PATRICIA H. DUFT
Vice President, Legal
Chief EHS Counsel

COVIDIEN

Via Federal Express

March 25, 2013

U.S. Nuclear Regulatory Commission
Region III
Materials Licensing Section
2443 Warrenville Road
Lisle, IL 60532-4352

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Two White Flint North Building
11545 Rockville Pike
Washington, D.C.

RE: Notification to NRC and Request for Approval to Consent to Indirect Change of Control of License Numbers 24-04206-01, 24-04206-05MD, 24-17450-01, and STB-401 held by Mallinckrodt LLC

Dear Sir or Madam:

This letter is to notify you that upon receipt of final approval from the Securities and Exchange Commission (SEC) anticipated to be on or about June 28, 2013, Covidien plc (Covidien) intends to complete an intercompany reorganization that will result in all of the pharmaceutical operations of Covidien being spun off as an independent publicly traded company named Mallinckrodt plc. Mallinckrodt LLC is currently one of the pharmaceutical operating companies which is among the companies in the pharmaceutical business will have Mallinckrodt plc as its ultimate parent company. Covidien filed a Form 10 Registration Statement with the SEC describing this proposed transaction on February 1, 2013. This transaction is tentatively scheduled to be completed in late June 2013, subject to the approval of all applicable regulatory agencies, including the Nuclear Regulatory Commission (NRC). Upon completion of this approval, Covidien plc and Mallinckrodt plc will operate as two independent publicly traded companies.

Mallinckrodt LLC will continue to own all legal title to property, plant and equipment subject to the above-referenced licenses, and also owns other assets. There will be no change to the licenses and all financial assurance mechanisms will remain in place.

By this letter, Mallinckrodt LLC (Mallinckrodt) is requesting NRC's consent to this indirect change of control in connection with the above referenced transaction. On the date the transaction is completed, an additional correspondence will be sent to your office, confirming that Mallinckrodt plc has been established as an independent corporate entity and completion of the transaction has been finalized. In accordance with agency guidance, Mallinckrodt is

444 MCDONNELL BLVD.
HAZELWOOD, MO
63042
314-281-5914 [T]
314-281-5986 [F]

FSME20

providing the following information to assist the NRC in evaluating this request for consent to this indirect change of control.

1. The name of the licensed organization will continue to be Mallinckrodt, LLC. Their headquarters address will remain at the current location.

   Mallinckrodt LLC
   675 McDonnell Blvd
   Hazelwood, MO 63042

2. The new licensee contact and telephone number(s) will remain the same as currently noted in the above noted licenses:

   Gary Bosgraf (Licenses 24-04206-01 and 24-04206-05MD)
   Radiation Safety Officer
   2703 Wagner Place
   Maryland Heights, MO 63043
   Phone: 314-654-7906
   E-mail: Gary.Bosgraf@Covidien.com

   John Snider (License 24-17450-01)
   Radiation Safety Officer
   675 McDonnell Blvd.
   Hazelwood, MO 63042
   Phone 314-654-8563
   E-mail: John.Snider@Covidien.com

   Karen Burke (License STB-401)
   Radiation Safety Officer
   675 McDonnell Blvd.
   Hazelwood, MO 63042
   Phone 314-654-5838
   E-mail: Karen.Burke@Covidien.com

3. List any changes in personnel having control over licensed activities and any changes in personnel named in the license;

   Mallinckrodt LLC does not anticipate any changes to the current Radiation Safety Officers or Radiation Safety Committee Chairpersons a result of this transaction. If any changes do occur, Mallinckrodt will promptly notify NRC, in writing. Mallinckrodt LLC managers and officers will remain the same. Some of the officers may resign after completion of the transaction because they will remain employed by Covidien not Mallinckrodt. Information on

these resignations will be provided when they occur. A listing of the current and proposed Mallinckrodt LLC officers and managers is attached hereto as **Exhibit "A"**.

4. An Indication of whether the transferor will remain in non-licensed business without a license.

   Certain subsidiaries of Covidien hold NRC licenses and will retain such licenses. Mallinckrodt LLC will continue to hold the license as it has in the past.

5. A complete, clear description of the transaction, including any transfer of stocks or assets, mergers, etc., so that legal counsel is able, when necessary, to differentiate between name changes and changes of ownership.

   The following is a simplified summary of the proposed steps: (1) Mallinckrodt LLC is currently a wholly owned subsidiary within Covidien's pharmaceutical business. Covidien the publicly traded parent company has numerous operating subsidiaries conducting a variety of businesses. Mallinckrodt LLC is the pharmaceutical operating company which holds NRC licenses. Covidien has determined to reorganize its structure and spin off its pharmaceutical businesses as an independent public company named Mallinckrodt plc. Mallinckrodt plc includes all of the affiliated companies within the pharmaceutical businesses including Mallinckrodt LLC. This is the same group of affiliated companies that have been operating as the pharmaceutical business of Covidien for several years. (2) Mallinckrodt LLC has had no changes to the operational control of its facilities, management or licenses. (3) None of these transactions involve any legal entities which are not affiliated with Mallinckrodt LLC or Covidien.

