



COVIDIEN

Covidien 2013 Investor Day

Cole Lannum | Vice President – Investor Relations

Can Covidien continue to excel
in today's uncertain environment?

Today's Agenda



Covidien Strategic Overview

Joe Almeida

Emerging Markets Update

Brian King

Q&A

Senior Management

Break

Financial Overview

Chuck Dockendorff

Q&A

Joe Almeida, Chuck Dockendorff

Reception



Questions



Submit your questions to:
2013cov@gmail.com (email) or
#CovidienIR (Twitter)



Forward-Looking Statements

This presentation contains certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan” and similar expressions are generally intended to identify forward-looking statements.

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- The reimbursement practices of a small number of large public and private insurers
- Cost-containment efforts of customers, purchasing groups, third-party payors and governmental organizations
- Intellectual property rights disputes
- Complex and costly regulation, including healthcare fraud and abuse regulations, and the Foreign Corrupt Practices Act
- Manufacturing or supply chain problems or disruptions

Forward-Looking Statements (continued)

- Recalls or safety alerts and negative publicity relating to Covidien or its products
- Product liability losses and other litigation liability
- Prices for oil, gas and other commodities
- Divestitures of some of our businesses or product lines
- Our ability to execute strategic acquisitions of, investments in or alliances with other companies and businesses
- Competition
- Risks associated with doing business outside of the United States
- Foreign currency exchange rates
- Environmental remediation costs

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Joe Almeida | Chairman, President and CEO

Integrity, Honesty, Safety and Quality

E We will conduct business with integrity and honesty in compliance with all laws and Company policy.

We are committed to produce products that are safe and of the highest quality for our customers.

Key Messages



Growth above market



Drive operational leverage



Allocate capital consistent with strategy



Today's Agenda



Changing healthcare marketplace



Evolving strategy



Concluding thoughts





Changing Healthcare Marketplace



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Developed Market Dynamics

Tailwinds	Headwinds
Aging patients	Price pressures
Patient choice and advocacy	Economics / austerity in Europe
Rising number of insured	Changing landscape; consolidation
Minimally invasive techniques	Regulations; market slowing

Emerging Market Dynamics

Tailwinds	Headwinds
Middle class growth; access	National incentives and access
Private plans and clinics	Education on standards of care
Double-digit BRIC spend increase	Reimbursement, pricing, regulatory
Increased investment spending	Local, multinational competitors

Covidien's portfolio is well positioned

- Hold #1 or #2 position in all product lines
- High level of intellectual property/technology
- Product lines tend to compete on patient benefits rather than price
- Low level of electivity in procedures
- Low percentage of capital equipment sales
- Few competitors in most product lines
- Product expense is a low percentage of overall procedure cost



Evolving Strategy



Evolving Strategy

**Broaden
Innovation Focus**

**Execute on
Customer-Focused
Portfolio
Investment**

**Capitalize on
Emerging
Markets**

**Drive
Operational
Leverage**

Broaden Innovation Focus

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



Customer-focused commercial model



New value-added offerings



Product innovation



Customer-focused Model

What we are doing

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



Deliver “One Covidien” approach



Improve sales coordination



Align resources and value-added services



Drive collaboration across the company



Customer-focused Model

Results

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



Above market revenue growth



Double-digit improvement in sales representative efficiency



SG&A savings



New value-added offerings

Innovation
Focus

Customer-
Focused
Portfolio
Investment

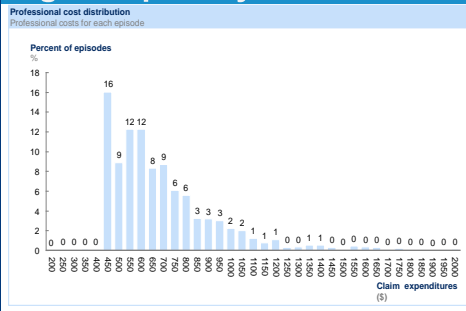
Emerging
Markets

Operational
Leverage

Project CARES - Covidien Analytics to Reduce Episode Spend

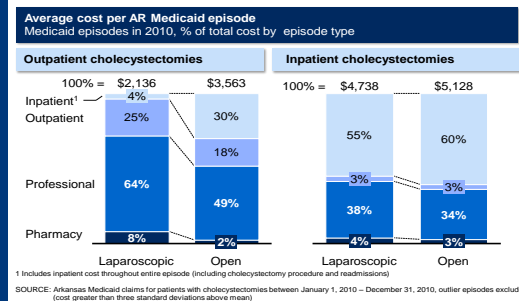
Benchmarking

Episode benchmarking against peer systems



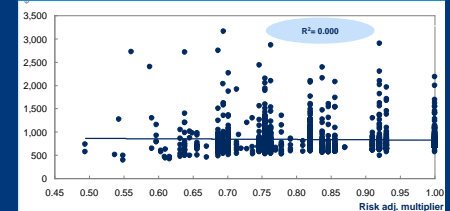
Cost Drivers

Cost breakdown (e.g., inpatient, outpatient, professional, Rx)

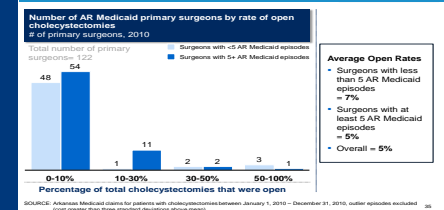


Mitigation Plan

Practice variation: Inpatient length of stay



Practice variation: Inpatient vs. outpatient



New value-added offerings

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

Project ADOPT – Assuring and Defining Outcomes through Procedural Training

- Addresses roadblocks to MIS
- Uses proctor to ensure safe adoption and market expansion
- Enhances procedure training
- Expands MIS adoption and patient access

Project ADOPT Pilot Phase

Assuring and Defining Outcomes through Procedural Training

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

Regional Scope



- United States
- Canada
- Japan
- United Kingdom
- Mexico
- Malaysia

Procedural Scope



- Inguinal Hernia
- Colon Disease
- Morbid Obesity
- Lung Disease

Study Design



- Varied clinical immersion and proctorship
- 30 day training effectiveness safety data

Progress to Date



- All pilots launched

Product Innovation

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

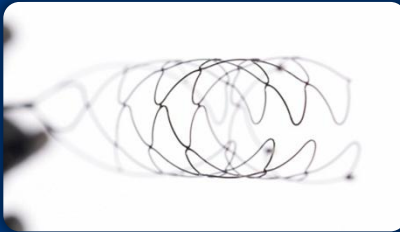
Operational
Leverage

Lower Cost of
Care & Better
Outcomes

Lower Cost
of Goods

Lower
Development
Costs

East to West



2013 Product Launches*

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

Endomechanical

- AS Meniscal Repair Device
- AccuMesh™ Positioning System
- Versaport™ Bladeless Optical 12mm Trocar
- SurgiSleeve™

Supplies

- Kangaroo™ Enteral Feeding Tube and Camera
- Kendall™ Luer Access Disinfectant Cap
- Kendall™ Prefill Syringe with Removable Luer Access Disinfectant Cap
- Kendall™ Neutral Displacement Needleless Connector

Vascular

- Enhanced Wholey Wire System
- OneShot™
- Everflex™ Stent with Entrust Delivery System
- RapidCross™ Balloon
- Solitaire™ 2

* Selected 2013 product launches

2013 Product Launches* (Cont.)

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

Soft Tissue Repair

- ProGrip™ Laparoscopic Self-Fixating Mesh
- Parietex™ Composite Ventral Patch
- AbsorbaTack™ 30x Fixation Device

Oximetry & Monitoring

- RMS-OEM Micropod Module
- Nellcor™ Bedside Respiratory Patient Monitoring System
- Nellcor™ Multi-Functional Respiratory Printed Circuit Board Assembly

Airway & Ventilation

- Shiley™ Neonatal and Pediatric Tracheostomy Tubes

Energy

- Barrx™ Channel RFA Endoscopic Catheter
- LigaSure Impact™
- LigaSure™ Blunt Tip

