting of shareholders are decided by a majority vote of shareholders present at the meeting. Our bye-laws provide that, subject to the provisions of the Companies Act 1981 of Bermuda, any question proposed for the consideration of the shareholders will be decided by a simple majority of the votes cast with each shareholder present, and each person holding proxies for any shareholder, entitled, on a show of hands, to one vote each and, on a poll vote, to one vote for each common share held by the shareholder, except in certain exceptional cases where a greater majority vote is required by our bye-laws.

Rights in Liquidation. Under Bermuda law, in the event of liquidation or winding up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preference shares, the proceeds of the liquidation or winding up are distributed pro rata among the holders of our common shares.

Meetings of Shareholders. Under Bermuda law, a company is required to convene at least one general shareholders' meeting each calendar year. Bermuda law provides that a special general meeting may be called by the board of directors and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote. Bermuda law also requires that shareholders be given at least 5 days' advance notice of a general meeting but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Under our bye-laws, we must give each shareholder at least 20 days' notice of the annual general meeting and of any special general meeting.

Under Bermuda law, the number of shareholders constituting a quorum at any general meeting of shareholders is determined by the bye-laws of a company. Our bye-laws provide that the presence in person or by proxy of the holders of more than 50% of our issued common shares constitutes a quorum.

Access to Books and Records and Dissemination of Information. Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include a company's certificate of incorporation, its memorandum of association, including its objects and powers, and any alteration to its memorandum of association. The shareholders have the additional right to inspect the bye-laws of the company, minutes of general meetings and the company's audited financial statements, which must be presented at the annual general meeting. The register of shareholders of a company is also open to inspection by shareholders without charge and by members of the general public on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register outside Bermuda. We maintain a share register in Hamilton, Bermuda. A company is required to keep at its registered office a register of its directors and officers which is open

for inspection for not less than two hours each day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Election or Removal of Directors. Under Bermuda law and our bye-laws, our directors are elected or appointed at the annual general meeting and serve until re-elected or re-appointed or until their successors are elected or appointed at the next annual general meeting, unless they are earlier removed or resign. At each annual general meeting after this offering, all current directors will be required to resign.

Under Bermuda law and our bye-laws, a director may be removed at a special general meeting of shareholders specifically called for that purpose, provided the director is served with at least 14 days' notice. The director has a right to be heard at that meeting. Any vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his or her place or, in the absence of any such election, by the board of directors.

Board Actions. Our bye-laws provide that certain actions are required to be approved by our board of directors. Actions must be approved by a majority of the votes present and entitled to be cast at a properly convened meeting of our board of directors.

Amendment of Memorandum of Association and Bye-laws. Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. An amendment to the memorandum of association, other than an amendment which alters or reduces a company's share capital as provided in the Companies Act 1981 of Bermuda, also requires the approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion. Our bye-laws may be amended by the board of directors if the amendment is approved by a vote of a majority of the votes cast by our directors and by our shareholders by a resolution passed by the holders of a majority of the issued common shares.

Under Bermuda law, the holders of an aggregate of no less than 20% in par value of a company's issued share capital or any class of issued share capital have the right to apply to the Bermuda Court for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Companies Act 1981 of Bermuda. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Court. An application for the annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No such application may be made by persons voting in favor of the amendment.

Appraisal Rights and Shareholder Suits. Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company, a shareholder who is not satisfied that fair value has been paid for his shares in the Bermuda company may apply to the Bermuda Court to appraise the fair value

of his shares. Under Bermuda law and our bye-laws, the amalgamation of TyCom with another company requires the amalgamation agreement to be approved by the board of directors and by meetings of the holders of the issued shares of TyCom.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda Court, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Further consideration would be given by the Bermuda Court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Bermuda Court for an order regulating the company's conduct of affairs in the future or compelling the purchase of the shares of any shareholder, by other shareholders or by the company.

Transfer Agent and Registrar ChaseMellon Shareholder Services, L.L.C. will serve as transfer agent and branch registrar for the common shares in the United States. Reid Management Limited will serve as transfer agent and principal registrar for the common shares in Bermuda.

Listing

We intend to apply to have our common shares approved for listing on the New York Stock Exchange and for a secondary listing on the Bermuda Stock Exchange under the symbol "TCM" in each case. The New York Stock Exchange shares will be listed on the New York Stock Exchange in U.S. dollars and settlement will take place through The Depository Trust Company in U.S. dollars. The Bermuda-listed shares may be exchanged for New York Stock Exchange shares, and vice versa, through the applicable procedures of the relevant clearing agency.

Certain Foreign Issuer Considerations We have been designated as non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority and are required to obtain the permission of the Bermuda Monetary Authority for the issue and free transferability of all of our common shares.

The Bermuda Monetary Authority has given its consent for the issue and transfer of all of the common shares that are the subject of this offering for the purposes of the proposed public offering, and for free transferability of all of our issued commons shares following the offering, subject to the common shares being listed on the New York Stock Exchange. Approvals or permissions received from the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this prospectus.

The transfer of our common shares and the issue of common shares within the current authorised share capital after the completion of the offerings to or by such persons may be effected without specific consent of the Bermuda Monetary Authority under the Exchange Control Act of 1972 and regulations thereunder subject to such common shares continuing to be listed on the New York Stock Exchange. Because we have been designated as non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds in and out of Bermuda or to pay dividends to non-Bermuda residents who are holders of the common shares, other than in respect of local Bermuda currency.

Share certificates will be issued in respect of the common shares offered pursuant to this prospectus. In the case of an applicant acting in a special capacity, for example, as trustee, the share register may not record the capacity in which the applicant is acting. We are not bound to recognise or investigate or incur any responsibility in respect to the proper administration of any such trust. We will take no notice of any trust applicable to any of our common shares whether or not we have notice of such trust.

As an exempted company, we are exempted from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, we may not, except with the express authorization of the Bermuda legislature or under a license granted by the Minister of Finance of Bermuda, participate in certain business transactions including:

. the acquisition or holding of land in Bermuda, except that required for our business and held by way of lease or tenancy for terms of not more than 50 years or, with the consent of the Minister of Finance of Bermuda, that required to provide accommodation or recreational facilities for our employees and held by way of lease or tenancy for terms of not more than 21 years;

. the taking of mortgages on land in Bermuda to secure an amount in excess of Bermuda dollars $50,000 without the consent of the Minister of Finance of Bermuda;

. the acquisition of any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Bermuda government or a public authority; or . the carrying on of business of any kind in Bermuda other than with persons outside Bermuda, except in certain limited circumstances such as doing business with another exempted company in Bermuda in furtherance of our business carried on outside Bermuda.

## *Shares Eligible for Future Sale*

After this offering, we will have common shares outstanding, excluding common shares reserved for issuance under our share plans. All of the common shares sold in this offering will be freely tradeable under the Securities Act, unless held by our "affiliates," as that term is defined by the SEC. In addition, common shares have been issued in transactions that were not registered with the SEC and, thus, are "restricted securities," as that term is defined by the SEC. Upon the expiration of the lock-up agreements between TyCom, Tyco, TGN Holdings, Ltd., certain directors and officers of TyCom and Tyco and the underwriters, these common shares will become eligible for sale, subject to compliance with Rule 144 of the Securities Act as described below.

In general, under Rule 144 as currently in effect, a shareholder who has beneficially owned restricted securities for at least one year, can sell in any three-month period a number of common shares that does not exceed the greater of:

. 1% of the number of common shares then outstanding, or approximately common shares immediately after this offering, or . the average weekly trading volume of the common shares on the New York Stock Exchange during the four calendar weeks immediately preceding the date on which such sale is made.

Sales under Rule 144 are subject to certain requirements relating to manner of sale, notice and availability of current public information about TyCom. A shareholder who is not deemed to have been an affiliate at any time during the 90 days immediately preceding the sale and who has beneficially owned restricted securities for at least two years is entitled to sell such shares under Rule 144(k) without regard to the limitations and requirements described above.

TyCom, Tyco, TGN Holdings Ltd. and the officers and directors of TyCom and certain officers and directors of Tyco have agreed with the underwriters that, for a period of 180 days after the date of this prospectus, they will not directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase or otherwise dispose of any common shares or any securities convertible into or exercisable or exchangeable for common shares, or in any manner transfer all or a portion of the economic consequences associated with the ownership of the common shares, or cause a registration statement covering any common shares to be filed, without prior written consent of Goldman, Sachs & Co. and Salomon Smith Barney Inc. The lock-up agreements described above may be released at any time as to all or any portion of the shares subject to such agreements at the sole discretion of Goldman, Sachs & Co. and Salomon Smith Barney Inc.

An aggregate of of our common shares are reserved for issuance under our share option plans. We intend to file registration statements on Form S-8 covering the sale of the common shares issued under the share option plans. Accordingly, common shares registered under any such registration will be available for sale in the public market upon issuance of such common shares pursuant to the respective share plan, unless such shares are subject to vesting restrictions and subject to limitation on resale by "affiliates" pursuant to Rule 144 and under the lock-up agreements described above.

Registration Rights Agreement We have agreed that we will, upon the request of Tyco, use our commercially reasonable best efforts to effect the registration under applicable federal and state securities laws of the common shares indirectly owned by Tyco following the offering.

# *Tax Considerations*

Bermuda Tax Considerations As of the date hereof, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable in respect of capital gains realized on a disposition of TyCom common shares or in respect of distributions by us with respect to our common shares. Furthermore, we have received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966 an undertaking that, in the event of there being enacted in Bermuda any legislation imposing any tax

computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital assets, gain or appreciation or any tax in the nature of an estate or inheritance tax or duty, the imposition of such tax shall not be applicable to us or any of our operations, nor to our common shares nor to our obligations until March 28, 2016. This undertaking applies to our common shares. It does not, however, prevent either the imposition of property taxes on us if we hold real property or leasehold interests in Bermuda or the application of Bermuda taxes to persons ordinarily resident in Bermuda. We will pay an annual government fee in Bermuda on our authorized share capital and share premium.

United States Federal Income Tax Considerations The following is a summary of certain material United States federal income tax considerations that apply to the acquisition, ownership and disposition of common shares by United States Holders (as defined below) as of the date hereof. This summary deals only with common shares that are held as capital assets by a United States Holder, and does not address tax considerations applicable to United States Holders that may be subject to special tax rules, such as dealers or traders in securities or currencies, financial institutions, insurance companies, tax-exempt entities, United States Holders that hold common shares as part of a straddle, conversion transaction, constructive sale or other arrangement involving more than one position, United States Holders that have a principal place of business or "tax home" outside the United States or United States Holders whose functional currency is not the United States dollar. In addition, the summary generally does not address the tax consequences to United States Holders that own (or are deemed for United States federal income tax purposes to own pursuant to complex attribution and constructive ownership rules) 10% or more of our voting stock ("10% Shareholders"). 10% Shareholders are advised to consult their own tax advisors regarding the tax considerations incident to an investment in common shares.

The discussion below is based upon tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions. Any such authority may be repealed, revoked or modified, perhaps with retroactive effect, so as to result in United States federal income tax consequences different from those discussed below.

Prospective investors are urged to consult their own tax advisors as to the tax consequences of an investment in common shares, including the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other federal tax laws and possible changes in tax law.