   The attached structural organization charts provide a general graphical representation of the establishment of an independent Mallinckrodt plc. These charts depict numerous affiliated companies, some of which may have name changes prior to completion of the transaction.. Exhibit "B" depicts generally the current simplified corporate structure of the Covidien pharmaceutical businesses and Exhibit "C" depicts the structure with Mallinckrodt plc as an independent entity.

   Mallinckrodt LLC has no changes to make on the existing licenses due to this new structure and will not be preparing any license amendments.

6. A complete description of any planned changes in organization, location, facility, equipment, or procedures.

   At this time, Mallinckrodt LLC does not plan any specific changes to the organization, location, facility, equipment or procedures. If Mallinckrodt does intend to modify or change the organizational structure, Mallinckrodt will advise NRC at that time. Mallinckrodt LLC understands that any proposed changes will need to be communicated to the NRC.

7. A detailed description of any changes in the use, possession, location or storage of licensed materials.

There are no changes anticipated in the use, possession, location, or storage of the licensed materials.

8. Any changes in organization, location, facilities, equipment, procedures, or personnel that would require a license amendment even without the change of ownership.

   There are no such changes that would require a license amendment.

9. An indication of whether all surveillance items and records will be current at the time of transfer. A description of the status of all surveillance requirements and records should also be provided.

   All surveillance items and records will be current at the time of transfer. There will be no changes in location of records because of the sale. All pertinent and required records applicable to licensed operations will be retained at Mallinckrodt LLC's current licensed locations.

10. Confirmation that all records concerning the safe and effective decommissioning of the facility, pursuant to 10 CFR 30.35(g), 40.36(f), 70.25(g), and 72.30(d); public dose; and waste disposal by release to sewers, incineration, radioactive spills, and on-site burials, have been transferred to the new licensee, if licensed activities will continue at the same location, or to the NRC for license termination.

    All records concerning the safe and effective decommissioning of the facilities as noted above will be retained by Mallinckrodt LLC. Also, refer to the response offered in Item 9.

11. A description of the status of the facility. Specifically, the presence or absence of contamination should be documented. If contamination is present, will decontamination occur before transfer? If not, does the successor company agree to assume full liability for the decontamination of the facility or site?

    Mallinckrodt LLC will continue to retain possession of the facility in its current condition, since the facility will continue licensed operations. Mallinckrodt LLC will assume full liability for final decommissioning of the above referenced facility if it is shut down at any time in the future. All surety bonds or other financial assurance mechanisms will remain in place. Mallinckrodt LLC will not modify the current surety bond.

12. A description of any decontamination plans, including financial assurance arrangements of the transferee, as specified in 10 CFR 30.35, 40.36, and 70.25. This should include information about how the transferee and transferor propose to divide the transferee's assets, and responsibility for any cleanup needed at the time of transfer.

    See response to Item 11. Furthermore, in connection with filing the Form 10 with the SEC, Covidien provided financial information regarding its pharmaceutical business. Attached as Exhibit "D" is the cover of the Form 10 filed February 1, 2013 as well as summary descriptions of the pharmaceutical business financials and Exhibit "E" which is an Index to the Combined Financial Statements including an audited review by an independent public

accounting firm evaluating the financial status of the pharmaceutical business over the past three years. These documents provide financial information on the Mallinckrodt pharmaceutical business.

13. Confirmation that the transferee agrees to abide by all commitments and representations previously made to the NRC by the transferor. These include, but are not limited to: maintaining decommissioning records required by 10 CFR 30.35(g); implementing decontamination activities and decommissioning of the site; and completing corrective actions for open inspection items and enforcement actions.

    All of the existing license conditions will be maintained, and constraints, conditions, requirements, representations and commitments identified in the above referenced licenses will continue to be followed by Mallinckrodt LLC as a subsidiary of wholly owned subsidiaries of Mallinckrodt plc. There will be no changes to operations or management of the NRC licenses. All of the existing radiation safety programs will be maintained and followed as required by applicable license conditions and regulation.

14. Documentation that the transferor and transferee agree to the change in ownership or control of the licensed material and activity, and the conditions of transfer; and the transferee is made aware of all open inspection items and its responsibility for possible resulting enforcement actions.

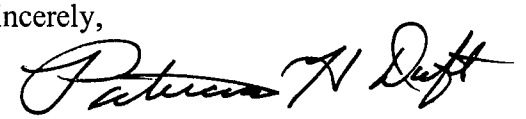
    Refer to response offered in Item 13. There are currently no open inspection items. Upon approval by the SEC of the establishment of Mallinckrodt plc as an independent public company and subsequent distribution of stock to shareholders, the approval documentation will be provided to NRC.

15. A commitment by the transferee to abide by all constraints, conditions, requirements, representations, and commitments identified in the existing license.

    Mallinckrodt LLC agrees to continue to perform and abide by all of the constraints, conditions, requirements, representations and commitments identified in the above-referenced license as it has in the past. In addition, please refer to the response offered in Item 14.

Please note that we would appreciate your expeditious review, evaluation and consent, if necessary, to complete the transaction. We are prepared to discuss in more detail or provide additional information to support your review. If you have any questions regarding the foregoing, please contact me at the number above or Jim Schuh at 314-654-7981. Thank you for your assistance in this process.