Sales in excess of \$150 MM for products launched in FY 2013

* Selected 2013 product launches

Product Innovation

Endomechanical, Soft Tissue Repair and Energy

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



3 Soft tissue
repair products

6 Endomechanical
products

4 Soft tissue
repair product

6 Endomechanical
products

4 Endomechanical
products

2014

2015

2016

6 Energy
products

2 Energy
products

Product Innovation

Vascular

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



10 Peripheral Vascular
products



2014



5
Neurovascular
products

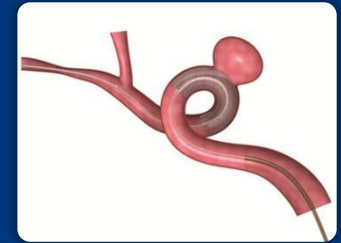
6 Peripheral Vascular
products



2015



4
Neurovascular
products



7 Peripheral Vascular
products



2016



3
Neurovascular
products

Product Innovation

Oximetry & Monitoring, Airway & Ventilation

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



6 Oximetry & Monitoring
products

2014

2 Airway &
ventilation products

7 Oximetry & Monitoring
products

2015

4 Airway &
ventilation products



1 Oximetry & Monitoring
product

2016

Product Innovation

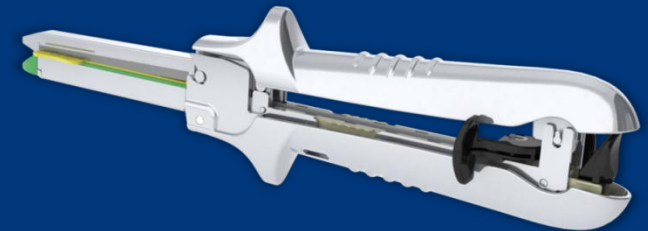
Emerging Markets

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



3 Energy
products

1 Endomechanical
product

1 Endomechanical
product

2 Energy
products

1 Endomechanical
product

2014

2015

2016

1 Oximetry &
monitoring product

1 Airway &
ventilation product

2 Vascular
products

Strategic Investment Opportunities

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

Potential Market >\$1 Billion each

Barrett's esophagus

Interventional lung

Advanced MIS

Neurovascular

Peripheral vascular



Portfolio Investment Opportunities

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



Owning attractive global specialties / procedures



Majority of our portfolio already broadly aligns to specific specialties and procedures



Develop, acquire or license portfolio gaps in our offerings



Acquisition Strategy

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage



Acquisitions are always opportunistic



Expand into adjacencies to fill portfolio gaps



Investigate technology additions and white spaces



Larger deals not off the table, but would have to be a growth platform that delivers acceptable strategic and financial returns



Emerging Markets

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

\$6 billion+ market growing consistently above 10%

Covidien continues to grow above market

Accelerated investment will provide opportunity to win

Operational Leverage

SG&A



Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

 Streamline processes and shift to a lower-cost operating model 

 Reduce overall SG&A spend to support transformation of business 

 Revamp go-to-market model to better address customer needs 

Operational Leverage



Manufacturing

Innovation
Focus

Customer-
Focused
Portfolio
Investment

Emerging
Markets

Operational
Leverage

 Optimize global supply chain and utilize manufacturing partners 

 Focus on technology and productivity 

 Local manufacturing for competitive advantage 

Concluding Thoughts



Growth above market



Drive operational leverage



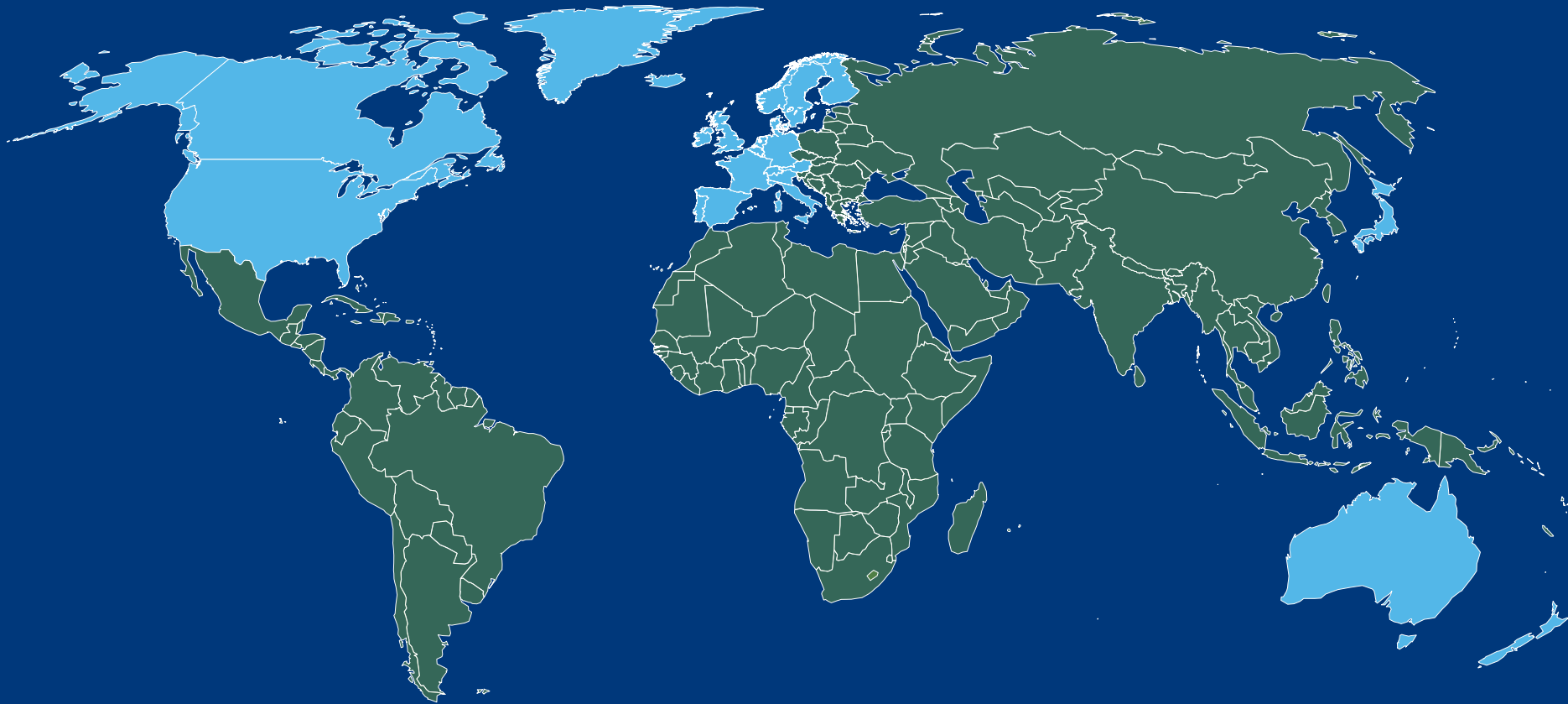
Allocate capital consistent with strategy



Led by a proven management team



Emerging Markets Update





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Brian King | President, Emerging Markets

Today's Agenda



Our philosophy



Strong growth and great potential of Emerging Markets



Covidien's position today



Covidien's commitment to future growth



What makes Covidien different?



Our philosophy



Empowering strong local leaders to make timely and informed decisions



Emphasis on speed and growth



Focus on key partnerships with governments and medical professionals



Deliver relevant innovation to markets



Continued commitment to ethical business practices



Covidien Emerging Markets

150
countries

6B
people

67
languages*

Per capita
income
less than
\$11k

50%
patient
out-of-pocket
spend

6%
healthcare
percent of
GDP

\$1.6T
Healthcare
spend

\$3.7T
by
decade's
end

**Latin
America
\$400+MM**

**EMEA
Emerging
Markets
\$400+MM**

**Asia
Emerging
Markets
\$600+MM**

* Spoken by at least 10M people
2013 estimated net sales by region
See Appendix for data sources