As used herein, a "United States Holder" of common shares means a holder that is (i) a citizen or resident of the United States for federal income tax purposes, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

United States Holders Taxation of Dividends Distributions made to United States Holders of our common shares will be treated as dividends and taxable as ordinary income to the extent that such distributions are made out of our current or accumulated earnings and profits as determined for United States federal income tax purposes, with any excess being treated as a tax-free return of capital which reduces such United States Holder's tax basis in our common shares to the extent thereof, and thereafter as capital gain from the sale or exchange of property. The United States federal income tax treatment described in the immediately preceding sentence applies whether or not such distributions are treated as a return of capital for non-tax purposes. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution by us. United States Holders of our common shares that are corporations will not be entitled to claim a dividends received deduction with respect to distributions by us, because we are a foreign corporation. We do not anticipate paying cash dividends in the foreseeable future. See "Dividends."

For so long as we are a "United States-owned foreign corporation," distributions with respect to common shares that are taxable as dividends generally will be treated for United States foreign tax credit purposes as either (i) foreign source "passive income" (or, in the case of certain United States Holders, foreign source "financial services income") or (ii) United States source income, in proportion to our earnings and profits in the year of such distribution allocable to foreign and United States sources, respectively. For this purpose, we will be treated as a United States-owned foreign corporation so long as stock representing 50% or more of our voting power or value is owned, directly or indirectly, by United States Holders.

Taxation of Dispositions Gain or loss recognized by a United States Holder of our common shares on the sale, exchange or other taxable disposition of our common shares will be subject to United States federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on such sale, exchange or other disposition and such United States Holder's adjusted tax basis in the common shares surrendered. Such gain or loss will be long term capital gain or loss if such United States Holder's holding period for its common shares is more than one year. Any gain or loss so recognized generally will be United States source.

Passive Foreign Investment Company Rules A non-United States corporation will be classified as a "passive foreign investment company" ("PFIC") for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income is "passive income" or (ii) on average at least 50% of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents, and gains from commodities and securities transactions.

Based upon our current income, assets and activities, we do not believe that we are now, or are likely to be in the future, a PFIC for United States federal income tax purposes. However, because the determination of whether the common shares constitute shares of a PFIC is based upon an annual determination of the composition of our income and assets, and of the entities in which we hold at least a 25% interest, and because our belief is based, in part, on interpretations of law that we believe

are reasonable, but which have not been approved by the IRS, there can be no assurance that the common shares will not be considered shares of a PFIC for any fiscal year. If we are treated as a PFIC, rules different from those described above could apply, and a United States Holder could therefore be subject to increased tax liability upon the sale of common shares or upon the receipt of certain dividends. United States Holders should consult their own tax advisors regarding the United States federal income tax considerations in the event that we become a PFIC in the future.

Information Reporting and Backup Withholding Certain U.S. Holders may be subject to information reporting with respect to payments of dividends on, and the proceeds of the disposition of, our common shares. United States Holders who are subject to information reporting and who do not provide appropriate information when requested may be subject to backup withholding at a 31% rate. United States Holders should consult their tax advisors regarding the imposition of backup withholding and information reporting with respect to distributions on, and dispositions of, our common shares. Any amount withheld will generally be allowed as a credit against the United States Holder's United States federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

Non-United States Holders Distributions and Disposition In general, and subject to the discussion below under "Information Reporting and Backup Withholding," a non-United States Holder will not be subject to United States federal income or withholding tax on income from distributions with respect to, or gain upon the disposition of, our common shares, unless either (i) the income or gain is effectively connected with the conduct by the non-United States Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual non-United States Holder upon a disposition of our common shares, the non-United States Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

In the event that clause (i) in the preceding paragraph applies, such income or gain generally will be subject to regular United States federal income tax in the same manner as if such income or gain, as the case may be, were realized by a United States Holder. In addition, if such non-United States Holder is a non-United States corporation, such income or gain may be subject to a branch profits tax at a rate of 30%, although a lower rate may be provided by an applicable income tax treaty. In the event that clause (ii), but not clause (i), in the preceding paragraph applies, the gain generally will be subject to tax at a rate of 30%, or such lower rate as may be provided by an applicable income tax treaty.

Information Reporting and Backup Withholding If the common shares are held by a non-United States Holder through a non- United States, and non-United States related, broker or financial institution, information reporting and backup withholding generally would not be required with respect to distributions on and dispositions of common shares. Information reporting, and possibly backup withholding, may apply if the common shares are held by a non-United States Holder through a United States, or United States related, broker or financial institution, and the non-United States Holder fails to provide appropriate information. Non-United States Holders should consult their tax advisors regarding the imposition of backup withholding and information reporting with respect to

distributions on and dispositions of common shares. Any amount withheld will generally be allowed as a credit against the non-United States Holder's United States federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

# *Underwriting*

Subject to the terms and conditions stated in the underwriting agreement dated the date hereof, each underwriter named below has severally agreed to purchase, and TyCom has agreed to sell to such underwriter, the number of common shares set forth opposite the name of such underwriter.

Number of Underwriter Shares Goldman, Sachs & Co..... Salomon Smith Barney Inc..... Merrill Lynch, Pierce, Fenner & Smith Incorporated..... Total.....

The underwriters are obligated to purchase all the common shares, other than those covered by the over-allotment option described below, if they purchase any of the common shares.

The underwriters, for whom Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to certain dealers at the public offering price less a concession not in excess of $. per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of $. per share on sales to certain other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

TGN Holdings Ltd. has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional common shares at the public offering price less the underwriting discount. The underwriters may exercise such option solely for the purpose of covering over- allotments, if any, in connection with this offering. To the extent such option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional common shares approximately proportionate to such underwriter's initial purchase commitment.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of common shares offered by them.

In connection with the offering, TyCom, Tyco, TGN Holdings Ltd. and the directors and officers of TyCom and certain directors and officers of Tyco have agreed that, subject to certain limited exceptions, without the prior written consent of Goldman, Sachs & Co. and Salomon Smith Barney Inc. on behalf of the underwriters, they will not:

(a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or any securities convertible into or exercisable or exchangeable for common shares, or (b) enter into any swap or similar arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the common shares, whether any

such transaction described in clause (a) or (b) of this paragraph is to be settled by delivery of such common shares or such other securities, in cash or otherwise, for a period of days after the date of this prospectus. The restrictions described in clause (a) and (b) of this paragraph shall not apply to the common shares to be sold in this offering, including any common shares sold pursuant to the over-allotment option described above.

We intend to apply to have the common shares approved for listing on the New York Stock Exchange for a secondary listing on the Bermuda Stock Exchange, in each case under the symbol "TCM".

The following table shows the underwriting discounts and commissions to be paid to the underwriters by TyCom in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional common shares.

Paid by TyCom No Exercise Full Exercise

| | | |
|---|---|---|
| Per share..... | $ | $ |
| Total..... | $ | $ |

In connection with the offering, the underwriters may purchase and sell common shares in the open market. These transactions may include over- allotment, syndicated covering transactions and stabilizing transactions. Over- allotment involves syndicate sales of common shares in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicated covering transactions involve purchases of common shares in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of common shares made for the purpose of preventing or retarding a decline in the market price of the common shares while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriters in covering syndicate short positions or making stabilizing purchases, repurchase common shares originally sold by that syndicate member.

Any of these activities may cause the price of the common shares to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected on the New York Stock Exchange, the Bermuda Stock Exchange or in the over-the-counter market, or otherwise and, if commenced, may be discontinued at any time.

We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, will be $ , all of which will be paid by Tyco.

Each of the representatives have performed certain investment banking and advisory services for TyCom and Tyco from time to time for which they have received customary fees and expenses. The representatives may, from time to time, engage in transactions with and perform services for TyCom and Tyco in the ordinary course of their business.

TyCom and Tyco International Ltd. have each agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of any of those liabilities.

Prior to this offering, there has been no public market for the common shares. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and our industry in general, our sales, earnings and certain other financial operating information in recent periods, and the price-earnings ratios, price- sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. There can be no assurance, however, that the prices at which the shares will sell in the public market after this offering will not be lower than the price at which they are sold by the underwriters or that an active trading market in the common shares will develop and continue after this offering.

## *Legal Matters*

The validity of the issuance of the common shares offered in this prospectus, the matter of enforcement of judgments in Bermuda and Bermuda tax consequences will be passed on by Appleby, Spurling & Kempe, Hamilton, Bermuda, counsel to TyCom. United States legal matters related to the offering will be passed upon for TyCom by Davis Polk & Wardwell, New York, New York, and for the underwriters by Cleary, Gottlieb, Steen & Hamilton, New York, New York.

## *Experts*

The financial statements of TyCom Ltd. as of September 30, 1998 and 1999 and for each of the three fiscal years in the period ended September 30, 1999 included in this prospectus have been so included in reliance on the report, which contains an explanatory paragraph relating to certain costs and expenses presented in the financial statements which represent allocations and management's estimates of the costs of services provided by Tyco International Ltd., of PricewaterhouseCoopers, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of AT&T Submarine Systems, Inc. for the six months ended June 30, 1997 included in this prospectus have been so included in reliance on the report, which contains an explanatory paragraph relating to certain costs and expenses presented in the financial statements which represent allocations and management's estimates of the costs of services provided by AT&T, of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

## *Where You Can Find More Information*

We have filed with the SEC, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common shares offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Certain items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to TyCom and our common shares, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto.

As a result of the offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our shareholders with annual reports containing consolidated financial statements certified by an independent public accounting firm. We also maintain an Internet site at http://www.submarinesystems.com. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

The Bermuda Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

## *Service of Process and Enforcement of Liabilities*

We are a Bermuda company and most of our assets are or may be located outside the United States. As a result, it may be difficult for our shareholders to serve notice of a lawsuit on us within the United States. It may also be difficult for our shareholders to enforce, in the United States, judgments obtained in United States courts. We have been advised by our legal counsel in Bermuda, Appleby, Spurling & Kempe, that there is some doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws (including civil liabilities under such laws), although Bermuda courts will generally enforce foreign judgments for liquidated amounts in civil matters subject to certain conditions and exceptions.

We have expressly submitted to the jurisdiction of the U.S. federal and New York state courts sitting in the City of New York for the purpose of any suit, action or proceeding arising out of this offering, and we have appointed Puglisi & Associates to accept service of process in any such action.

This prospectus has been filed with the Registrar of Companies in Bermuda pursuant to Part III of the Companies Act 1981 of Bermuda and the Bermuda Monetary Authority ("BMA") has given its consent to the issue and transfer of up to of our common shares. In accepting this prospectus for filing, the Registrar of Companies accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed with regard to them. Approvals or permissions received from the BMA do not constitute a guarantee by the BMA as to performance or our creditworthiness. As a result, in giving such approvals or permissions, the BMA shall not be liable for our performance or our default or for the correctness of any opinions or statements expressed in this prospectus.