Sincerely,



Patricia H. Duft

Enclosures:
Exhibit "A"- Officer and Manager List
Exhibit "B"-Current Corporate Structure
Exhibit "C"-Future Planned Corporate Structure
Exhibit "D" February 1, 2013 Form 10 Cover and General Financial Description
Exhibit "E" Exhibit F to Form 10 filed 2/1/13 Index to Combined Financial Statements

Cc: file
John Buckley (NRC Via E-mail)
William Reichhold (Via Facsimile 630-515-1078)
James Schuh (Mallinckrodt)
Kay Yoder (Mallinckrodt)
Karen Burke (Mallinckrodt)

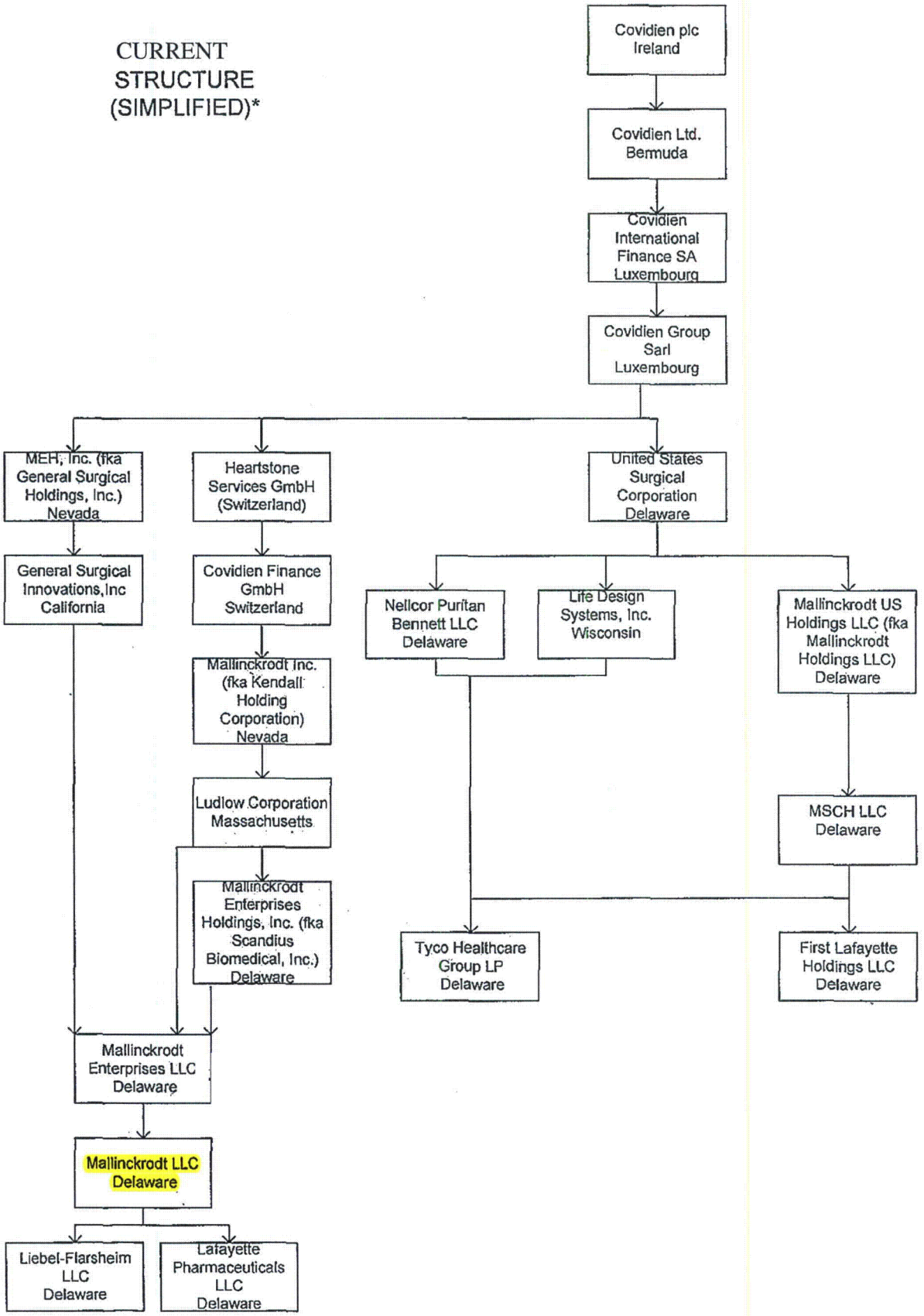
Exhibit A

MALLINCKRODT LLC MARCH 20, 2013

Name	Title
Andrulonis, Gregory	Vice President & Treasurer
Masterson, John H.	Vice President & Secretary
Schaefer, Kathleen A.	Vice President & Controller
Harbaugh, Matthew K.	Vice President & Chief Financial Officer
Green, Eric C.	Vice President & Assistant Treasurer
Carey, Stephen C.	Vice President & Assistant Treasurer
Howell, Woodrow	Vice President & Assistant Treasurer
Kupferschmid, Geoffrey	Vice President & Assistant Treasurer
Golod, Lisa K	Vice President & Assistant Treasurer
Duft, Patricia Hitt	Vice President & Assistant Secretary