Recent Performance



Beating market growth rates in key markets




25% growth projected for BRIC markets



BRIC represents about 40% of Covidien emerging markets sales



Covidien non-BRIC markets projected to grow 10% this year



In last three years, added over 1,700 employees, mostly in sales and R&D



Excellent record of retaining talent

Dramatic Expansion of Infrastructure



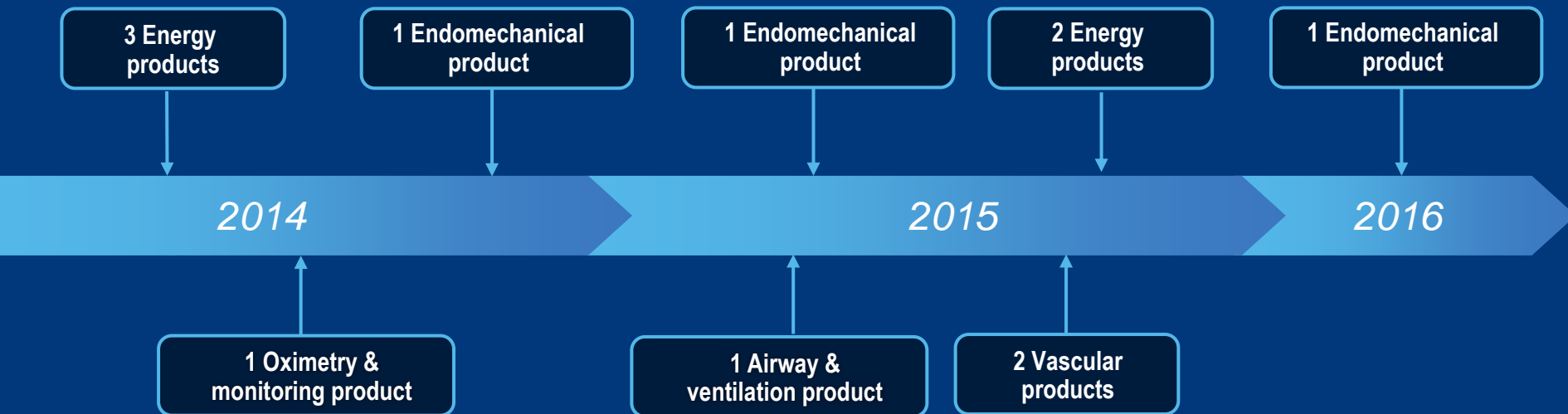
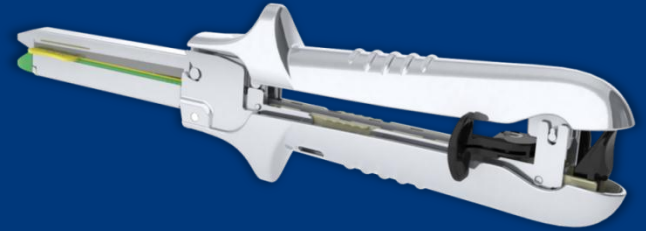
CCI = Covidien Center of Innovation
CTC = Covidien Technology Center
CIEC = Covidien India Engineering Center

Innovation for Local Markets



- Two new R&D facilities: Hyderabad, India and Shanghai, China
- One new training center: Osong, Korea

Product Pipeline Tailored to Markets



Lower cost, better performance; reduced product development time 30 – 40%; 12 tailored products in development

Commitment to Expand Access

- Mobile training brought to remote regions
- Market-specific clinical data developed to secure reimbursement of advanced procedures



Focus on Key Partnerships



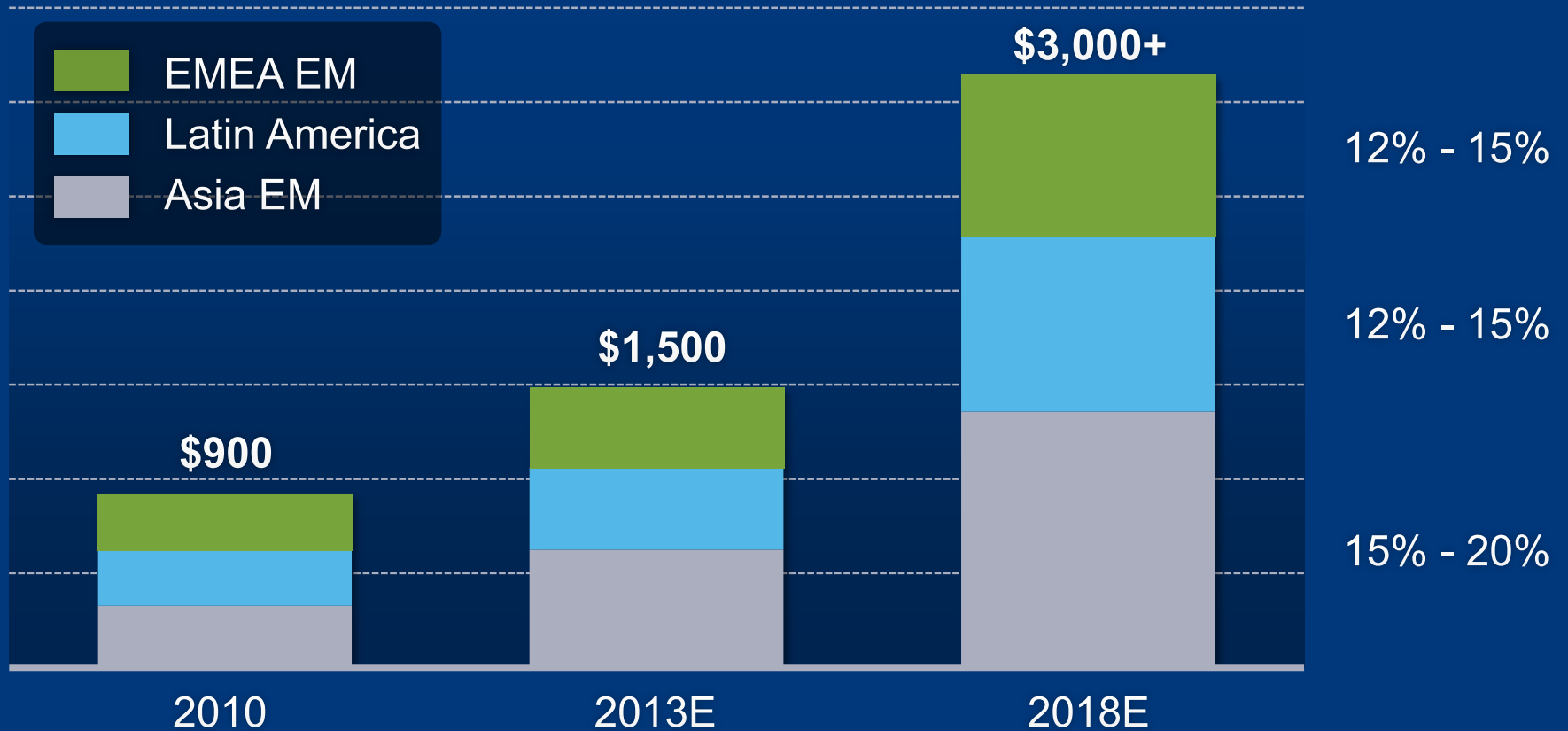
- Customized training courses for professional societies
- Educational tours for government officials