# *Consolidated Financial Statements*

Page

TyCom Ltd.: Report of Independent Accountants..... F-2 Consolidated Balance Sheets as of September 30, 1998 and 1999 and December 31, 1999 (unaudited)..... F-3 Consolidated Statements of Operations for the fiscal years ended September 30, 1997, 1998 and 1999 and the quarters ended December 31, 1998 and 1999 (unaudited)..... F-4 Consolidated Statements of Shareholders' Equity for the fiscal years ended September 30, 1997, 1998 and 1999 and the quarter ended December 31, 1999 (unaudited)..... F-5 Consolidated Statements of Cash Flows for the fiscal years ended September 30, 1997, 1998 and 1999 and the quarters ended December 31, 1998 and 1999 (unaudited)..... F-6 Notes to Consolidated Financial Statements..... F-7 AT&T Submarine Systems, Inc.: Report of Independent Accountants..... F-25 Consolidated Statement of Operations for the six months ended June 30, 1997..... F-26 Consolidated Statement of Cash Flows for the six months ended June 30, 1997..... F-27 Notes to Consolidated Financial Statements..... F-28 This is the form of report that we expect to issue upon the transfer of the assets and liabilities to TyCom Ltd., as described in Note 1.

/s/ PricewaterhouseCoopers Hamilton, Bermuda March 3, 2000

# *Report of Independent Accountants*

To the Board of Directors and Shareholder of TyCom Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholder's equity and cash flows present fairly, in all material respects, the financial position of TyCom Ltd. (the "Company") at September 30, 1998 and 1999, and the results of its operations and its cash flows for the fiscal years ended September 30, 1997, 1998 and 1999, in

conformity with accounting principles generally accepted in the United States. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1, the Company is an operating subsidiary of Tyco International Ltd. Certain costs and expenses presented in the financial statements represent allocations and management's estimates of the costs of services provided to the Company by Tyco International Ltd. As a result, the financial statements presented may not be indicative of the financial position or results of operations that would have been achieved had the Company operated as a nonaffiliated entity.

# *Tycom Ltd.*

CONSOLIDATED BALANCE SHEETS (in millions)

| | September 30, 1998 | 1999 | (Unaudited) December 31, 1999 |
|---|---|---|---|
| Current Assets: | | | |
| Cash and cash equivalents | $ 49.7 | $ 12.1 | $ 17.2 |
| Short-term advances to parent | 45.9 | 505.5 | 649.1 |
| Receivables, less allowance for doubtful accounts of $27.8 at September 30, 1998, $19.8 at September 30, 1999 and $30.9 at December 31, 1999 | 83.5 | 278.7 | 342.7 |
| Contracts in process | 431.4 | 432.9 | 283.6 |
| Inventories | 89.8 | 108.7 | 105.1 |
| Deferred income taxes | 69.1 | 36.9 | 45.8 |
| Other current assets | 9.2 | 18.1 | 26.1 |
| Total current assets | 778.6 | 1,392.9 | 1,469.6 |
| Property, Plant and Equipment, Net | 287.8 | 464.4 | 481.4 |
| Goodwill and Other Intangible Assets, Net | 169.0 | 348.6 | 338.2 |
| Deferred Income Taxes | 122.2 | 112.5 | 111.6 |
| Other Assets | 9.2 | 73.8 | 85.0 |
| Total Assets | $1,366.8 | $2,392.2 | $2,485.8 |
| Current Liabilities: | | | |
| Loans payable and current maturities of long-term debt | $ -- | $ 2.3 | $ 2.2 |
| Accounts payable | 116.9 | 175.3 | 155.1 |
| Accrued expenses and other current liabilities | 215.3 | 176.0 | 272.6 |
| Contracts in process--billings in excess of costs | 125.4 | 849.1 | 843.4 |
| Deferred revenue | 17.9 | 12.4 | 39.0 |
| Total current liabilities | 475.5 | 1,215.1 | 1,312.3 |
| Long-Term Debt | 600.0 | 608.2 | 607.9 |
| Other Long-Term Liabilities | 13.8 | 14.7 | 14.8 |

| | | | |
|---|---|---|---|
| Total Liabilities | 1,089.3 | 1,838.0 | 1,935.0 |
| Minority Interest | 63.8 | 55.7 | 54.6 |
| Commitments and Contingencies (Note 9) | | | |
| Shareholder's Equity: | | | |
| Parent company investment | 213.7 | 501.3 | 513.4 |
| Currency translation adjustment | -- | (2.8) | (17.2) |
| Total Shareholder's Equity | 213.7 | 498.5 | 496.2 |
| Total Liabilities and Shareholder's Equity... | $1,366.8 | $2,392.2 | $2,485.8 |

See Notes to Consolidated Financial Statements.

# *Tycom Ltd.*

CONSOLIDATED STATEMENTS OF OPERATIONS (in millions)

| | Fiscal Year Ended September 30, | | | (Unaudited) Quarters Ended December 31, | |
|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 1998 | 1999 |
| Net revenue | $ 375.5 | $1,281.6 | $1,637.6 | $ 335.8 | $ 629.2 |
| Cost of revenue | 246.9 | 891.4 | 1,179.7 | 224.1 | 489.4 |
| Sales and marketing | 7.4 | 23.4 | 17.6 | 4.2 | 4.0 |
| Research and development | 9.5 | 39.5 | 52.7 | 11.4 | 13.0 |
| General and administrative | 16.2 | 65.0 | 64.0 | 14.9 | 20.1 |
| Write-off of purchased in-process research and development | 361.0 | -- | -- | -- | -- |
| Operating income (loss) | (265.5) | 262.3 | 323.6 | 81.2 | 102.7 |
| Interest income (expense), net | 1.8 | (9.9) | (39.3) | (10.2) | (0.2) |
| Minority interest | (3.8) | (14.1) | (15.2) | (3.6) | (5.0) |
| Income (loss) before income taxes | (267.5) | 238.3 | 269.1 | 67.4 | 97.5 |
| Income tax benefit (provision) | 110.9 | (86.3) | (106.1) | (26.7) | (34.5) |
| Net income (loss) | $(156.6) | $ 152.0 | $ 163.0 | $ 40.7 | $ 63.0 |

See Notes to Consolidated Financial Statements.

# *Tycom Ltd.*

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (in millions)

| | Parent Company Investment | Currency Translation Adjustment | Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at September 30, 1996 | $ 38.0 | $ -- | |
| Comprehensive loss: | | | |
| Net loss | (156.6) | | $(156.6) |
| Total comprehensive loss | | | $(156.6) |
| Net transfers from parent | 795.4 | | |
| Balance at September 30, 1997 | 676.8 | -- | |
| Comprehensive income: | | | |
| Net income | 152.0 | | $ 152.0 |

| | | | |
|---|---|---|---|
| Total comprehensive income | | | $ 152.0 |
| Net transfers to parent | (615.1) | | |
| Balance at September 30, 1998 | 213.7 | -- | |
| Comprehensive income: | | | |
| Net income | 163.0 | | $ 163.0 |
| Currency translation adjustment | | (2.8) | (2.8) |
| Total comprehensive income | | | $ 160.2 |
| Net transfers from parent | 124.6 | | |
| Balance at September 30, 1999 | 501.3 | (2.8) | |
| Comprehensive income: | | | |
| Net income | 63.0 | | $ 63.0 |
| Currency translation adjustment | | (14.4) | (14.4) |
| Total comprehensive income | | | $ 48.6 |
| Net transfers to parent | (50.9) | | |
| Balance at December 31, 1999 (unaudited) | $513.4 | $(17.2) | |

See Notes to Consolidated Financial Statements.

# *Tycom Ltd.*

CONSOLIDATED STATEMENTS OF CASH FLOWS (in millions)

| | Fiscal Year Ended September 30, | | | (Unaudited) Quarters Ended December 31, | |
|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 1998 | 1999 |
| Cash Flows From Operating Activities: Net income (loss) | $(156.6) | $ 152.0 | $ 163.0 | $ 40.7 | $ 63.0 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: Write-off of purchased in- process research and development | 361.0 | -- | -- | -- | -- |
| Depreciation | 10.9 | 31.9 | 39.6 | 8.2 | 13.2 |
| Goodwill and other intangible amortization | 0.7 | 4.6 | 7.5 | 1.4 | 2.6 |
| Deferred income taxes | (121.7) | (8.4) | 41.8 | 23.6 | (8.0) |
| Provisions for losses on accounts receivable and inventory | 1.5 | 19.0 | 4.6 | 0.1 | 22.0 |
| Minority interest expense | 3.8 | 14.1 | 15.2 | 3.6 | 5.0 |
| Changes in assets and liabilities, net of the effects of acquisitions: Receivables | 132.0 | 76.1 | (183.6) | (172.2) | (75.6) |
| Contracts in process | (59.5) | (146.5) | 725.5 | 57.5 | 143.5 |
| Inventories | 50.4 | 10.7 | (23.4) | (0.5) | (7.3) |
| Other current assets | (1.3) | (6.0) | (8.2) | -- | (8.5) |
| Accounts payable | 26.3 | (41.9) | 57.5 | (46.5) | (20.0) |
| Accrued expenses and other current liabilities | 6.7 | (54.2) | (55.9) | 101.3 | 96.5 |
| Deferred revenue | 18.2 | (4.5) | (10.1) | (12.2) | 26.9 |
| Net cash provided by operating activities | 272.4 | 46.9 | 773.5 | 5.0 | 253.3 |
| Cash Flows From Investing Activities: Purchase of property, plant and equipment | (18.7) | (28.2) | (97.4) | (24.9) | (30.2) |
| Acquisition related costs, net of cash acquired | (4.3) | (80.2) | (8.5) | (0.9) | (0.7) |
| Increase in long-term receivables | (4.0) | (0.3) | (56.0) | (5.1) | (11.6) |
| Increase in investments | -- | (2.0) | (9.3) | (1.0) | -- |
| Other | (2.2) | 0.4 | (0.9) | 0.7 | (5.1) |
| Net cash used in investing activities | (29.2) | (110.3) | (172.1) | (31.2) | (47.6) |
| Cash Flows From Financing Activities: Short-term advances to parent | (184.3) | 138.4 | (459.6) | | |

45.7 (143.9) Repayments of long-term debt..... -- -- (1.2) -- -- Net proceeds on long-term loans from parent..... -- -- 1.3 1.3 -- Change in parent company investment..... (54.6) (15.1) (155.4) (18.1) (50.9) Distributions to minority interest..... (4.8) (18.0) (23.4) (4.6) (6.0) Other..... 0.5 7.8 (0.7) 0.4 0.2 Net cash provided by (used in) financing activities..... (243.2) 113.1 (639.0) 24.7 (200.6) Net increase (decrease) in cash and cash equivalents..... -- 49.7 (37.6) (1.5) 5.1 Cash and cash equivalents at beginning of period..... -- -- 49.7 49.7 12.1 Cash and cash equivalents at end of period..... $ -- $ 49.7 $ 12.1 $ 48.2 $ 17.2 Supplementary Cash Flow Disclosure: Interest paid, net..... $ -- $ 25.5 $ 37.3 $ 10.8 $ 10.7 Income taxes paid (net of refunds)..... $ 10.8 $ 94.7 $ 64.3 $ 3.1 $ 42.5 Supplemental Schedule of Noncash Investing and Financing Activities: Net assets of acquired businesses contributed by parent (Note 3)... $ 850.0 $ -- $ 280.0 $ -- $ -- Dividend in form of loan from parent (Note 4)..... $ -- $ 600.0 $ -- $ -- $ -- See Notes to Consolidated Financial Statements.