Boone, Jeffrey S.	Vice President & Assistant Secretary
Kriegh, C. Stephen	Vice President & Assistant Secretary
Budenholzer, Robert T.	Vice President & Assistant Secretary
Goetz, Kenneth D.	Vice President & Assistant Secretary
Nicolella, Matthew J.	Vice President & Assistant Secretary
Weiss, Lawrence T	Vice President & Assistant Secretary
Wuestner, Joseph A	Vice President & Assistant Secretary
Brown, Richard G.	Vice President
Edwards, Peter G.	Vice President
Kapples, John W.	Vice President
Dockendorff, Charles J.	Vice President
Trudeau, Mark C	President
Edwards, Peter G.	Manager
Wuestner, Joseph A	Manager
Budenholzer, Robert T.	Manager
Davis, Deborah L.	Assistant Secretary
Seurer, Jerad G.	Assistant Secretary
Kardasz, Stephanie	Assistant Secretary
Lohman, Donald A	Assistant Secretary

EXHIBIT B

CURRENT STRUCTURE (SIMPLIFIED)*



*Some of the entity names may be modified.

Exhibit C

Final Structure – Spin *

(Simplified-not all legal entities shown)*

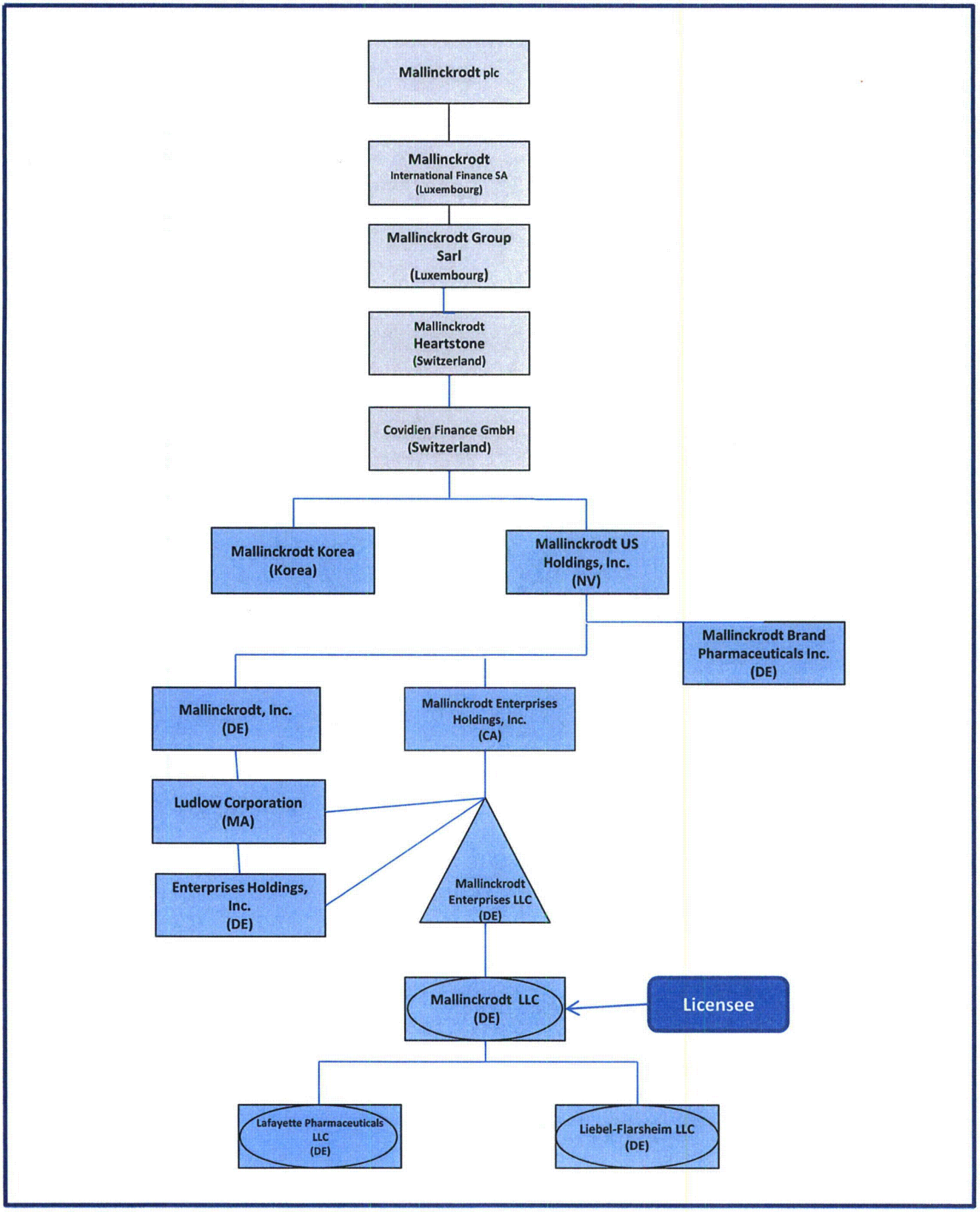


Exhibit D

As filed with the Securities and Exchange Commission on February 1, 2013

File No. [•]