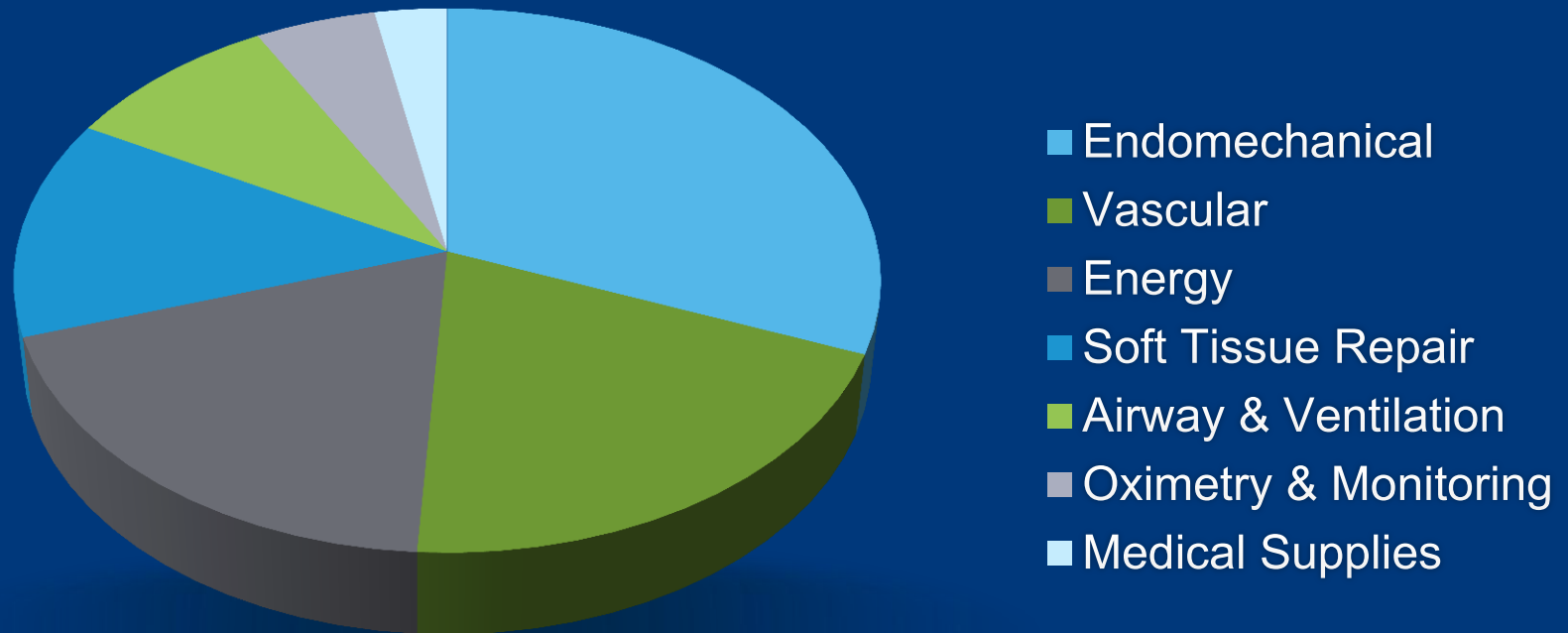
All Regions Contributing to Expected Sales Growth

\$ Millions

2010 – 2018
Est. CAGR



Net Sales Growth 2013E – 2018E*



Emerging Markets margins are higher than Covidien average

** Pie chart represents percentage of total growth for 2013 - 2018*

Our Investment Strategy

A relatively low-risk, high return opportunity

Investment Strategy (Now – 2018)



Focusing investments on further expanding capabilities



- Centers of innovation – plan to open three more by end of 2014
- Clinical affairs, healthcare economics, regulatory affairs



Investigating expansion of local manufacturing



Entering new market segments



- Both organic and inorganic opportunities



Increasing penetration and expanding product offerings



What is the Covidien advantage?

-  Management philosophy: empowered local leaders focused on speed and growth 
-  Focus on partnerships with key stakeholders, such as governments and medical professionals 
-  Delivering relevant innovative products, tailored to our markets 
-  Continued commitment to ethical business practice 

Appendix: References

- Per capita income: Economist Intelligence Unit (EIU)
- Private healthcare spend: Frontier Strategy Group (FSG) and Business Monitor International (BMI)
- Healthcare spend total and as %GDP: World Bank
- Projected Healthcare spend by 2020 (decades end): BMI and COV projection

Definition:

- Total health expenditure is the sum of public and private health expenditure. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include provision of water and sanitation.
- Private health expenditure includes direct household (out-of-pocket) spending, private insurance, charitable donations, and direct service payments by private corporations.



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Q&A – Panel Discussion

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Bryan Hanson	<i>Endomechanical, Energy, Soft Tissue Repair</i>
Jim Clemmer	<i>Medical Supplies</i>
Stacy Enxing Seng	<i>Vascular</i>
Bob White	<i>Oximetry & Monitoring, Airway & Ventilation</i>
Brian King	<i>Emerging Markets</i>
Dr. Michael Tarnoff	<i>Corporate Chief Medical Officer</i>



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& Chief Financial Officer

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Long-term Financial Goals

Mid-single digit sales growth

Double-digit EPS growth

- Operating leverage
- Financial leverage

Leverage cash flow for long-term profitable growth

- Investments in R&D, acquisitions

Return cash to shareholders

Balance short-term growth and long-term investment

Long-term Financial Results

	2009 – 2013E
Net Sales CAGR	~7%
Adjusted EPS* CAGR	~12%
Cash returned to shareholders % of Free Cash Flow*	\$6+ Billion 73%
Completed 20+ acquisitions	\$5+ Billion

All measures exclude Pharmaceuticals except % of free cash flow

** Adjusted EPS and free cash flow are non-GAAP measures. See Appendix for reconciliation of GAAP to non-GAAP results.*

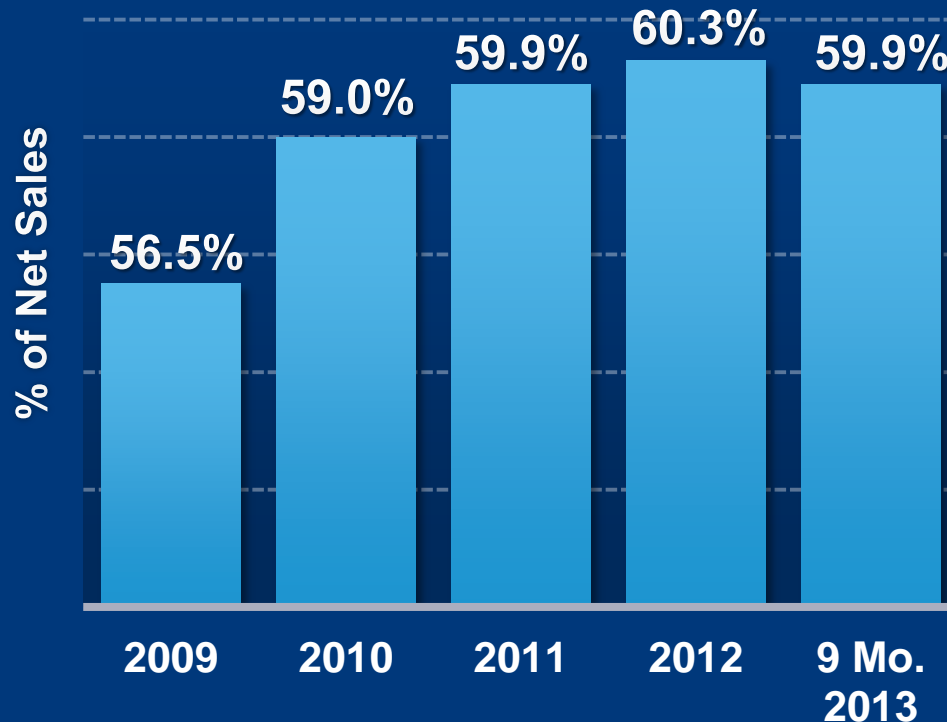
2013 Financial Results

Segment Net Sales Growth

	2009 – 2013E CAGR	9 Mo. 2013*
Medical Devices	~9%	5% / 7%
Medical Supplies	About flat	1% / 1%
Total	~7%	4% / 6%

* Reported / operational. Operational sales growth is a non-GAAP measure and is defined in the Appendix.

Adjusted Gross Margin*



2013 Gross Margin Drivers

- ↑ Volume / mix / price
- ↑ Manufacturing cost savings
- ↑ Restructuring savings
- ↓ Foreign exchange
- ↔ Acquisitions

Unfavorable FX restraining progress in 2013

Excludes Pharmaceuticals

* See Appendix for reconciliation of GAAP to non-GAAP results

Adjusted SG&A*



2013 SG&A Drivers

- ↓ Productivity initiatives
- ↓ Restructuring savings
 - Back office consolidations
 - Go-to-market efficiencies
- ↑ Emerging market investments
- ↑ Acquisitions
- ↑ Medical device tax