# *Tycom Ltd.*

## *Notes to Consolidated Financial Statements*

1. Background

TyCom Ltd. (the "Company" or "TyCom"), a Bermuda company, was incorporated on March 8, 2000, and is a wholly-owned subsidiary of Tyco International Ltd. to serve as the holding company for its undersea fiber optic cable communications business. Tyco International Ltd. and its subsidiaries, excluding TyCom, are referred to herein as the "Parent" or "Tyco."

The accompanying consolidated financial statements are derived from the historical books and records of Tyco and include Simplex Technologies ("Simplex"), acquired by Tyco in 1974, for all periods presented. The consolidated financial statements also include Tyco Submarine Systems Ltd. ("TSSL"), formerly AT&T's submarine systems business acquired by Tyco on July 1, 1997, and Telecomunicaciones Marinas, S.A. ("Temasa") acquired by Tyco on May 18, 1999. TSSL and Temasa are included in the consolidated financial statements from their respective dates of acquisition. Prior to the planned initial public offering discussed below, the assets and liabilities described herein will be transferred to TyCom.

Simplex is the cable manufacturing and integration facility of the Company. TSSL includes research and development, system design, repeater and terminal product manufacturing, and project management functions of the Company. In addition, TSSL includes Transoceanic Cable Ship Company ("TCSC"), the cable installation and maintenance operations of the Company based in the United States. Temasa is the cable installation and maintenance operations of the Company based in Spain. The Company operates a fleet of eleven cable ships. In addition to the TCSC fleet, two ships are flagged in the U.S. Marshall Islands under the Coastal Cable Ship Co. and C.S. Tyco Provider, Inc. Temasa's three ships are flagged in the Canary Islands.

TyCom Ltd. is the world's leading independent, fully integrated, turnkey supplier of undersea fiber optic networks and services. TyCom has designed, engineered, manufactured and installed over 350,000 kilometers of undersea cable, more than any other supplier, and has played a leading role in the design and construction of most of the world's undersea cable networks. The foundation of TyCom's industry leadership is the technological accomplishments of the internationally recognized TyCom Laboratories, which has its origins in Bell Laboratories.

On January 17, 2000, Tyco announced that its undersea fiber optics business will design, build, install, operate and maintain its own global undersea fiber optic communications network, the TyCom Global Network ("TGN"). Upon its completion, the TGN system is expected to be the largest and most advanced global undersea telecommunications fiber optic network. Tyco also announced its intention to offer up to 20 percent of its undersea fiber optic cable business for sale in an initial public offering.

2. Summary of Significant Accounting Policies Basis of Presentation--The consolidated financial statements have been prepared in United States dollars in accordance with generally accepted accounting principles in the United States. The consolidated financial statements include the accounts of TyCom and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

These financial statements present the consolidated financial position and results of operations of the Company as a subsidiary of Parent, including adjustments necessary for a fair presentation of the business. The financial statements presented may not be indicative of the results that would have been achieved had the Company operated as a separate, stand-alone entity.

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Interim Financial Information--The consolidated financial statements of the Company as of December 31, 1999 and for the quarters ended December 31, 1998 and 1999 are unaudited. Adjustments, consisting of normal recurring adjustments and adjustments necessary to present the consolidated financial position and results of operations of the Company as an operating subsidiary of Parent, have been made which in the opinion of management are necessary for a fair presentation. Results of operations for the quarter ended December 31, 1999 are not necessarily indicative of the results that may be expected for the full year or for any future period.

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

Short-Term Advances to Parent--Short-term advances to Parent reflect cash balances generated from operating activities that were transferred to Tyco to be included in Tyco's consolidated cash management system. These advances are subject to the terms of various cash management and loan agreements between the Company and Parent. Under the terms of these agreements, the funds are available to the Company on an as needed basis. Amounts outstanding on the last day of each calendar quarter accrue interest at a rate equal to 1.25% above the three-month United States Dollar LIBOR as

in effect on the last day of the prior calendar quarter. The effective interest rate on amounts outstanding as of September 30, 1999 was 6.6%. The agreements terminate over a period from July 2003 to August 2004.

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

Property, Plant and Equipment--Property, plant and equipment is principally recorded at cost less accumulated depreciation. Maintenance and repair expenditures are charged to expense when incurred. The straight-line method of depreciation is used over the estimated useful lives of the related assets as follows:

Buildings and related improvements..... 10 to 40 years Ships and submersibles..... 5 to 20 years Leasehold improvements..... Remaining term of the lease Machinery and equipment..... 5 to 7 years Gains and losses arising on the disposal of property, plant and equipment are included in the Consolidated Statements of Operations.

Goodwill and Other Intangible Assets--Goodwill, which is being amortized on a straight-line basis over 40 years, was $129.3 million and $311.3 million, net, at September 30, 1998 and 1999, respectively. Accumulated amortization amounted to $4.0 million at September 30, 1998 and $9.1 million at September 30, 1999.

Other intangible assets were $39.7 million and $37.3 million, net, at September 30, 1998 and 1999, respectively. These amounts include patents and technology, which are being amortized primarily on a straight-line basis over 17 years. At September 30, 1998 and 1999, accumulated amortization amounted to $1.3 million and $3.7 million, respectively.

Long-Lived Assets--The Company periodically evaluates the net realizable value of long-lived assets, including, property, plant and equipment, goodwill and other intangible assets, long-term investments and long-term receivables, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) carrying value of an asset is assessed when the undiscounted, expected future operating cash flows derived from the asset are less than its carrying value. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

Investments--The Company accounts for its long-term investments that represent less than twenty percent ownership using Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard requires that certain debt and equity securities be adjusted to market value at the end of each accounting period. Unrealized market gains and losses are charged or credited to earnings if the securities are traded for short-term profit. Otherwise, such unrealized gains and losses are charged or credited to shareholders' equity.

Management determines the proper classification of investments in obligations with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations as of each balance sheet date.

Warranties--Estimated warranty costs for each contract are determined based on the contract terms and technology specific issues. These costs are included in total estimated contract costs accrued over the construction period of the respective contract.

Minority Interest--Five of the Company's ships, used to install and maintain the undersea cable systems, are owned by partnerships. The partnerships consist of a majority-owner general partner, TCSC, a wholly-owned subsidiary of the Company, and a limited partner unaffiliated with the Company, Teleglobe Marine Inc., a wholly-owned subsidiary of Teleglobe Holding Corp. The limited partner's equity interest is 25% or 45% per vessel and the partnership terms continue for the useful life of each vessel. The Company monitors and allocates the utilization of these vessels between construction and maintenance activities.

The Company charters the vessels from the partnership and operates them in the conduct of its business. Accordingly, the Company reflects the limited partner equity interest in the partnerships as minority interest in the Consolidated Financial Statements. Distributions to the limited partner are based on its pro rata share of earnings during the prior quarter, adjusted for certain noncash items and capital requirements.

Revenue Recognition--Contract sales for the installation of undersea cable systems are recorded on the percentage-of-completion method, whereby sales and profits are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs to complete. Contracts in process, included in current assets, are valued at cost plus accrued profits not yet billed. Billings on uncompleted contracts in excess of incurred costs and accrued profits are included in current liabilities. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. Bid and proposal costs are expensed as incurred.

Revenue from the sale of maintenance and services is recognized over the period the service is provided. Billings to customers before the relevant criteria for revenue recognition are satisfied are included in deferred revenue.

Income Taxes--Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the



 consolidated financial statements and the tax basis of assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse.

Parent Company Investment--Certain services are provided to the Company by the Parent, primarily related to treasury, tax, legal, audit, human resource and risk management functions. The Company recorded an annual fee of 1.0% of net revenue related to these services in fiscal 1997, fiscal 1998 and fiscal 1999 and the quarters ended December 31, 1998 and 1999, which is included in general and administrative expenses in the Consolidated Statements of Operations. Under the terms of a service arrangement between the Company and Parent, the Company is charged 1.0% on the first $2.0 billion of net revenue, 0.75% on net revenue over $2.0 billion up to $5.0 billion and 0.50% on net revenue in excess of $5.0 billion. The annual fee is reviewed and adjusted annually by mutual agreement of the Company and Parent. Management believes these allocations are reasonable. Additional items, such as employee benefit plans, insurance coverage, and other identifiable costs, are charged to the Company by Parent based upon direct costs attributable to TyCom and its subsidiaries.

As discussed above, the Company makes short-term advances to Parent to participate in a mutually beneficial working capital cash management program. In addition, the Parent has provided short-term and long-term borrowings to the Company to meet its financing cash flow needs. Short-term loans have been provided by the Parent to fund the purchase of significant expenditures related to projects. These expenditures are generally capitalized and expensed as a cost of the project. The short-term loans are repaid when the Company receives payment for contracts. Amounts outstanding under these types of short-term loans were $0, $6.7 million and $7.6 million as of September 30, 1998 and 1999 and December 31, 1999, respectively, and are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets. The effective interest rate on short-term loans from Parent as of September 30, 1999 was 9.7%. See Note 4 for a discussion of loans from Parent included in long-term debt.

Related Party Transactions--The Company buys certain of the components for its manufactured products, such as wire and circuit boards, from subsidiaries of Tyco at prices which approximate market. Purchases from related parties were $0, $2.7 million, $16.4 million, $1.9 million and $8.6 million during fiscal 1997, fiscal 1998, fiscal 1999 and the quarters ended December 31, 1998 and 1999, respectively. Amounts due under these trade activities were $0, $2.1 million and $3.4 million as of September 30, 1998 and 1999 and December 31, 1999, respectively, and are included in accounts payable in the Consolidated Balance Sheets.

Research and Development--Research and development expenditures are expensed when incurred.

Advertising--Advertising costs are expensed when incurred.

Net Income Per Share--Historical net income per share has not been presented because the Company did not operate as a separate legal entity of Tyco with its own capital structure.

Translation of Foreign Currency--Assets and liabilities of the Company's subsidiaries operating outside the United States which account in a functional currency other than U.S. dollars are translated into U.S. dollars using year- end exchange rates. Revenues and expenses are translated at the average exchange rates effective during the year. Foreign currency translation gains and losses are included within shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Gains and losses resulting from foreign currency transactions, the amounts of which are not material, are included in net income (loss).

Financial Instruments--From time to time the Company enters into a variety of foreign exchange contracts, forward commodity contracts and interest rate swaps in its management of foreign currency, commodity and interest rate exposures. The Company enters into letters of credit as required by its contracts.

Realized gains or losses on foreign exchange contracts, acquired for the purpose of reducing exposure to currency fluctuations associated with expected cash flows denominated in currencies other than the functional currencies, are reflected in general and administrative expenses.

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

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

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

Accounting Pronouncements--In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In June 1999, the FASB issued SFAS No. 137 which defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company is currently analyzing this standard.

During fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income (loss) and its components in financial statements. The purpose of reporting comprehensive income



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (loss) is to report a measure of all changes in equity, other than transactions with shareholders. Total comprehensive income (loss) is included in the Consolidated Statements of Shareholders' Equity.