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

Mallinckrodt public limited company
(Exact name of Registrant as specified in its charter)

Ireland	98-1088325
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1st Floor, 20 On Hatch
Lower Hatch Street, Dublin 2, Ireland
(Address of principal executive offices)

+353 (1) 438-1700
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class to be so Registered	Name of Each Exchange on which Each Class is to be Registered
Ordinary Shares, par value $0.20	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: **None**

INFORMATION STATEMENT SUMMARY

The following is a summary of material information discussed in this information statement. This summary may not contain all of the details concerning the separation or other information that may be important to you. To better understand the separation and our business and financial position, you should carefully review this entire information statement. Except as otherwise indicated or unless the context otherwise requires, the information included in this information statement about Mallinckrodt assumes the completion of all of the transactions referred to in this information statement in connection with the separation. Unless the context otherwise requires, references in this information statement to "Mallinckrodt plc," "Mallinckrodt public limited company," "Mallinckrodt Pharmaceuticals," "Mallinckrodt," "we," "us," "our," "our company" and "the company" refer to Mallinckrodt plc, an Irish public limited company, and its combined subsidiaries. Unless the context otherwise requires, references to Mallinckrodt's historical business and operations refer to the business and operations of Covidien's Pharmaceuticals business as it was historically managed as part of Covidien and its subsidiaries prior to completion of the separation. Unless the context otherwise requires, references in this information statement to "Covidien" refer to Covidien plc, an Irish public limited company, and its consolidated subsidiaries, including the Pharmaceuticals business prior to completion of the separation. Except as otherwise indicated, references in this information statement to fiscal 2013, fiscal 2012, fiscal 2011, fiscal 2010, fiscal 2009 and fiscal 2008 are to Mallinckrodt's fiscal years ending or ended September 27, 2013, September 28, 2012, September 30, 2011, September 24, 2010, September 25, 2009 and September 26, 2008, respectively.

References in this information statement to our historical assets, liabilities, products, businesses or activities of our business are generally intended to refer to the historical assets, liabilities, products, businesses or activities of the Pharmaceuticals business of Covidien as the business was conducted as part of Covidien and its subsidiaries prior to completion of the separation.

Our Company

We are a global company that develops, manufactures, markets and distributes both branded and generic specialty pharmaceuticals, active pharmaceutical ingredients ("API") and diagnostic imaging agents. We use our API products in the manufacture of our generic pharmaceuticals and also sell them to other pharmaceutical companies. Our products are found in almost every hospital, standalone diagnostic imaging center or pharmacy in the U.S. and we have a sales presence in approximately 50 countries. Our diverse product portfolio and solid market positions reflect our 145-year history of pharmaceutical excellence with many innovations important for the treatment of pain, the development of the modern U.S. pharmaceuticals industry and the evolution of nuclear and diagnostic imaging.

During fiscal 2012, we generated net sales of approximately $2.1 billion and net income of approximately $134.6 million. Approximately 66% of our fiscal 2012 net sales were generated in the U.S. and 34% were generated outside of the U.S.

Upon completion of the separation, we will conduct our business under the name Mallinckrodt Pharmaceuticals through two operating segments:

Our Specialty Pharmaceuticals segment develops, manufactures and sells, through its Brands business, branded drugs, including EXALGO® (hydromorphone HCl) Extended-Release Tablets, which are indicated for the treatment of moderate to severe pain in opioid-tolerant patients requiring continuous around-the-clock opioid analgesia for an extended amount of time ("Exalgo"), and GABLOFEN® (baclofen injection), which are injections indicated for use in the management of severe spasticity of cerebral or spinal origin in patients age four years and above ("Gablofen"). Our Specialty Pharmaceuticals segment has a pipeline of multiple new pain products. We market our branded products in the U.S. to physicians including, for example, pain specialists, anesthesiologists, orthopedic surgeons, rheumatologists and neurologists, who prescribe them for their patients. We develop, manufacture and sell generic drugs, including a variety of products containing U.S. Drug

SUMMARY HISTORICAL AND UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following table sets forth summary historical financial data for the periods indicated below. The summary income statement data for each of the fiscal years in the three-year period ended September 28, 2012 and the summary balance sheet data as of September 28, 2012 and September 30, 2011 have been derived from our audited combined financial statements, which are included elsewhere in this information statement. The summary balance sheet data as of September 24, 2010 have been derived from our unaudited combined financial statements that are not included in this information statement. The summary financial data should be read in conjunction with our audited combined financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this information statement.

The combined financial statements have been prepared by Covidien to present the historical operating assets, liabilities and related results of operations of its Pharmaceuticals business. The combined financial statements include all assets and liabilities related to the operation of the business and which were subject to oversight and review by management of the Pharmaceuticals business. The combined financial statements do not include certain corporate non-operating assets and liabilities, principally related to changes in the internal capital structure resulting from the internal reorganization of our legal entities to facilitate the separation. These non-operating assets and liabilities do not represent standalone businesses and primarily relate to intercompany transactions.

