



COVIDIEN

Barclays 2010 Global Healthcare Conference

Chuck Dockendorff | Chief Financial Officer

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.

The forward-looking statements in this presentation may include statements addressing the following subjects: future financial condition and operating results, economic, business, competitive and/or regulatory factors affecting our business. Any of the following factors may affect our future results:

- Our ability to effectively introduce and market new products or keep pace with advances in technology
- The reimbursement practices of a small number of large public and private insurers
- Cost-containment efforts of customers, purchasing groups, third-party payers and governmental organizations
- Intellectual property rights disputes
- Complex and costly regulation, including healthcare fraud and abuse regulations
- Manufacturing or supply chain problems or disruptions
- 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

Forward-Looking Statements (cont.)

- **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**
- **Potential environmental liabilities**
- **Implementation of the ongoing reorganization of our operating structure**

These are examples of factors, among others, that could cause actual results to differ materially from those described in the forward-looking statements. In addition, our historical combined financial information prior to June 29, 2007 is not necessarily representative of the results we would have achieved as an independent, publicly-traded company and may not be a reliable indicator of our future results. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements whether as a result of new information, future events or otherwise. More detailed information about these and other factors is set forth in Covidien's Annual Report on Form 10-K and other periodic filings with the SEC.

Key Accomplishments Since Spin

Delivered sales and operating income in line with guidance

Invested in growth (selling, marketing, R&D) at the expense of short-term earnings

Managed portfolio for increased value through strategic acquisitions, new product development and selling/pruning underperforming assets

Increased gross margin through mix improvements, cost reductions and pricing initiatives

Implemented tax planning strategies to lower tax rate

Initiated share repurchase programs; 12.5% dividend increase

Financial Accomplishments Since Spin

(\$ Millions)

	2006¹	2009²	Q1 2010²
Sales Growth³ (operational)	2%	5%	6%
Gross Margin	46.5%	52.3%	54.3%
Tax Rate	28% ⁴	26%	23%
Free Cash Flow³	\$903	\$1,463	\$365
R&D Spending	\$262	\$438	\$101

1. 2006 not restated for subsequent discontinued operations.

2. 2009 and Q1 2010 exclude the impact of Oxy ER. See appendix for reconciliations.

3. Operational sales growth and free cash flow are non-GAAP measures. See appendix for definitions and reconciliation.

4. At time of separation (6/29/07)

Long-term Financial Goals

Mid-single digit sales growth

Double-digit EPS growth

Operational Leverage

- Increased gross margin
- Leverage SG&A
- Improved operating margin

Financial Leverage

- Lower interest expense
- Lower effective tax rate
- Lower share count

Invest cash for long-term growth

- R & D
- Acquisitions

Balance short-term growth and long-term investment

Aggressive Management of Our Portfolio

Divestitures or exits

- European baby diapers
- Retail Products segment
- European needles & syringes
- Liquid oxygen
- Sleep diagnostics

Upcoming divestitures

- Sleep therapy
- U.S. radiopharmacies

Reorganization

- Created Vascular Therapies business unit
- Expanded Medical Supplies
- Combined Pharmaceutical and Imaging segments

Intense Focus On Innovation

Doubled annual patent filings since 2004

Creating more intellectual property and more aggressively protecting our technology

Launched an Innovation Council and Innovation Awards program

Increased R&D investments from \$262MM to \$438MM

Sales from new products increased 3X since 2006

Capital Strategy

While primary use of free cash flow is expected to be strategic acquisitions and licensing agreements, we will continue to support investments in R&D, Selling & Marketing and growth initiatives

We continue to target “A” credit rating

We expect to manage our cash balance in the \$1B – \$2B range

We are targeting to return 25% to 40% of free cash flow to shareholders through dividends and share repurchases

- \$1 billion repurchase program announced last week



Segment Updates



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Medical Devices Update

2009 sales growth 2% (8% operational);
Q1 2010 18% (11% operational)

Strong growth in endomechanical, soft
tissue repair, vascular and energy

VNUS, Bacchus and Aspect acquisitions
integrated and contributing to growth

Focus on bariatric, hernia and biosurgery
growth initiatives; vascular expansion;
emerging market opportunities

Upcoming 2010 launches: new SILS™
instruments, next generation EGIA
Universal, hemorrhoid stapler



* Operational growth, net sales growth excluding the impact of foreign currency exchange, is a non-GAAP measure.