3. Acquisitions

Fiscal 1999

During fiscal 1999, Temasa, a wholly-owned subsidiary of Telefonica S.A., was acquired by Tyco for an aggregate cost of $290.4 million, consisting of cash of $280.0 million and the assumption of $10.4 million in debt. Temasa installs and maintains undersea cable systems. This business was contributed by Parent to the Company subsequent to its acquisition. The acquisition was accounted for as a purchase, and the results of operations of Temasa have been included in the consolidated results of the Company from its acquisition date. As a result of the acquisition, approximately $188.9 million in goodwill was recorded by the Company, which reflects the adjustments necessary to allocate the purchase price to the fair value of assets acquired, liabilities assumed and purchase accounting liabilities recorded. In addition, $8.5 million of cash was paid during fiscal 1999 for purchase accounting liabilities related to current and prior years' acquisitions.

The following table shows the fair value of assets and liabilities and purchase accounting liabilities recorded for Temasa:

| | |
|---|---|
| Receivables | $ 11.0 |
| Contracts in process | 3.3 |
| Other current assets | 0.8 |
| Property, plant and equipment | 118.8 |
| Goodwill | 188.9 |
| Other assets | 0.1 |
| | 322.9 |
| Accounts payable | 2.0 |
| Accrued expenses and other current liabilities | 28.7 |
| Other long-term liabilities | 1.8 |
| | 32.5 |
| | $290.4 |
| Cash consideration paid (net of cash acquired) | $280.0 |
| Debt assumed | 10.4 |
| | $290.4 |

Purchase accounting liabilities recorded for Temasa during fiscal 1999 include $12.0 million for transaction and other direct costs and $0.2 million for severance costs. Transaction and other direct costs include legal, accounting, financial advisory services and other direct expenses related to the acquisition. Liabilities of approximately $6.9 million for transaction and other direct costs and $0.2 million for severance related costs remained on the balance sheet at September 30, 1999. The Company expects that all costs related to this acquisition will be complete by the end of fiscal 2000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The following unaudited pro forma data summarize the results of operations for the periods indicated as if the acquisition of Temasa had been completed as of the beginning of the periods presented. The pro forma data give effect to actual operating results prior to the acquisition and adjustments to interest expense, goodwill amortization and income taxes. No effect has been given to cost reductions or operating synergies in this presentation. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred as of the beginning of the periods presented or that may be obtained in the future.

Fiscal Year Ended September 30, 1998 1999 (in millions)

| | | |
|---|---|---|
| Net revenue | $1,315.7 | $1,662.8 |
| Income before income taxes | 235.8 | 270.9 |
| Net income | 148.6 | 164.0 |

Fiscal 1998

During fiscal 1998, the Company paid $67.0 million to AT&T Corp. as a result of finalizing the adjusted balance sheet related to the acquisition of AT&T Corp.'s submarine systems business, discussed below. In addition, the Company paid cash of $13.2 million during fiscal 1998 for purchase accounting liabilities that were previously established in connection with this acquisition.

Fiscal 1997

During fiscal 1997, AT&T Corp.'s submarine systems business was acquired by Tyco for cash consideration of $850.0 million. This business was contributed by Parent to the Company subsequent to its acquisition. The acquisition was accounted for as a purchase, and its results of operations have been included in the consolidated results of the Company from the acquisition date. As a result of the acquisition, approximately $174.3 million in goodwill and other intangibles, net of the write-off of purchased in-process research and development, was recorded by the Company, which reflects the adjustments necessary to allocate the purchase price to the fair value of assets acquired, liabilities assumed and purchase accounting liabilities recorded. In connection with this acquisition, the Company allocated $361.0 million of the purchase price to in-process research and development projects that had not reached technological feasibility and had no probable alternative future uses. In addition, $4.3 million of cash was paid during fiscal 1997 for purchase accounting liabilities related to this acquisition.

Purchase accounting liabilities recorded in connection with the above acquisition consist of $8.3 million for transaction and other direct costs, $9.4 million for severance and related costs and $6.5 million for facility related costs.

Transaction and other direct costs include legal, accounting, financial advisory services and other direct expenses related to the acquisition. The costs of employee termination benefits of $9.4 million relate to the elimination of approximately 150 employees located primarily in the United States, consisting of

administrative, executive, sales and marketing and product development personnel. Facility related costs of $6.5 million principally relate to lease contract termination costs. At September 30, 1999, the payout for employee severance and facility related costs was complete.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The following unaudited pro forma data summarize the results of operations for fiscal 1997 as if the acquisition of AT&T Corp.'s submarine systems business had been completed as of the beginning of the fiscal year. The pro forma data give effect to actual operating results prior to the acquisition and adjustments to interest expense, goodwill amortization and income taxes. No effect has been given to cost reductions or operating synergies in this presentation. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred as of the beginning of the period presented or that may be obtained in the future.

Fiscal Year Ended September 30, 1997 (in millions)

| | |
|---|---|
| Net revenue | $947.5 |
| Loss before income taxes | (324.5) |
| Net loss | (201.6) |

4. Indebtedness

Long-term debt is as follows:

(Unaudited) September 30, December 31, 1998 1999 1999 (in millions)

| | | | |
|---|---|---|---|
| 8.0% peseta denominated note(i) | $ -- | $ 9.2 | $ 8.8 |
| 6.7% loan from Parent(ii) | -- | 202.5 | 202.5 |
| 7.2% loan from Parent(ii) | 500.0 | 398.8 | 398.8 |
| 7.1% loan from Parent(ii) | 100.0 | -- | -- |
| Total debt | 600.0 | 610.5 | 610.1 |
| Less current portion | -- | (2.3) | (2.2) |
| Long-term debt | $600.0 | $608.2 | $607.9 |

(i) In 1991, Temasa issued a 3.1 billion Pesetas (approximately $19.6 million) 8.0% amortizing note due March 2003. In connection with this note, Temasa entered into an interest rate swap agreement to hedge the fixed rate interest terms. Under the agreement, which expires in March 2003, Temasa hedged the fixed rate terms of the note and will make floating rate payments based on a variable rate of three-month MIBOR, less 0.1%. (ii) In February and March 1998, the Company entered into $500.0 million and $100.0 million loan agreements with Parent, which bear interest at fixed rates of 7.2% and 7.1% and are due in March 2001 and April 2001, respectively.

In December 1998, the Company entered into a $202.5 million loan agreement with Parent, which bears interest at a fixed rate of 6.7% and matures in December 2008. During fiscal 1999, the Company paid off $101.2 million of the $500.0 million 7.2% loan due in March 2001 and the entire $100.0 million 7.1% loan due in April 2001.

The weighted-average rate of interest on all long-term debt was 7.2% and 7.1% during fiscal 1998 and fiscal 1999, respectively. There was no interest- bearing long-term debt from Parent prior to fiscal 1998.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) At September 30, 1999, long-term debt matures as follows (in millions): $2.3 in fiscal 2000, $401.4 in fiscal 2001, $2.8 in fiscal 2002, $1.5 in fiscal 2003 and the remaining balance in fiscal 2009. Loans from Parent are pre- payable without penalty at par value at any time.

5. Interest Income (Expense), Net Interest income (expense), net is comprised of the following:

| | Fiscal Year Ended September 30, | | | (Unaudited) Quarters Ended December 31, | |
|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 1998 | 1999 |
| | (in millions) | | | | |
| Third party interest income | $ -- | $ -- | $ 1.3 | $ -- | $ 0.4 |
| Third party interest expense | -- | -- | (0.3) | -- | (0.2) |
| Interest income--short-term advances to Parent | 1.8 | 15.6 | 2.3 | 0.6 | 10.5 |
| Interest expense--short-term loans from Parent | -- | -- | (0.1) | -- | (0.2) |
| Interest expense--long-term loans from Parent | -- | (25.5) | (42.5) | (10.8) | (10.7) |
| Interest income (expense), net | $1.8 | $ (9.9) | $(39.3) | $ (10.2) | $ (0.2) |

Interest expense associated with Parent's general corporate debt has not been allocated to the Consolidated Financial Statements herein.

6. Financial Instruments The Company's financial instruments consist primarily of cash and cash equivalents, short-term advances to Parent, accounts receivable, long-term investments, accounts payable, debt, letters of credit and derivative financial instruments. The notional amounts of the derivative financial instruments were as follows:

September 30, 1998 1999 (in millions)

| | | |
|---|---|---|
| Foreign currency exchange contracts | $ -- | $ 16.2 |
| Forward commodity contracts | 12.6 | 20.7 |
| Interest rate swaps | -- | 9.2 |

While it is not the Company's intention to terminate the above derivative financial instruments, fair values were estimated, based on quotes from brokers and market rates, which represented the amounts that the Company would receive or pay if the instruments were terminated at the balance sheet dates. These fair values indicated that the termination of foreign currency exchange contracts, forward commodity contracts and interest rate swaps at September 30, 1998 and 1999 would have resulted in a $1.3 million loss and $2.7 million gain, respectively.

The fair value of cash and cash equivalents, short-term advances to Parent, accounts receivable, long-term investments and accounts payable approximated book value at September 30, 1998 and 1999. The fair value of debt was approximately $600.0 million (book value of $600.0 million) and $610.0 million (book value of $610.5 million) at September 30, 1998 and 1999, respectively, based on discounted cash flow analyses using current interest rates. Letters of credit are posted by the Company in accordance with the performance provisions of contracts, and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) include both performance bonds and advance payment bonds. The Company pays the commissions on the letters of credit and records these payments as contract costs. At September 30, 1999, the Company's total available letters of credit amounted to approximately $509 million, of which none have been drawn upon.

The Company's financial instruments present certain market and credit risks. At September 30, 1999, one customer comprised approximately 52% of total accounts receivable of the Company and at September 30, 1998, three customers comprised approximately 44% of total accounts receivable. The Company mitigates such concentrations of credit risk through a review of a customer's credit history before extending credit and evaluating the customers' ability to perform obligations under its agreement. The Company does not expect its customers to fail to meet their obligations under contracts given their credit rating or the financing in place for the applicable contracts. In addition, the Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. The Company does not require collateral or other security to be furnished by the counterparties to its financial instruments.

7. Income Taxes

The Company's consolidated financial statements reflect a provision for income taxes based on income as if the Company had been subject to income tax on a stand alone basis. The income tax provision was computed in accordance with SFAS No. 109, "Accounting for Income Taxes" and is based on current tax rates.