The following table also presents summary unaudited pro forma data. The pro forma data for the period ended September 28, 2012 assumes that the separation occurred on October 1, 2011, the first day of fiscal 2012. The pro forma balance sheet assumes that the separation occurred on September 28, 2012. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. Refer to the notes to the unaudited pro forma condensed combined financial statements and accompanying notes included elsewhere in this information statement for a discussion of adjustments reflected in the pro forma data.

The summary historical and unaudited pro forma data does not necessarily reflect what our results of operations and financial condition would have been had we operated as a separate, publicly traded company during the periods presented. In addition, they are not necessarily indicative of our future results of operations or financial condition.

Non-GAAP Financial Measures

Adjusted EBITDA represents earnings from net income before interest, income taxes, depreciation and amortization, adjusted to exclude certain items. These items include discontinued operations; other income, net; separation costs; and restructuring charges, net. We have provided this non-GAAP financial measure because it is used by management, along with financial measures in accordance with accounting principles generally accepted in the U.S. ("GAAP"), to evaluate our operating performance. In addition, we believe it will be used by certain investors to measure our operating results. Management believes that presenting Adjusted EBITDA to investors provides useful information about our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

Adjusted EBITDA has the following limitations:

- it does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect interest expense or the cash requirements necessary to service interest or principal payments;
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and

- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should be considered supplemental to and not a substitute for net income or any other performance measures derived in accordance with GAAP. See our combined financial statements included elsewhere in this information statement for our GAAP results.

	Fiscal[1]			
	Pro forma for the Separation 2012	2012[2]	2011[3]	2010[4]
		(dollars in millions)		
Combined Statement of Income Data:				
Net sales	$	$2,056.2	$2,021.8	$2,047.6
Gross profit		964.8	914.9	932.4
Operating income[5]		235.2	240.7	240.4
Income from continuing operations before income taxes		236.1	243.2	243.2
Income from continuing operations		141.3	157.0	145.9
Combined Balance Sheet Data:				
Total assets	$	$2,874.6	$2,823.4	$2,888.3
Long-term debt		8.9	10.4	11.6
Parent company equity		1,891.9	1,788.7	1,835.9
Other Financial Data:				
Adjusted EBITDA[6]	$	$ 402.8	$ 371.8	$ 366.1

(1) Fiscal 2011 includes 53 weeks, while fiscal 2012 and 2010 each include 52 weeks.

(2) Fiscal 2012 includes $25.5 million of separation costs and $19.2 million of restructuring and related charges, net.

(3) Fiscal 2011 includes $10.0 million of restructuring and related charges, net and $2.9 million of separation costs.

(4) Fiscal 2010 includes $31.3 million of product liability charges and $11.5 million of restructuring charges, net.

(5) During fiscal 2012, 2011 and 2010, Covidien allocated general corporate expenses to us in the amount of $49.2 million, $56.3 million and $60.8 million, respectively, which are included in our historical results. General corporate expenses include, but are not limited to, costs related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and stock-based compensation. Effective upon the separation, we will assume responsibility for all of these functions and related costs and anticipate our costs as a standalone entity will be higher than those allocated to us from Covidien. In the first year following the separation, these operating costs are estimated to be approximately $[•] million to $[•] million higher than the general corporate expenses historically allocated from Covidien to us. No pro forma adjustments have been made to reflect the costs and expenses described in this paragraph because they are projected amounts based on judgmental estimates.

(6) The following table provides a reconciliation of our net income to Adjusted EBITDA for the periods presented:

	Fiscal			
(Dollars in Millions)	Pro forma for the Separation 2012	2012	2011	2010
Net income	$	$134.6	$150.7	$200.6
Interest expense, net		0.1	0.4	0.6
Provision for income taxes		94.8	86.2	97.3
Depreciation expense		103.6	92.8	90.8
Amortization expense		27.3	27.0	23.4
Loss (income) from discontinued operations, net of income taxes		6.7	6.3	(54.7)
Other income, net		(1.0)	(2.9)	(3.4)
Restructuring charges, net		11.2	8.4	11.5
Separation costs		25.5	2.9	—
Adjusted EBITDA	$	$402.8	$371.8	$366.1

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This information statement and other materials Covidien and Mallinckrodt have filed or will file with the SEC contain, or will contain, certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. The words "believe," "expect," "anticipate," "project" and similar expressions, among others, generally identify "forward-looking statements," which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. In particular, information included under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and "The Separation" contain forward-looking statements. Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of Mallinckrodt management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Factors that could cause actual results or events to differ materially from those anticipated include the matters described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DIVIDENDS

Dividend Policy

We currently intend to retain any earnings to finance R&D, acquisitions and the operation and expansion of our business and do not anticipate paying any cash dividends for the foreseeable future. The recommendation, declaration and payment of any dividends in the future by us will be subject to the sole discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by our board of directors. Moreover, if we determine to pay any dividends in the future, there can be no assurance that we will continue to pay such dividends.