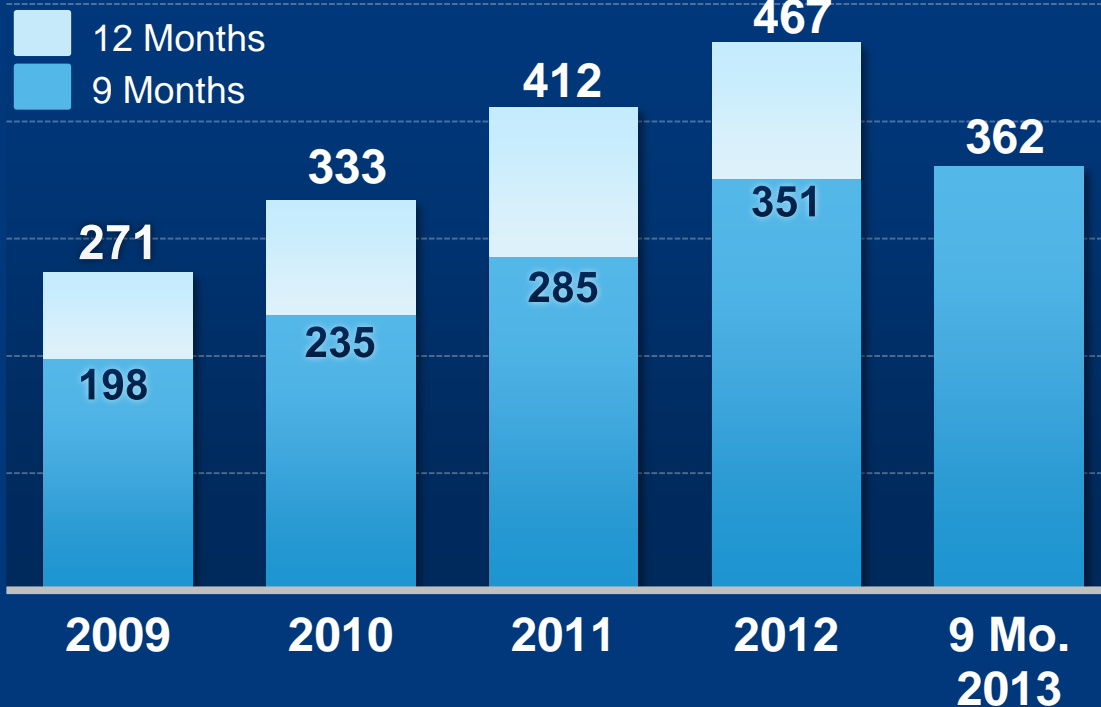
Opportunistic spending continuing

Excludes Pharmaceuticals

* See Appendix for reconciliation of GAAP to non-GAAP results

Adjusted Research & Development*

\$ Millions



*Focus now on
driving
productivity
and efficiency
in R&D*

R&D% of
Net Sales**

3.5%

3.9%

4.3%

4.7%

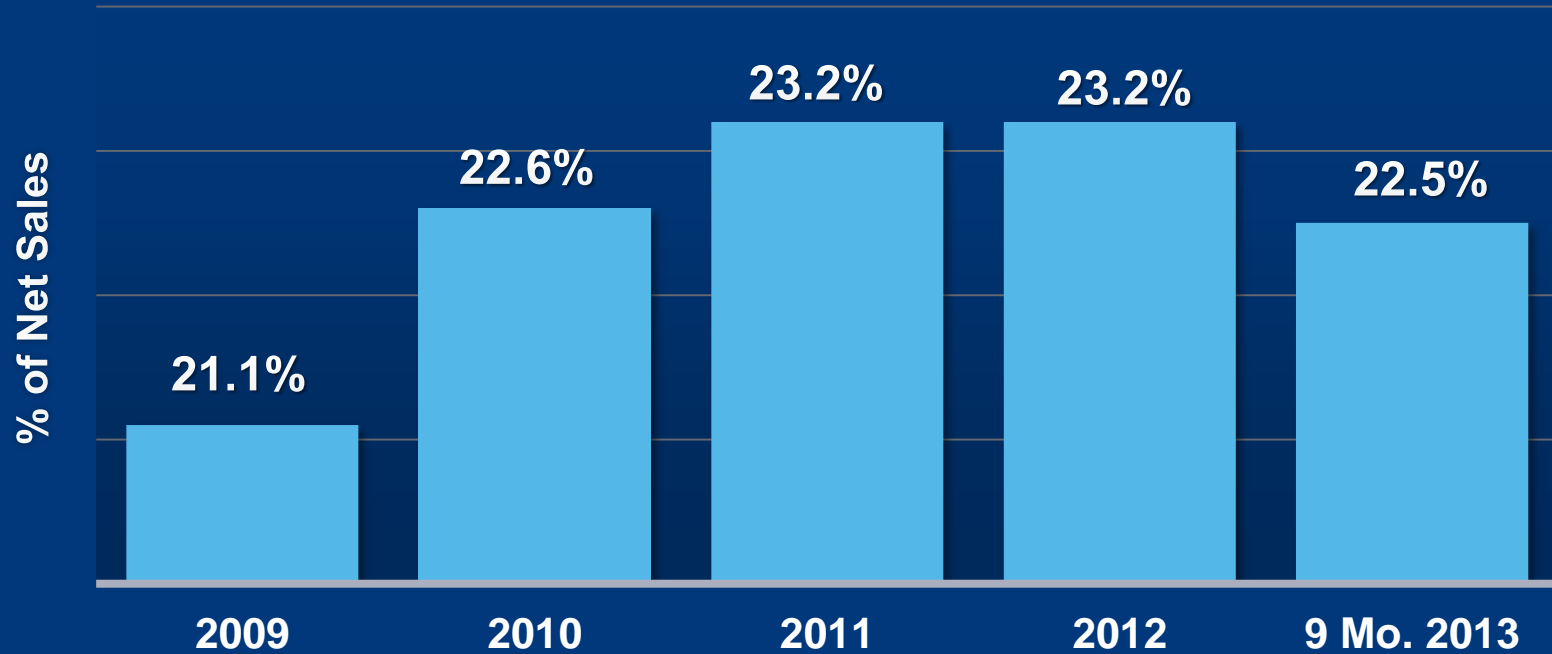
4.7%

Excludes Pharmaceuticals

** See Appendix for reconciliation of GAAP to non-GAAP results*

*** Percentages are annual except for 9 mo. 2013*

Adjusted Operating Margin*



2013 expected to be negatively impacted by 130bp due to device tax and FX

Excludes Pharmaceuticals

** See Appendix for reconciliation of GAAP to non-GAAP results*

Adjusted Income Tax Rate*



2013 Drivers



Planning strategies

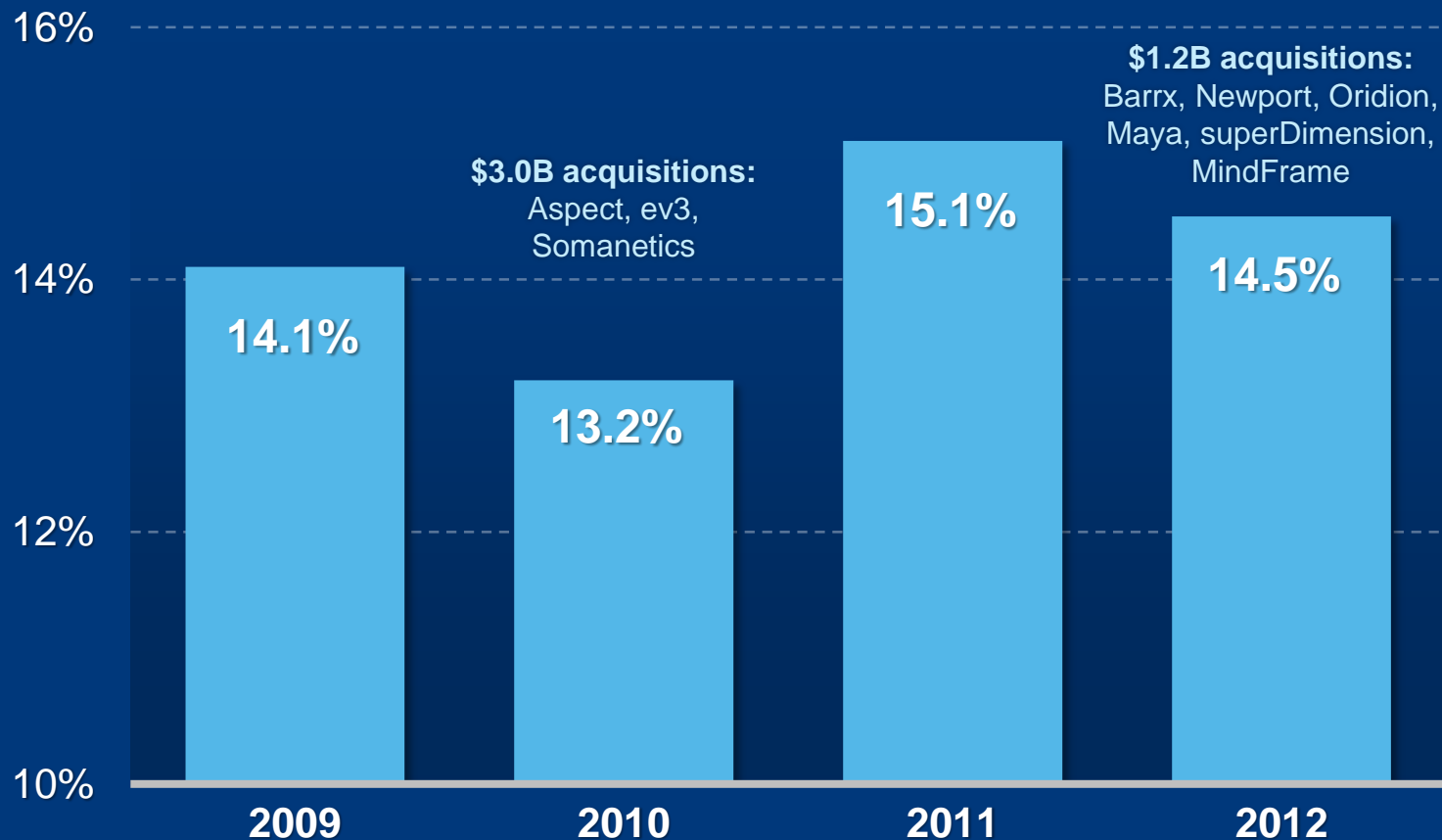


Geographic profit mix – upward pressure

Excludes Pharmaceuticals

** See Appendix for reconciliation of GAAP to non-GAAP results*

Return on Invested Capital (ROIC)*



Further improvement expected over time

Includes Pharmaceuticals, however management does not believe amounts excluding Pharmaceuticals would differ significantly, if at all

** ROIC is a non-GAAP measure. See Appendix for definition and reconciliation.*

Capital Strategy

E Remain committed to return a ***minimum*** of 50% of free cash flow ***annually*** to shareholders through dividends and share repurchases

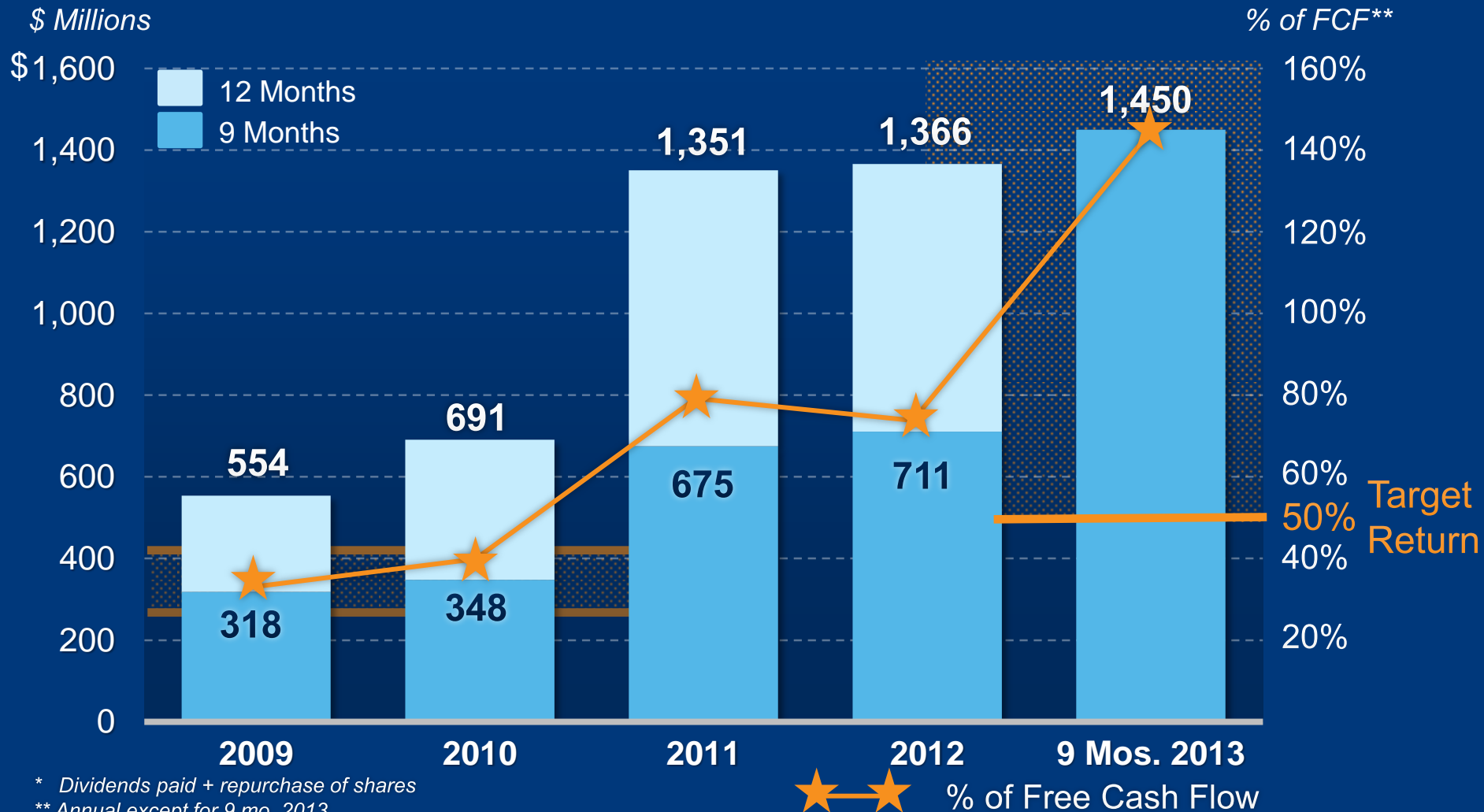
- Currently executing on \$3 billion stock buyback authorization
- Returned more than 125% of free cash flow in last 12 months

E Free cash flow will also be employed for strategic acquisitions and licensing agreements to:

- Drive expansion in developed markets
- Enter attractive adjacent markets

Employ balanced approach to drive long-term growth and shareholder value

Cash Returned to Shareholders*



* Dividends paid + repurchase of shares

** Annual except for 9 mo. 2013

FCF = free cash flow. FCF is a non-GAAP measure and includes Pharmaceuticals. See Appendix for definition and reconciliation.

Dividends

Annual Dividends Paid per Share



'09 – '13 CAGR: 13%

- Maintained dividend following Pharmaceuticals spin-off
- Discussing dividends with the Board soon