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

Fiscal Year Ended September 30, 1997 1998 1999 (in millions)

```
U.S. federal income taxes at the statutory rate..... $ (93.6) $83.4  $ 94.2
Adjustments to reconcile to the Company's income tax
 provision:
U.S. state income tax (benefit) provision, net.....   (13.0)  11.6    14.9
Non U.S. net earnings..............................      --   (0.8)   (3.2)
Nondeductible charges..............................     0.3    1.1     1.2
Foreign sales corporation benefit..................    (4.4)  (8.3)   (0.5)
Research and development benefit...................    (0.2)  (0.7)   (0.5)
(Benefit) provision for income taxes.................  (110.9)  86.3   106.1
```

| | | | |
|---|---|---|---|
| Deferred (benefit) provision | (121.7) | (8.4) | 41.8 |
| Current provision | $ 10.8 | $94.7 | $ 64.3 |

The (benefit) provisions for fiscal 1997, fiscal 1998 and fiscal 1999 included $0, $0 and $0.3 million for non-U.S. income taxes and the non-U.S. component of income before income taxes was $0, $2.2 million and $6.1 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The deferred income tax balance sheet accounts result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax asset are as follows:

September 30, 1998 1999 (in millions)

| | | |
|---|---|---|
| Deferred tax assets: | | |
| Inventories | $ 5.4 | $ 6.9 |
| Accrued liabilities and reserves | 65.2 | 32.5 |
| Accrued postretirement benefit obligation | 2.2 | 2.4 |
| In-process research and development | 115.8 | 107.4 |
| Tax loss and credit carryforwards | 1.4 | -- |
| Other | 0.3 | 0.3 |
| | 190.3 | 149.5 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | (1.8) | (1.4) |
| Amortization | 0.8 | 1.5 |
| | (1.0) | 0.1 |
| Net deferred income tax asset | $191.3 | $149.4 |

The Company intends to enter into a tax indemnification agreement with Parent in which Parent will agree to indemnify the Company against all of its U.S. and non-U.S. income tax liabilities for periods prior to the planned initial public offering to the extent these liabilities are in excess of the income taxes previously paid or accrued as an expense with respect to such periods. Pursuant to this agreement, Parent will have the right to control all audits and contests relating to the indemnified taxes. Although Parent will agree to indemnify the Company against these tax liabilities, the Company will nonetheless be liable for such taxes in the event that they are not discharged by Parent. In addition, Parent will not indemnify the Company against, and the Company will remain responsible for, all of its non-income tax liabilities for periods prior to the offering as well as all of its income and non-income tax liabilities for periods after the offering.

8. Stock-Based Compensation Plans Stock Options--Prior to its incorporation in March 2000, the Company had no employee stock option plan; however, certain employees of the Company have been granted stock options under the Tyco International Ltd. Long Term Incentive Plan (the "Incentive Plan"). Options are granted under the Incentive Plan to purchase common shares of Tyco at prices which are equal to or greater than the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. Options granted to employees of the Company to date under the Incentive Plan have generally vested and become exercisable over

periods of up to five years from the date of grant and have a maximum term of ten years. At September 30, 1999, approximately 5.6 million options held by employees of the Company were outstanding, 2.4 million of which were exercisable.

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") allows companies to measure compensation cost in connection with executive share option plans and schemes using a fair value based method, or to continue to use an intrinsic value based method which generally does not result in a compensation cost. Tyco decided to continue to use the intrinsic value based

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) method and accordingly, no compensation cost has been recorded in these consolidated financial statements. Had the fair value based method been adopted for the stock options awarded to the Company's employees under the Parent's stock option plans pursuant to the provisions of SFAS 123, the Company's pro forma net income (loss) would have been as follows:

1997 1998 1999

Net income (loss)--pro forma (in millions)..... $(157.4) $148.8 $155.4 The estimated weighted average fair value of options granted to the Company's employees during fiscal 1997, fiscal 1998 and fiscal 1999 was $5.67, $7.68 and $11.08, respectively, on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions:

1997 1998 1999

| | | | |
|---|---|---|---|
| Expected stock price volatility..... | 22% | 22% | 30% |
| Risk free interest rate..... | 6.1% | 5.6% | 4.8% |
| Expected annual dividend yield per share..... | $0.05 | $0.05 | $0.05 |
| Expected life of options..... | 5.0 years | 5.0 years | 4.9 years |

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of what the effects may be in future years.

Employee Stock Purchase Plan--Substantially all full-time employees of the Company are eligible to participate in Tyco's employee stock purchase plan. Eligible employees authorize payroll deductions to be made for the purchase of shares. The Company matches a portion of the employee contribution by contributing an additional 15% of the amount purchased by the employee. All shares purchased under the plan are purchased on the open market by a designated broker.

Restricted Stock--Certain executives of the Company participate in Tyco's restricted stock ownership plan. Common shares are awarded subject to certain restrictions with vesting varying over periods of up to ten years.

The total compensation cost expensed for all stock-based compensation awards was $0.5 million, $1.3 million and $2.8 million for fiscal 1997, fiscal 1998 and fiscal 1999, respectively.

9. Commitments and Contingencies The Company occupies certain facilities under leases that expire at various dates through the year 2021. Rental expense under these leases and a lease for a ship was $2.9 million, $12.0 million and $13.5 million for fiscal 1997, fiscal 1998 and fiscal 1999, respectively. At September 30, 1999, the minimum lease payment obligations under noncancelable operating leases were as follows: $14.2 million in fiscal 2000, $11.4 million in fiscal 2001, $7.3 million in fiscal 2002, $7.1 million in fiscal 2003, $7.4 million in fiscal 2004 and an aggregate of $60.7 million in fiscal years 2005 through 2021. The fiscal 2000 minimum lease payment obligation is net of sublease income of $1.5 million.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) In the normal course of business, the Company enters into construction contracts providing for assessment of damages for nonperformance or delays in completion. Claims may be brought against the Company by customers alleging such deficiencies. At December 31, 1999, approximately $26.0 million for liquidated damages is included in accrued expenses and other current liabilities in the Consolidated Balance Sheet.

The Company is aware of contamination at certain of its properties. In particular, one of its facilities is the subject of cleanup under the New Jersey Industrial Site Recovery Act. AT&T has assumed all responsibility and costs for the cleanup of contamination at this property and has also agreed to indemnify the Company in the event that the Company incurs any other costs related to this cleanup. In addition, the Company has been named as a potentially responsible party under the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, more commonly known as Superfund, at a site in New Hampshire. The Company is one of a group of parties that is participating in the investigation and cleanup of this site. The Company believes that any costs or liabilities in connection with these or any other sites will not materially adversely affect its business, results of operations or financial condition.

On January 31, 2000, a complaint was filed in the United States District Court for the District of New Jersey asserting claims against TSSL and Tyco Group S.a.r.l., a Luxembourg subsidiary of Tyco. The claims arise out of negotiations conducted by Tyco Group with IDT Europe B.V.B.A., a Belgian corporation, concerning the possible formation of a joint venture for the development of an undersea fiber optic telecommunications system to be supplied by TSSL, which the complaint alleges was to be substantially similar to the proposed TyCom Global Network. The plaintiff alleges that Tyco Group breached a Memorandum of Understanding dated November 9, 1999 (which expired in December 1999), and alleged implied covenants of good faith and fair dealing, in various ways, including by failing to negotiate in good faith to complete and finalize various agreements relating to the proposed joint venture. The plaintiff seeks, among other relief such as attorneys' fees and costs, specific performance of Tyco Group's alleged obligation to negotiate and execute such agreements, as well as

compensatory and punitive damages. The plaintiff also alleges that Tyco Group tortiously interfered with contractual relations, business relations and fiduciary duties relating to an agreement to reserve required manufacturing intervals and undertake certain long-lead time activities which plaintiff claims it had with TSSL.

With respect to TSSL, the plaintiff alleges breach of an "Instruction to Proceed", an agreement by which the plaintiff reserved manufacturing capacity for the cable system and authorized the undertaking of certain long-lead time activities which was the subject of the joint venture. Plaintiff also alleges that TSSL failed to negotiate in good faith a system supply agreement for the cable system. The plaintiff also claims breach of an alleged implied covenant of good faith and fair dealing. The plaintiff seeks, among other relief such as attorneys' fees and costs, compensatory damages of $1 billion and injunctive relief precluding TSSL from undertaking any business activity contrary to the terms of the Instruction to Proceed. TSSL believes that the claims asserted against it are without merit and intends to defend itself vigorously.

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The Company is a defendant in a number of other pending legal proceedings incidental to present and former operations. The Company does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations or liquidity.

10. Retirement Plans

The Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," which revises financial statement disclosure requirements for pension and other postretirement benefit plans but does not change the measurement or recognition of those plans.

Defined Benefit Pension Plans--The Company participates in a noncontributory defined benefit retirement plan covering certain of its unionized U.S. employees. Company contributions are based on periodic actuarial valuations which use the projected unit credit method of calculation and are charged to the consolidated statements of operations on a systematic basis over the expected average remaining service lives of current employees. The net pension expense is assessed in accordance with the advice of professionally qualified actuaries or is based on subsequent formal reviews for that purpose. The Company's funding policy is to make annual contributions to the extent such contributions are tax deductible as actuarially determined. The benefits under the defined benefit plan are based on years of service and compensation.

The net periodic pension cost for the Company's defined benefit pension plan includes the following components:

Fiscal Year Ended September 30, 1997 1998 1999 (in millions)

| | | | |
|---|---|---|---|
| Service cost | $0.1 | $0.5 | $0.6 |
| Interest cost | -- | 0.1 | 0.1 |

| | | | |
|---|---|---|---|
| Expected return on plan assets | -- | -- | (0.1) |
| Net periodic pension cost | $0.1 | $0.6 | $0.6 |

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The net pension cost recognized at September 30, 1998 and 1999 for the defined benefit plan is as follows:

September 30, 1998 1999 (in millions)

| | | |
|---|---|---|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | $ 1.1 | $ 1.8 |
| Service cost | 0.5 | 0.6 |
| Interest cost | 0.1 | 0.1 |
| Actuarial loss (gain) | 0.1 | (0.3) |
| Benefit obligation at end of year | $ 1.8 | $ 2.2 |

Change in plan assets Fair value of plan assets at beginning of year..... $ -- $ 0.6 Employer contributions..... 0.6 0.4 Fair value of plan assets at end of year..... $ 0.6 $ 1.0 Funded status..... $(1.2) $(1.2) Unrecognized net actuarial loss (gain)..... 0.1 (0.1) Net amount recognized..... $(1.1) $(1.3)

| | | |
|---|---|---|
| Amounts recognized in the statement of financial position | | |
| Accrued benefit liability | $(1.2) | $(1.3) |
| Accumulated other comprehensive income | 0.1 | -- |
| Net amount recognized | $(1.1) | $(1.3) |
| Weighted-average assumptions as of September 30, | 1998 | 1999 |
| Discount rate | 6.75% | 7.75% |
| Expected return on plan assets | 9.25 | 8.50 |
| Rate of compensation increase | 4.50 | 4.50 |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $1.7 million, $1.8 million and $0.5 million, respectively, as of September 30, 1998 and $2.1 million, $2.2 million and $1.0 million, respectively, as of September 30, 1999.

Defined Contribution Retirement Plans--Certain employees of the Company participate in Tyco's defined contribution 401(k) matching plan and defined contribution supplemental pension plan. Contributions by the Company for these defined contribution plans are computed based on a percentage of participants' compensation and the combined expense recorded for these plans was $1.9 million, $4.7 million and $6.3 million for fiscal 1997, fiscal 1998 and fiscal 1999, respectively.

Post-retirement Benefit Plans--The Company provides post-retirement medical and life insurance coverage to certain of its employees.