Creation of Distributable Reserves

Under Irish law, we require "distributable reserves" in our unconsolidated balance sheet prepared in accordance with the Irish Companies Acts to enable us to make distributions to our shareholders (including by way of the payment of cash dividends or share repurchases). See "Description of Mallinckrodt's Share Capital—Dividends" and "Description of Mallinckrodt's Share Capital—Share Repurchases and Redemptions."

Immediately following the separation, our unconsolidated balance sheet will not contain any distributable reserves, and "shareholders' equity" in such balance sheet will be comprised entirely of "share capital" (equal to the aggregate par value of our ordinary shares issued in the distribution) and "share premium" (resulting from the issuance of our ordinary shares in the distribution and equal to (a) the aggregate value of Covidien's Pharmaceuticals business at the time of its transfer to us less (b) the share capital). We therefore will not have the ability to pay dividends (or make other forms of distributions) immediately following the distribution. The current nominee shareholders of Mallinckrodt are expected to pass a resolution that would (subject to the approval of the High Court of Ireland) create distributable reserves following the distribution by converting to distributable reserves up to all of the share premium of Mallinckrodt.

The creation of distributable reserves described above is expected to be voted upon by Covidien shareholders at Covidien's 2013 Annual General Meeting, which is scheduled for March 20, 2013. We will seek to obtain the approval of the High Court of Ireland, which is required for the creation of distributable reserves to be effective, as soon as practicable following the distribution. The approval of the High Court of Ireland is expected to be obtained within approximately two months of the consummation of the distribution, but is dependent on a number of factors, such as the case load of the High Court of Ireland at the time of our initial application, and court vacations.

Until the High Court of Ireland approval is obtained or distributable reserves are created as a result of the profitable operation of the Mallinckrodt group, we will not have sufficient distributable reserves to make distributions by way of dividends, share repurchases or otherwise. Although we are not aware of any reason why the High Court of Ireland would not approve the creation of distributable reserves, there is no guarantee that such approval will be forthcoming.

CAPITALIZATION

The following table sets forth our capitalization as of September 28, 2012 on a historical basis and on a pro forma basis to give effect to the pro forma adjustments included in our unaudited pro forma financial information. The historical information below does not necessarily reflect what our capitalization would have been had we operated as a separate, publicly traded company for the period presented and is not necessarily indicative of our future capitalization. This table should be read in conjunction with our unaudited pro forma condensed combined financial statements and accompanying notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our combined financial statements and accompanying notes included elsewhere in this information statement.

	September 28, 2012	
(Dollars in Millions)	Actual	Pro Forma
Debt:		
Current maturities of long-term debt:		
Capital lease obligation	$ 1.3	$ 1.3
Long-term debt:		
7% debentures due December 2013	5.8	5.8
Capital lease obligation	3.1	3.1
Total long-term debt and obligations under capital lease	8.9	
Total debt	10.2	
Equity:		
Preference shares, par value $0.20 per share	—	
Ordinary shares, par value $0.20 per share	—	
Additional paid-in capital	—	
Parent company investment	1,807.0	
Accumulated other comprehensive income	84.9	84.9
Total equity	1,891.9	
Total capitalization	$1,902.1	$

We have not yet finalized our post-distribution capitalization; however, we currently expect to enter into an unsecured senior revolving credit facility in the amount of $[•] million and to obtain debt in the amount of $[•] million in connection with the separation. We also expect to have approximately $[•] million of cash on hand at the time of the distribution. Pro forma financial information reflecting our post-distribution capitalization will be included in an amendment to this information statement.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements have been derived from the historical combined financial statements of the Pharmaceuticals business of Covidien included elsewhere in this information statement. The unaudited pro forma condensed combined income statement assumes that the separation from Covidien occurred on October 1, 2011, the first day of fiscal 2012. The unaudited pro forma condensed combined balance sheet assumes that the separation from Covidien occurred on September 28, 2012. These financial statements have been adjusted to reflect the following:

- the transfer by Covidien to us of various corporate non-operating assets and liabilities historically managed by Covidien and its subsidiaries that are not related to our business and not included in our historical combined balance sheet and the transfer of certain of our assets and liabilities which will be retained by Covidien;
- the distribution of our ordinary shares to Covidien's shareholders and the elimination of historical parent company investment; and
- our anticipated capital structure, including debt anticipated to be incurred.

The assumptions used and pro forma adjustments derived from such assumptions are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial data. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information. Management believes such assumptions are reasonable.

The following unaudited pro forma condensed combined financial statements should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and accompanying notes included elsewhere in this information statement. The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. These unaudited pro forma condensed combined financial statements are not necessarily indicative of our results of operations or financial condition had the distribution and related transactions been completed on the dates assumed. Also, they may not reflect the results of operations or financial condition that would have been obtained if we had operated as a separate, publicly traded company during such periods. In addition, they are not necessarily indicative of our future results of operations or financial condition.