Committed to driving payout ratio* above 30% within 12 months; targeting 35%+ over time

* Payout ratio = dividends paid per share / adjusted earnings per share

Drive Operational Leverage

Drive Operational Leverage

Historical Restructuring Programs*

\$ millions	2007	2009	2011
Program	\$145	\$160	\$225
Actual/Expected savings	\$85 (A)	~\$165 (E)	~\$205 (E)
Status	Completed	~85% completed	~75% completed

Savings driven by a combination of SG&A reductions, plant consolidations and back office synergies

** Excludes Pharmaceuticals*

Drive Operational Leverage

Manufacturing

	Oct. 2007*	Today
Facilities	67	41
Headcount	28,600	21,600
Distribution Centers	57	42

** Includes Pharmaceuticals*

Drive Operational Leverage

\$350 - \$450 Million Restructuring Investment (FY13 – FY18)

SG&A initiatives

- Reduce corporate expense
- Expand shared services
- Move to lower-cost locations
- Outsource / offshore
- Address spans / layers
- Optimize go-to-market strategy

Continuation of successful past programs

Drive Operational Leverage

\$350 - \$450 Million Restructuring Investment (FY13 – FY18)

Manufacturing initiatives

- Reduce manufacturing locations
- Expand low cost country sourcing
- Move some in-house manufacturing to contract manufacturing
- Reduction and optimization of distribution centers

Continuation of successful past programs

Drive Operational Leverage

Future Opportunities

- Activities through 2018
- Leverage SG&A and improve gross margin
- Targeting pre-tax savings \$250 million - \$300 million annually once fully implemented
- Savings impact begins in FY14, accelerating in FY15

Expect operating leverage beginning in FY15 (excluding FX)

2014 Segment Sales Guidance

2014 Guidance*

Medical Devices

2% to 5%

Medical Supplies

About Flat

Total

2% to 5%

**Foreign
Exchange**
approximately
(150bp)
unfavorable

** Guidance ranges assume exchange rates remain at September 10, 2013 levels*

2014 Guidance

	2012	9 mo. 2013	2014 Guidance
Adjusted Operating Margin*	23.2%	22.5%	21.5% to 22.5%
Adjusted Tax Rate**	17.3%	16.5%	16.0% to 17.0%
Capital Expenditures (\$MM)	\$385	\$262	\$375 to \$425
Weighted Avg. Diluted Shares Outstanding (MM)	486	474	455 to 465

* Adjusted operating margin is a non-GAAP measure. See Appendix for reconciliation.