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Net periodic post-retirement benefit cost reflects the following components:

Fiscal Year Ended September 30, 1997 1998 1999 (in millions) Service cost (with interest)..... $ -- $ 0.3 $ 0.2 Interest cost..... 0.1 0.3 0.4 Amortization of prior service cost..... (0.1) (0.1) (0.1) Net periodic post-retirement benefit cost..... $ -- $ 0.5 $ 0.5 The components of the accrued post-retirement benefit obligation, all of which are unfunded, are as follows:

September 30, 1998 1999 (in millions) Benefit obligation at beginning of year..... $ 4.5 $ 5.6 Service cost..... 0.3 0.2 Interest cost..... 0.3 0.4 Actuarial loss (gain)..... 0.6 (0.9) Expected net benefits paid..... (0.1) (0.2) Benefit obligation at end of year..... $ 5.6 $ 5.1 Funded status..... $(5.6) $(5.1) Unrecognized net loss (gain)..... 0.2 (0.7) Unrecognized prior service cost..... (1.0) (0.9) Accrued postretirement benefit cost..... $(6.4) $(6.7) For measurement purposes, in fiscal 1999, an 8.50% composite annual rate of increase in the per capita cost of covered health care benefits was assumed. The rate was assumed to decrease gradually to 4.75% by the year 2008 and remain at that level thereafter. The health care cost trend rate assumption may have a significant effect on the amounts reported. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

1-Percentage- 1-Percentage- Point Increase Point Decrease (in millions)

| | | |
|---|---|---|
| Effect on total of service and interest cost components..... | $0.1 | $(0.1) |
| Effect on postretirement benefit obligation..... | -- | -- |

The weighted average discount rate used in determining the accumulated post- retirement benefit obligation was 6.75% at September 30, 1998 and 7.75% at September 30, 1999.

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 11. Consolidated Geographic Data Net revenue, including work performed in international waters, is presented below based on the jurisdiction of incorporation of the Company's customers. For consortium projects, net revenue is attributed on the basis of the jurisdiction of incorporation of the lead customers.

Fiscal Year Ended September 30, 1997 1998 1999 (in millions)

| | | | |
|---|---|---|---|
| Net revenue: | | | |
| United States..... | $175.3 | $ 315.6 | $ 442.3 |
| Bermuda..... | 132.4 | 618.5 | 807.9 |
| Other Americas..... | 13.3 | 87.0 | 100.1 |
| Europe--Africa--Middle East..... | 26.7 | 131.9 | 145.5 |
| Asia--Pacific..... | 27.8 | 128.6 | 141.8 |
| | $375.5 | $1,281.6 | $1,637.6 |

Prior to fiscal 1999, substantially all of the assets of the Company were located in the United States. As of September 30, 1999, approximately $300.0 million of total long-lived assets were located in Spain.

12. Supplementary Balance Sheet Information Selected supplementary balance sheet information is presented below.

| | September 30, 1998 | 1999 | (Unaudited) December 31, 1999 |
|---|---|---|---|
| | (in millions) | | |
| Inventories: | | | |
| Purchased materials and manufactured parts | $ 55.8 | $ 66.9 | $ 70.1 |
| Work in process | 33.2 | 40.3 | 34.7 |
| Finished goods | 0.8 | 1.5 | 0.3 |
| | $ 89.8 | $ 108.7 | $ 105.1 |
| Property, Plant and Equipment: | | | |
| Land | $ 2.9 | $ 2.9 | $ 2.9 |
| Buildings | 35.7 | 40.3 | 40.6 |
| Machinery and equipment | 147.4 | 197.1 | 234.5 |
| Ships and submersibles | 194.4 | 326.5 | 318.8 |
| Leasehold improvements | -- | 7.5 | 8.2 |
| Betterments in process | 16.9 | 38.8 | 38.3 |
| Accumulated depreciation | (109.5) | (148.7) | (161.9) |
| | $ 287.8 | $ 464.4 | $ 481.4 |
| Accrued warranties and liquidated damages | $ 69.1 | $ 84.1 | $ 93.5 |
| Customer advances | $ -- | $ -- | $ 71.4 |

# *Tycom Ltd.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 13. Supplementary Income Statement Information In fiscal 1999, four projects comprised 60% of total net revenues of the Company. One project comprised 40% of total net revenues in fiscal 1998 and two projects comprised 44% of total net revenues in fiscal 1997. In addition, the Company's fiscal 1997 net revenues include $118.1 million of sales to AT&T Corp.'s submarine systems business prior to its acquisition in July 1997. The post-acquisition operations and financial results of this acquired business are included in the consolidated financial statements of TyCom.

14. Summarized Quarterly Financial Data (Unaudited) Summarized quarterly financial data is presented below.

Fiscal Year Ended September 30, 1998 1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr. (in millions)

| | | | | |
|---|---|---|---|---|
| Net revenue | $220.4 | $302.0 | $358.0 | $401.2 |
| Gross profit | 88.3 | 104.5 | 103.6 | 93.8 |
| Net income | 36.9 | 46.9 | 38.0 | 30.2 |

Fiscal Year Ended September 30, 1999 1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr. (in millions)

| | | | | |
|---|---|---|---|---|
| Net revenue | $335.8 | $363.5 | $431.6 | $506.7 |
| Gross profit | 111.7 | 115.8 | 124.1 | 106.3 |
| Net income | 40.7 | 38.8 | 44.2 | 39.3 |

15. Valuation and Qualifying Accounts

| Balance at Beginning of Year | Additions Charged to Income | Acquisitions, Disposals, and Other | Deductions | Balance at End of Year |
|---|---|---|---|---|
| | | (in millions) | | |

Allowances for Doubtful Accounts: Fiscal Year Ended September 30, 1997... $ -- $ -- $ 9.6 $ -- $ 9.6 Fiscal Year Ended September 30, 1998... 9.6 5.2 13.0 -- 27.8 Fiscal Year Ended September 30, 1999... 27.8 -- 0.5 (8.5) 19.8

# *Report of Independent Accountants*

To the Board of Directors and Shareholder of TyCom Ltd.

In our opinion, the accompanying consolidated statements of operations and cash flows of AT&T Submarine Systems, Inc. present fairly, in all material respects, the results of its operations and its cash flows for the six months ended June 30, 1997, in conformity with accounting principles generally accepted in the United States. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As discussed in Note 1, the Company is an integrated business unit of AT&T. Certain costs and expenses presented in the financial statements represent allocations and management's estimates of the costs of services provided to the Company by AT&T. As a result, the financial statements presented may not be indicative of the results of operations that would have been achieved had the Company operated as a nonaffiliated entity.

PricewaterhouseCoopers LLP Boston, Massachusetts March 3, 2000 AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

CONSOLIDATED STATEMENT OF OPERATIONS for the six months ended June 30, 1997 (in thousands) Net revenue..... $485,546

```
Cost of revenue.....  396,480
Operating expenses.....   66,920
Operating income.....   22,146
Minority interest.....   (7,053)
Income before income taxes.....   15,093
Provision for income taxes.....   (5,810)
Net income..... $  9,283
```

The accompanying notes are an integral part of these consolidated financial statements.

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended June 30, 1997 (in thousands)

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net income | $ 9,283 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 16,792 |
| Minority interest expense | 7,053 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (162,891) |
| Costs and estimated earnings on contracts | 170,971 |
| Inventory | (30,245) |
| Other current assets | (610) |
| Accounts payable and accrued expenses | 14,368 |
| Deferred revenues | (3,190) |
| Warranty liability | 474 |
| Net cash provided by operating activities | 22,005 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Additions to property, plant and equipment | (6,725) |
| Long-term receivables | (741) |
| Net cash used in investing activities | (7,466) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Distributions to minority interest | (14,539) |
| Net cash used in financing activities | (14,539) |
| Net increase in cash | -- |
| Cash, beginning of period | -- |
| Cash, end of period | $ -- |

The accompanying notes are an integral part of these consolidated financial statements.

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (in thousands) 1. Description of Business and Basis of Presentation:

Description of Business AT&T Submarine Systems, Inc. ("SSI") is a business unit of AT&T Corp. ("AT&T") (See Note 10). SSI designs, develops, constructs, installs and maintains undersea telecommunication cable systems which provide voice, data, video and networking communications between certain countries globally. These consolidated financial statements describe the entity that existed at the time it was owned by AT&T.

SSI conducts its business with a fleet of seven vessels and supporting submersibles. One vessel is owned, one is leased by SSI and the other five vessels are owned by partnerships (the "Partnerships") in which SSI is the general partner. SSI charters such vessels from the Partnerships and exclusively operates them in the conduct of its business. SSI monitors and allocates the utilization of the fleet between construction and maintenance activities.

As an integrated business unit of AT&T, SSI relies on AT&T and other AT&T affiliates to provide administration, management and other services including, but not limited to, management information systems, telecommunications, accounting and financial reporting, treasury, cash management, human resources, employee benefit administration, payroll, legal, tax planning and compliance and other support. SSI is allocated costs from AT&T and AT&T affiliates for these services (see Note 2); however, these costs may not be indicative of those that would have been incurred had SSI operated autonomously or as an entity independent of AT&T.

Basis of Presentation The consolidated financial statements of SSI include the accounts of Submarine Systems Inc., Transoceanic Cable Ship Company and Coastal Cable Ship Company, wholly owned subsidiaries of AT&T. SSI consolidates the Partnerships and all material inter-entity transactions and account balances have been eliminated.

As an integrated business unit of AT&T, SSI does not prepare separate financial statements in accordance with generally accepted accounting principles in the normal course of operations. Accordingly, the accompanying financial statements have been prepared from the historical financial records of AT&T. The accompanying financial statements reflect the revenues and expenses directly attributable to SSI, as well as allocations, deemed reasonable by management, to present the results of operations and cash flows of SSI on a stand alone basis. The actual costs that would have been incurred if such services were performed by independent third parties may differ from such allocations. The results of operations and cash flows of SSI may differ from those that may have been achieved had SSI operated autonomously or as an entity independent from AT&T. The allocation methodologies have been described within the respective footnotes, where appropriate and management considers the allocations to be reasonable.

Earnings per share disclosure has not been presented as SSI is a wholly owned subsidiary of AT&T and earnings per share data is not considered meaningful.

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 2. Significant Accounting Policies:

Revenue Recognition

Contract sales for the installation of undersea cable systems are recorded on the percentage-of-completion method, whereby sales and profits are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs to complete. Contracts in process, included in current assets, are valued at cost plus accrued profits not yet billed. Billings on uncompleted contracts in excess of incurred costs and accrued profits are included in current liabilities. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. Bid and proposal costs are expensed as incurred.

Revenue from the sale of maintenance and services is recognized over the period the service is provided. Billings to customers before the relevant criteria for revenue recognition are satisfied are included in deferred revenue.

Property, Plant and Equipment SSI's investment in property, plant and equipment is stated at historical cost. Depreciation has been calculated on the straight line method using estimated useful lives ranging from 5 to 40 years. Depreciation expense amounted to approximately $16.8 million for the six months ended June 30, 1997. Upon sale or other dispositions of property, plant and equipment, the cost and related accumulated depreciation are removed from SSI's accounts and any gain or loss is recorded in the results of operations.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Warranty Costs

Estimated warranty costs for each contract are determined based on the contract terms and technology specific issues. These costs are included in total estimated contract costs accrued over the life of the respective contract.

Research and Development Research and development costs are expensed as incurred. Research and development expenses included in operating expenses amounted to approximately $18.3 million for the six months ended June 30, 1997.

Operating Expenses

Operating expenses include expenses directly attributable to SSI's operations as well as an allocation of certain AT&T operating expenses. The allocated costs have been assigned to SSI based on the ratio of SSI's total costs to AT&T's total costs and represent management's best estimate of the costs which should be allocated to SSI. For the six months ended June 30, 1997, operating expenses amounting to approximately $10.5 million were allocated to SSI from AT&T.