Pharmaceuticals Update

- Acquired proven, patented drug technology to build pipeline
- Developing capabilities in formulation, regulatory, clinical development and Risk Evaluation & Mitigation Strategies (REMS)
- Expanding commercial sales force and medical affairs to market licensed products in branded pain
- Maria announcement will help ease moly shortage, but supply chain remains fragile and unpredictable

Long-term goal is to increase sales of higher margin products

Pharmaceuticals Recent Developments

Oral Transmucosal Fentanyl Citrate launched in early March

Pennsaid® topical solution (diclofenac 1.5%) approved by FDA
– Planned launch in the second calendar quarter of 2010

EXALGO™ (extended release hydromorphone) approved by FDA
– Planned launch in the second calendar quarter of 2010

Announced definitive agreement to divest U.S. radiopharmacies
(2009 sales approximately \$180MM)

PENNSAID®
(diclofenac sodium topical solution) 1.5% w/w

EXALGO™
(hydromorphone HCl) Ⓢ
Extended-Release Tablets **Once Daily**

Medical Supplies Update

2009 sales (2%) (flat operational);
Q1 2010 +2% (flat operational)

Broad portfolio with many products #1 or
#2 in their markets

Continue to sell value beyond price in
many commoditized markets

Pruning portfolio of lower margin, slow
growth offerings

Managing business with minimal
investment for cash and ROIC



Covidien Is Committed To...

Managing portfolio for growth, margin and ROIC expansion

Continuing to build new product flow with clinically relevant offerings

Focusing on BD&L activity that complements current franchises

Recruiting and retaining top talent throughout the organization

Assuring commitment to service, quality and compliance

Maintaining strong balance sheet and ample cash flow to support growth, investments and shareholder interests



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Appendix

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 Net Sales: Net sales excluding sales of oxycodone extended-release tablets

Adjusted Operating Income: Operating income excluding Oxy ER and excluding charges for class action settlement, net of insurance recoveries, restructuring charges, legal settlements, licensing fees and in-process R&D.

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

Free Cash Flow: Net cash provided by continuing operating activities less capital expenditures.

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

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

Non-GAAP Reconciliation

(\$ millions)

2005 Net Sales – as reported	\$9,535
2006 Net Sales – as reported	\$9,647
Impact of exchange rates on 2006 sales	\$ (93)
2006 Net Sales Growth – as reported	+1%
Impact of foreign exchange	(1%)
2006 Net Sales Growth – Operational	+2%
2008 Net Sales – as reported	\$10,358
2009 Net Sales – as reported	\$10,677
Impact of exchange rates and Oxy ER on 2009 sales	\$ (172)
2009 Net Sales Growth – as reported	+3%
Impact of foreign exchange and Oxy ER	(2%)
2009 Net Sales Growth – Adjusted Operational	+5%

	<u>2006</u>	<u>2009</u>	<u>Q1 2010</u>
Net cash provided by continuing operating activities	\$1,335	\$1,875	\$453
Capital expenditures	<u>\$ 432</u>	<u>\$ 412</u>	<u>\$ 88</u>
Free Cash Flow	\$ 903	\$1,463	\$365

Non-GAAP Reconciliation

(\$ millions)

Q1 2009 Net Sales– as reported	\$2,564
Impact of Oxy ER on Q1 2009 sales	\$ <u>96</u>
Adjusted Q1 2009 Net Sales excluding Oxy ER	\$2,468
Q1 2010 Net Sales– as reported	\$2,749
Impact of foreign exchange on Q1 2010 Net Sales	\$ 121
Q1 2010 Net Sales Growth – as reported	+7%
Q1 2010 Adjusted Net Sales Growth (ex. Oxy ER from '09)	+11%
Impact of foreign exchange on Q1 2010 Net Sales	5%
Q1 2010 Net Sales Growth – Adjusted Operational	+6%

2009 Financial Results

<i>\$ Millions</i>	2009	Non-GAAP Adjustments	2009 As Adjusted
Net Sales	\$10,677	\$(354)	\$10,323
Gross Profit	5,739	(341)	5,398
<i>% of Sales</i>	53.8%		52.3%
Selling, Gen'l & Admin	3,086	172 [*]	2,914
<i>% of Sales</i>	28.9%		28.2%
R&D expenses	438	31 ^{**}	407
<i>% of Sales</i>	4.1%		3.9%
In-process R&D	115	115	-
Restructuring charges	61	61	-
Shareholder settlements	183	183	-
Operating Income	1,856	221	2,077
<i>% of Sales</i>	17.4%		20.1%

* SG&A adjustment: \$94MM legal settlements, \$53MM environmental charge, \$21MM loss on divestiture, \$3MM Disc. Ops., \$1MM Oxy ER.

** R&D adjustment: \$30MM upfront fees and milestone payments for Pharmaceuticals licensing agreements and \$1MM Disc. Ops.

2010 Q1 Financial Results

<i>\$ Millions</i>	Q1 2010	Non-GAAP Adjustments	Q1 2010 As Adjusted
Net Sales	\$2,749	-	\$ 2,749
Gross Profit	1,492	-	1,492
<i>% of Sales</i>	54.3%		54.3%
Selling, Gen'l & Admin	834	\$33*	801
<i>% of Sales</i>	30.3%		29.1%
R&D expenses	101	-	101
<i>% of Sales</i>	3.7%		3.7%
Restructuring charges	<u>5</u>	<u>5</u>	<u>-</u>
Operating Income	552	38	590
<i>% of Sales</i>	20.1%		21.5%

* SG&A adjustment relates to a legal charges for an anti-trust cases.