** All tax rates exclude the impact of one-time items and guidance assumes that the R&D tax credit is not reinstated for calendar 2014
Excludes Pharmaceuticals

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Appendix

2009 Financial Results

<i>\$ Millions</i>	2009 GAAP	Non-GAAP Adjustments	2009 As Adjusted
Net Sales	\$7,813		\$7,813
Gross Profit	4,411		4,411
<i>% of Sales</i>	56.5%		56.5%
Selling, Gen'l & Admin*	2,663	\$(168)	2,495
<i>% of Sales</i>	34.1%		31.9%
R&D expenses	271		271
<i>% of Sales</i>	3.5%		3.5%
In-process R&D	115	(115)	-
Restructuring charges	34	(34)	-
Shareholder settlements	<u>183</u>	<u>(183)</u>	<u>-</u>
Operating income	\$1,145	\$500	\$1,645
<i>% of Sales</i>	14.7%		21.1%

* \$168MM SG&A adjustment includes \$94MM legal charges, \$53MM environmental charges and \$21MM loss on divestiture.

2009 Financial Results

	2009 GAAP	Non-GAAP Adjustments	2009 As Adjusted
<i>\$ Millions, except per share amounts</i>			
Operating income	\$1,145	\$500	\$1,645
Net interest expense	(151)		(151)
Other income	<u>145</u>	<u>(126)</u>	<u>19</u>
Pre-tax income	1,139	374	1,513
<i>Tax Rate</i>	56.0%		22.4%
Income tax expense	<u>638</u>	<u>(299)</u>	<u>339</u>
Income*	\$ 501	\$673	\$1,174
Diluted earnings per share*	\$0.99	\$1.34	\$2.33

* From continuing operations

2010 Financial Results

<i>\$ Millions</i>	2010 GAAP	Non-GAAP Adjustments	2010 As Adjusted
Net Sales	\$ 8,438		\$ 8,438
Gross Profit*	4,945	\$33	4,978
<i>% of Sales</i>	58.6%		59.0%
Selling, Gen'l & Admin**	2,825	(89)	2,736
<i>% of Sales</i>	33.5%		32.4%
R&D expenses	333		333
<i>% of Sales</i>	3.9%		3.9%
Restructuring charges	<u>66</u>	<u>(66)</u>	<u>—</u>
Operating income	\$1,721	\$188	\$1,909
<i>% of Sales</i>	20.4%		22.6%

* \$33MM Gross profit adjustment relates to charge in cost of good sold for acquisition inventory that had been written up to fair value.

** \$89MM SG&A adjustment relates to \$33MM in legal charges, \$31MM of acquisition-related transaction costs and \$25MM loss on divestitures.

2010 Financial Results

<i>\$ Millions, except per share amounts</i>	2010		
	GAAP	Non-GAAP Adjustments	As Adjusted
Operating income	\$1,721	\$188	\$ 1,909
Net interest expense	(179)	13	(166)
Other income	<u>40</u>	<u>(21)</u>	<u>19</u>
Pre-tax income	1,582	180	1,762
<i>Tax Rate</i>	19.3%		19.9%
Income tax expense	<u>306</u>	<u>44</u>	<u>350</u>
Income*	\$1,276	\$136	\$1,412
Diluted earnings per share*	\$2.53	\$0.27	\$2.80

* From continuing operations

2011 Financial Results

<i>\$ Millions</i>	2011 GAAP	Non-GAAP Adjustments	2011 As Adjusted
Net Sales	\$ 9,607		\$ 9,607
Gross Profit*	5,721	\$34	5,755
% of Sales	59.6%		59.9%
Selling, Gen'l & Admin**	3,164	(46)	3,118
% of Sales	32.9%		32.5%
R&D expenses	412		412
% of Sales	4.3%		4.3%
Restructuring charges, net	114	(114)	—
Shareholder settlement	(11)	11	—
Operating income	\$ 2,042	\$183	\$2,225
% of Sales	21.3%		23.2%

Fiscal year 2011 includes 53 weeks.

** \$34MM gross profit adjustment includes \$32MM related to charge in cost of goods sold for acquisition inventory that had been written up to fair value and \$2MM for restructuring-related accelerated depreciation.*

*** \$46MM SG&A adjustment relates to legal charges.*

2011 Financial Results

<i>\$ Millions, except per share amounts</i>	2011 GAAP	Non-GAAP Adjustments	2011 As Adjusted
Operating income	\$ 2,042	\$183	\$ 2,225
Net interest expense	(184)		(184)
Other income	<u>22</u>	<u>6</u>	<u>28</u>
Pre-tax income	1,880	189	2,069
<i>Tax Rate</i>	15.9%		18.8%
Income tax expense	<u>299</u>	<u>90</u>	<u>389</u>
Income*	\$ 1,581	\$ 99	\$1,680
Diluted earnings per share*	\$3.18	\$0.20	\$3.38

Fiscal year 2011 includes 53 weeks.

** From continuing operations*

2012 Financial Results

<i>\$ Millions</i>	2012 GAAP	Non-GAAP Adjustments	2012 As Adjusted
Net Sales	\$ 9,851		\$ 9,851
Gross Profit*	5,907	\$37	5,944
% of Sales	60.0%		60.3%
Selling, Gen'l & Admin**	3,261	(70)	3,191
% of Sales	33.1%		32.4%
R&D expenses***	479	(12)	467
% of Sales	4.9%		4.7%
Restructuring charges	<u>82</u>	<u>(82)</u>	<u>—</u>
Operating income	\$2,085	\$201	\$2,286
% of Sales	21.2%		23.2%

* \$37MM gross profit adjustment includes \$17MM acquisition-related transaction costs, \$15MM of inventory impairment related to Duet TRS and \$5MM for restructuring-related accelerated depreciation.

** \$70MM SG&A adjustment relates to \$47MM legal charges, \$20MM acquisition-related transaction costs and \$3MM capital equipment impairment related to Duet TRS.

*** R&D adjustment is related to a license agreement.

2012 Financial Results

<i>\$ Millions, except per share amounts</i>	2012 GAAP	Non-GAAP Adjustments	2012 As Adjusted
Operating income	\$ 2,085	\$201	\$ 2,286
Net interest expense	(191)		(191)
Other income	<u>25</u>	<u>(1)</u>	<u>24</u>
Pre-tax income	1,919	200	2,119
<i>Tax Rate</i>	14.7%		17.3%
Income tax expense	<u>282</u>	<u>85</u>	<u>367</u>
Income*	\$ 1,637	\$115	\$1,752
Diluted earnings per share*	\$3.37	\$0.24	\$3.61

* From continuing operations

9 Mo. 2013 Financial Results

<i>\$ Millions</i>	9 Mo. 2013 GAAP	Non-GAAP Adjustments	9 Mo. 2013 As Adjusted
Net Sales	\$ 7,675		\$ 7,675
Gross Profit*	4,598	\$ 2	4,600
<i>% of Sales</i>	59.9%		59.9%
Selling, Gen'l & Admin**	2,505	4	2,509
<i>% of Sales</i>	32.6%		32.7%
R&D expenses	362		362
<i>% of Sales</i>	4.7%		4.7%
Restructuring charges, net	<u>71</u>	\$ <u>(71)</u>	<u>—</u>
Operating income	\$1,660	\$ 69	\$1,729
<i>% of Sales</i>	21.6%		22.5%

* \$2MM gross profit adjustment relates to restructuring-related accelerated depreciation.