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Income Taxes SSI is not a separate taxable entity for federal and state income tax purposes and the results of SSI's operations are included in the federal and state tax returns of AT&T and its affiliates. SSI has provided for income taxes as if it were a separate taxpayer.

Deferred income taxes have been accounted for under the liability method, whereby deferred tax assets and liabilities are established for the differences between the financial reporting and income tax basis of assets and liabilities, as well as net operating losses and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Derivative Financial Instruments SSI uses derivative financial instruments for purposes other than trading. Derivatives are not used for speculative purposes. Forward exchange contracts, used as part of SSI's risk management strategy, must be designated at inception as a hedge and measured for effectiveness both at inception and on an ongoing basis. Cash flows from the hedging transactions are classified in the same category as the item being hedged.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. These estimates include, but are not limited to, assumptions and estimates relating to the allowance for doubtful accounts, the estimated future total costs on contracts accounted for under the percentage of completion method, inventory valuation and the estimated useful life of property, plant and equipment. Actual results could differ from those estimates.

3. Employee Benefit Plans SSI participates in various employee benefit plans, including pensions, savings, post-retirement and post-employment plans, which are sponsored by AT&T. Costs of these plans have been allocated to SSI as described in Note 2. AT&T does not maintain plan data, including funding, on a business unit basis and accordingly, such information is not available for SSI on a stand alone basis.

4. Income Taxes

SSI has provided for income taxes as if it were a separate taxpayer, using a 38.5% effective rate. This statutory rate is deemed to be a current provision. Deferred income taxes are not meaningful, because the tax basis of all of the assets of this business were adjusted to fair value in connection with the sale of SSI on July 1, 1997. (Note 10).

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued) For the six months ended June 30, 1997, the provision for income taxes consists of the following:

Current: Federal..... $5,282 State and local..... 528 Total provision for income taxes..... $5,810 5. Financial Instruments In the normal course of business, SSI uses various financial instruments, including derivative financial instruments, for purposes other than trading. SSI does not utilize financial instruments for speculative purposes. These instruments include letters of credit and foreign exchange contracts. Collateral is generally not required for these types of instruments. By their nature all such instruments involve risk, including the credit risk of nonperformance by counterparties, and the maximum potential loss may exceed the amount recognized in the consolidated financial statements. As of June 30, 1997, it is management's opinion there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments.

Letters of credit are posted by SSI in accordance with the performance provisions of its contracts. As of June 30, 1997, SSI's total available letters of credit amounted to approximately $161.9 million, of which none have been drawn upon.

6. Related Party Transactions AT&T has an ownership interest in a number of cable systems being constructed by SSI and is also a member of a number of consortiums for which SSI provides maintenance. For the six months ended June 30, 1997, SSI has billed approximately $28.2 million and $26.6 million for maintenance and construction services, respectively, to AT&T and its affiliates.

7. Commitments and Contingencies SSI leases land, buildings and equipment through operating leases that expire in years through 2021. For the six months ended June 30, 1997, rental expense under these contracts amounted to approximately $4.8 million. The following table details SSI's future minimum lease payments due under noncancelable operating leases:

| | |
|---|---|
| Remainder of 1997 | $ 5,469 |
| 1998 | 10,622 |
| 1999 | 1,103 |
| 2000 | 182 |
| 2001 | 118 |
| 2002 | 118 |
| Thereafter | 2,232 |
| | $19,844 |

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued) During 1996, SSI entered into three vendor agreements under which SSI is obligated to purchase product amounting to approximately $142 million through 1999. In addition, during 1997, SSI entered into an agreement with Lucent Technologies ("Lucent") pursuant to which SSI will purchase products amounting to approximately $300 million through the end of 1998.

In the ordinary course of business, SSI enters into construction contracts providing for assessment of damages for nonperformance or delays in completion. Claims may be brought against SSI by customers alleging such deficiencies. Based upon management's evaluation of the status, completion requirements and the provisions of SSI's contracts, management believes that all contracts will be completed and operational in accordance with the terms and conditions of its contracts. However, SSI may have exposure up to $36 million for liquidated damages associated with late delivery of the FLAG system. No accrual for any damages or penalties has been recorded in SSI's financial statements.

AT&T has an agreement with the State of New Jersey--Department of Environmental Protection for its Clark, New Jersey shop facility to remediate on-site and off-site historical soil and groundwater contamination. In this regard, a $2.5 million liability has been recorded as of June 30, 1997, for the estimated costs to remediate the soil. This estimated liability is based on bids submitted by environmental consultants and has not been discounted. Completion of this remediation effort is expected to take up to five years. Any costs or liability arising in connection with this remediation effort has been assumed by AT&T.

SSI performed drilling services for AT&T between St. Thomas and St. Croix, U.S. Virgin Islands. A cease and desist order was issued from the U.S. Army Corps of Engineers and the Virgin Island Coastal Zone Management and Department of Planning Natural Resources (collectively referred to as "Government Agencies") due to the release of drilling mud. Any liability arising out of the government agencies' cease and desist order has been retained by AT&T.

SSI is subject to litigation, claims and assessments. Based on its knowledge of the facts and circumstances relating to litigation, claims and assessments, management does not believe that the ultimate resolution of such litigation, claims and assessments will result in charges against net assets or operations materially in excess of amounts provided for as of June 30, 1997.

8. Employee Stock Plan Participation SSI participates in AT&T's 1987 Long-Term Incentive Program. Certain employees of SSI have stock options and performance shares under this plan. The exercise price of any stock option is equal to or greater than the stock price when the option is granted. Generally, the options vest over three years and are exercisable up to ten years from the date of grant. Performance share units are awarded to key employees in the form of either common stock or cash at the end of a three year period based on AT&T's return-to-equity performance compared with a target.

SSI applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its plan. Accordingly, no compensation expense has been recognized for stock based compensation plans other than for its performance based awards. Compensation expense charged against income was not material to SSI's consolidated results of operations, cash flows or net assets.

AT&T SUBMARINE SYSTEMS, INC. (a business unit of AT&T Corp.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued) SSI has adopted the disclosure-only provisions of SFAS No. 123 "Accounting for Stock-Based Compensation." The pro-forma impact of recognizing compensation expense in accordance with SFAS No. 123 was immaterial to SSI.

9. Parent Company Transactions To reflect SSI's financing costs on a stand alone basis, AT&T's net investment has been allocated between permanent capital and interest bearing intercompany advances. Such intercompany advances were calculated based upon historical capital investments, working capital levels and operations. The interest expense included in these financial statements has been calculated by applying a weighted average of AT&T's long-term and short-term borrowing rates to the intercompany advance as of the end of the period.

For the six months ended June 30, 1997, the accompanying statement of operations reflects interest costs amounting to approximately $9.5 million.

10. Sale of SSI

On July 1, 1997, AT&T completed the sale of SSI to Tyco International Ltd. ("Tyco") for approximately $850.0 million in cash. The sale agreement provides that AT&T will not directly or indirectly, engage in, invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, or lend AT&T's name to any business or other entity engaged in System Installation (as defined in the agreement) for seven years or System Maintenance (as defined in the agreement) for five years in any part of the world; provided however, that AT&T shall be allowed to purchase up to a 10% interest in any such business or entity engaged in such activities. In addition, should AT&T purchase an entity, which in part provides System Installation or System Maintenance, AT&T must dispose of that part of the entity engaged in such services within 18 months of the purchase of the entity, and that AT&T shall provide Tyco with a right of first offer to purchase the part of the entity.

Concurrent with the sale of SSI, AT&T acquired from Lucent certain rights to intellectual property used by SSI which will allow AT&T access to such intellectual property during and subsequent to the period described in the noncompete provisions within the agreement.

Shares

TyCom Ltd.

# *[Logo]*

# *Prospectus*

, 2000

Goldman, Sachs & Co. Salomon Smith Barney Merrill Lynch & Co.

# *Part Ii*

# *Information Not Required in Prospectus*

Item 13. Other Expenses of Issuance and Distribution.

Amount To Be Paid

| | |
|---|---|
| SEC Registration fee | $264,000 |
| NASD filing fee | 30,500 |
| New York Stock Exchange fees | * |
| Bermuda Stock Exchange fees | * |
| Transfer agent's fees | * |
| Printing and engraving expenses | * |
| Legal fees and expenses | * |
| Accounting fees and expenses | * |
| Blue Sky fees and expenses | * |
| Miscellaneous | * |
| Total | $ * |

Each of the amounts set forth above, other than the Registration fee and the NASD filing fee, is an estimate. * To be filed by amendment Item 14. Indemnification of Directors and Officers.

Sections 133 and 134 of the bye-laws of TyCom Ltd. (the "Registrant") provide, in part, that the Registrant shall indemnify its directors and officers for all costs, losses and expenses which they may incur in the performance of their duties as director or officer, provided that such indemnification is not otherwise prohibited under the Companies Act 1981 (as amended) of Bermuda. Section 98 of the Companies Act 1981 (as amended) of Bermuda prohibits such indemnification against any liability arising out of the fraud or dishonesty of the director or officer. However, such section permits the

Registrant to indemnify a director or officer against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favor or in which he is acquitted or when other similar relief is granted to him.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act, and (b) to the Registrant with respect to payments which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The proposed forms of Underwriting Agreement filed as Exhibit 1 to this Registration Statement provide for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

Since three years before the date of the initial filing of this Registration Statement, the Registrant has sold the following securities without registration under the Securities Act of 1933:

None.

Item 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed as part of this Registration Statement:

Exhibit Number Description

| | |
|---|---|
| 1 | Form of Underwriting Agreement* |
| 3.1 | Memorandum of Association* |
| 3.2 | Bye-Laws* |
| 4.1 | Form of Common Share Certificate* |
| 5 | Opinion of Appleby Spurling & Kempe* |
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| 23.2 | Consent of PricewaterhouseCoopers LLP |
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| 23.4 | Consent of Ovum Ltd. |
| 24.1 | Power of Attorney (included on signature page) |
| 27.1 | Financial Data Schedule |

* To be filed by amendment (b) Financial Statement Schedules:

Financial statement schedules have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Item 17. Undertakings The undersigned hereby undertakes:

(a) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this Registration Statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

# *Signatures*

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 10th day of March, 2000.

TyCom Ltd.

/s/ Byron S. Kalogerou By: _____ Name: Byron S. Kalogerou Title: Vice President and General Counsel KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Byron S. Kalogerou, his or her true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform

each and every act in person, hereby ratifying and confirming all that said attorney-in-fact and agent or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, and The Companies Act of 1981 of Bermuda, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature Title Date

/s/ L. Dennis Kozlowski Executive Chairman and March 10, 2000 _____ Director L. Dennis Kozlowski /s/ Neil R. Garvey Principal Executive March 10, 2000 _____ Officer and Director Neil R. Garvey /s/ David W. Van Rossum Principal Financial and March 10, 2000 _____ Accounting Officer David W. Van Rossum /s/ Mark H. Swartz Vice President and March 10, 2000 _____ Director Mark H. Swartz /s/ Donald J. Puglisi Authorized Representative March 10, 2000 _____ in the United States Puglisi & Associates By: Donald J. Puglisi

# *Exhibit Index*

Exhibit Number Description

| | |
|---|---|
| 1 | Form of Underwriting Agreement* |
| 3.1 | Memorandum of Association* |
| 3.2 | Bye-Laws* |
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