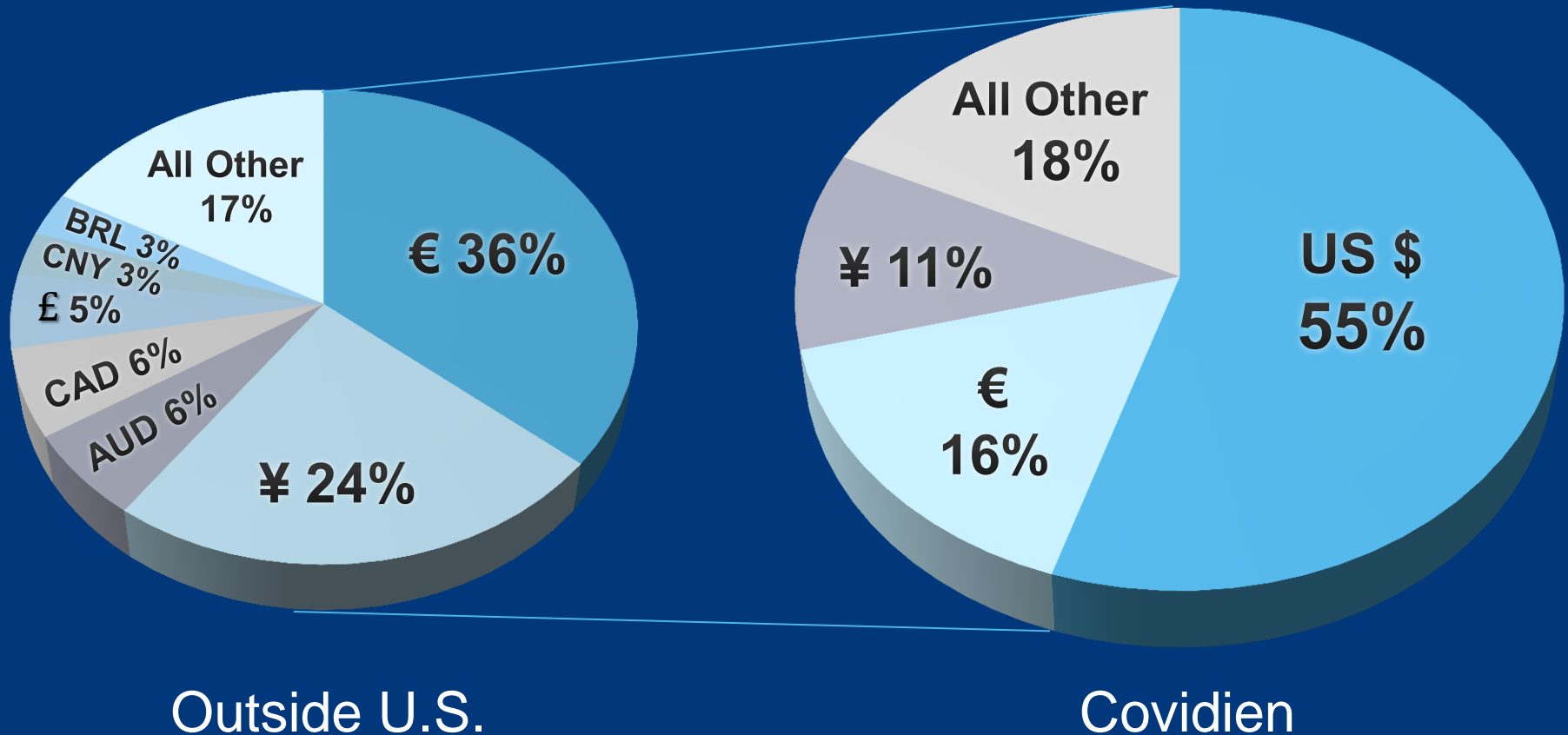
** \$4MM SG&A income relates to transaction costs.

9 Mo. 2013 Financial Results

<i>\$ Millions, except per share amounts</i>	9 Mo. 2013 GAAP	Non-GAAP Adjustments	9 Mo. 2013 As Adjusted
Operating income	\$1,660	\$ 69	\$1,729
Net interest expense	(148)		(148)
Other income, net	<u>74</u>	<u>(60)</u>	<u>14</u>
Pre-tax income	1,586	9	1,595
<i>Tax Rate</i>	22.1%		16.5%
Income tax expense	<u>350</u>	<u>(87)</u>	<u>263</u>
Income*	\$1,236	\$ 96	\$1,332
Diluted earnings per share*	\$2.61	\$0.20	\$2.81

* From continuing operations

2012 Net Sales by Major Currency*



* Excludes Pharmaceuticals

Free Cash Flow Reconciliations

	Net cash provided by continuing operating activities	Class action and shareholder settlements	Less capital expenditures	Free cash flow
2009	\$1,829	\$151	\$384	\$1,596
2010	2,185		401	1,784
2011	2,182		467	1,715
2012	2,425		526	1,899
9 Mo. 2013	1,387		369	1,018

Includes Pharmaceuticals

Fiscal year 2011 includes 53 weeks. 2009 – 2010 and 2012 include 52 weeks.

ROIC Reconciliations

(\$ millions)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Adjusted income from continuing operations	1,403	1,703	1,974	2,068
Adjusted net interest expense	151	164	181	190
Adjusted income tax rate	25.9%	19.5%	18.3%	17.3%
Adjusted after-tax net interest expense	112	132	148	157
Total return	\$1,515	\$1,835	\$2,122	\$2,225
<u>Assets</u>				
Total assets, as reported	\$17,139	\$20,387	\$20,374	\$22,257
Minus ROIC adjustments ¹	<u>3,346</u>	<u>3,330</u>	<u>3,134</u>	<u>3,504</u>
Total assets for ROIC	13,793	17,057	17,240	18,753
<u>Liabilities</u>				
Total liabilities, as reported	\$9,138	\$11,413	\$10,557	\$11,692
Minus ROIC adjustments ²	<u>6,080</u>	<u>8,209</u>	<u>7,342</u>	<u>8,236</u>
Total liabilities for ROIC	3,058	3,204	3,215	3,456
Total assets less total liabilities for ROIC	\$10,735	\$13,853	\$14,025	\$15,297
ROIC	14.1%	13.2%	15.1%	14.5%

1. Cash and cash equivalents, assets held for sale and income tax related assets.

2. Liabilities associated with assets held for sale, income tax related liabilities and debt.

Includes Pharmaceuticals, however management does not believe amounts excluding Pharmaceuticals would differ significantly, if at all

Non-GAAP Financial Measures

This presentation discusses measures which may be considered “non-GAAP” financial measures under applicable Securities and Exchange Commission rules and regulations. These non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with generally accepted accounting principles. The definition of these non-GAAP measures may differ from similarly titled measures used by others.

The Company generally uses non-GAAP financial measures to facilitate management’s internal comparisons to Covidien’s historical operating results, to competitors’ operating results, and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making, including to evaluate Covidien’s operating performance and to determine management incentive compensation.

The Company presents its operating margin forecast before special items to give investors a perspective on the expected underlying business results. Because the Company cannot predict the timing and amount of such items and the associated charges or gains that will be recorded in the Company’s financial statements, it is difficult to include the impact of those items in the forecast.

The following is a list of the non-GAAP financial measures which may be discussed in this presentation:

Adjusted Operating Income: Operating income excluding charges or income for class action and shareholder settlements, net of insurance recoveries, restructuring and related charges, certain legal charges, intangible impairments, licensing fees, gain/loss on divestiture, environmental charges, transaction costs and in-process R&D.

Adjusted Operating Income Margin: Adjusted Operating Income / Net Sales (expressed as a percentage).

Free Cash Flow: Net cash provided by continuing operating activities excluding class action and shareholder settlements minus capital expenditures.

Operational sales growth: Year over year net sales increase excluding the impact of foreign exchange, expressed as a percentage.

Return on Invested Capital (ROIC): Adjusted income from continuing operations plus after-tax net interest expense divided by total assets less total liabilities. Total assets exclude cash and cash equivalents, assets held for sale and income tax related assets. Total liabilities exclude liabilities associated with assets held for sale, income tax related liabilities and debt.

Additional information is available in the Investor Relations section of our website www.covidien.com



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