During fiscal 2012, Covidien allocated general corporate expenses to us in the amount of $49.2 million. General corporate expenses include, but are not limited to, costs related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and stock-based compensation, which are included in our historical results. Effective upon the separation, we will assume responsibility for all of these functions and related costs and anticipate our costs as a standalone company will be higher than those allocated to us from Covidien. In the first year following the separation, these operating costs are estimated to be approximately $[•] million to $[•] million higher than the general corporate expenses historically allocated from Covidien to us. No pro forma adjustments have been made to our financial statements to reflect the additional costs and expenses described in this paragraph because they are projected amounts based on judgmental estimates.

Covidien's debt and the related interest expense have not been allocated to us for any of the periods presented since we are not the legal obligor of the debt and Covidien's borrowings were not directly attributable to our business. Covidien does not intend to use any of the proceeds from our contemplated debt offering to repay any of its indebtedness.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
Fiscal Year Ended September 28, 2012
(in millions, except per share data)

	Historical	Pro Forma Adjustments		Pro Forma	
Net sales	$2,056.2	$ —		$2,056.2	
Cost of sales	1,091.4	—		1,091.4	
Gross profit	964.8	—		964.8	
Selling, general and administrative expenses	551.7	—		551.7	
Research and development expenses	144.1	—		144.1	
Separation costs	25.5	(25.5)	(a)	—	
Restructuring charges, net	11.2	—		11.2	
Gain on divestiture	(2.9)	—		(2.9)	
Operating income	235.2	25.5		260.7	
Other income, net	1.0	—		1.0	
Interest expense	(0.5)		(b)		
Interest income	0.4	—		0.4	
Income from continuing operations before income taxes	236.1				
Provision for income taxes	94.8		(c)		
Income from continuing operations	$ 141.3	$		$	
Pro forma earnings per share from continuing operations:					
Basic				$	(d)
Diluted				$	(e)
Pro forma weighted-average shares outstanding:					
Basic					(d)
Diluted					(e)

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
At September 28, 2012
(in millions, except share data)

	Historical	Pro Forma Adjustments		Pro Forma
Assets				
Current Assets:				
Cash and cash equivalents	$ —	$	(f)	$
Accounts receivable trade, less allowance for doubtful accounts	291.1		(g)	
Inventories	435.3	—		435.3
Prepaid expenses and other current assets	31.0		(h)	
Deferred income taxes	119.9		(i)	
Total current assets	877.3			
Property, plant and equipment, net	945.2	—		945.2
Goodwill	507.5	—		507.5
Intangible assets, net	365.6	—		365.6
Other assets	179.0		(h)(i)(j)	
Total Assets	$2,874.6	$		$
Liabilities and Shareholders' Equity				
Current Liabilities:				
Current maturities of long-term debt	$ 1.3	$ —		$ 1.3
Accounts payable	112.5	—		112.5
Accrued payroll and payroll-related costs	60.3	—		60.3
Accrued and other current liabilities	221.7		(j)(k)	
Total current liabilities	395.8			
Long-term debt	8.9		(f)	
Pension and postretirement benefits	189.6		(j)	
Environmental liabilities	136.5		(l)	
Deferred income taxes	73.7		(m)	
Other liabilities	178.2		(n)	
Total Liabilities	982.7			
Shareholders' Equity:				
Preferred shares, $0.20 par value, [•] authorized; [•] issued and outstanding on a pro forma basis	—			
Ordinary shares, $0.20 par value, [•] authorized; [•] issued and outstanding on a pro forma basis	—		(o)(p)	
Additional paid-in capital	—		(p)	
Parent company investment	1,807.0		(p)(q)	
Accumulated other comprehensive income	84.9			
Total Shareholders' Equity	1,891.9			
Total Liabilities and Shareholders' Equity	$2,874.6	$		$

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

(a) Reflects the removal of separation costs directly related to the separation that were incurred during the historical period. These costs were primarily for tax, accounting and other professional fees.

(b) Reflects the estimated increase in interest expense in connection with debt we expect to issue prior to or at the time of separation. The pro forma impact was based on the incurrence of $[•] million of debt with an assumed weighted-average interest rate of [•]%.

(c) Reflects the tax effects of the pro forma adjustments at the applicable statutory income tax rates. Also represents a $[•] million decrease in income tax expense due to changes in the internal capital structure resulting from the internal reorganization of our legal entities to facilitate the separation.

(d) Pro forma basic earnings per share and pro forma weighted-average basic shares outstanding reflect the estimated number of ordinary shares we expect to have outstanding upon completion of the distribution based on the number of Covidien ordinary shares outstanding on September 28, 2012, adjusted for an assumed distribution ratio of one ordinary share of Mallinckrodt for every [•] Covidien ordinary shares.

(e) Pro forma diluted earnings per share and pro forma weighted-average diluted shares outstanding reflect the estimated number of ordinary shares we expect to have outstanding upon completion of the distribution and reflect the potential issuance of ordinary shares under Covidien equity plans in which our employees participate based on the distribution ratio. While the actual dilutive impact in the future may differ from these estimates, we believe this estimate yields a reasonable approximation of the dilutive impact of Covidien equity plans.

(f) Reflects the issuance of $[•] million of debt, net of issuance costs and the retention by Covidien of $[•] million of cash proceeds thereof.

(g) Reflects certain non-U.S. accounts receivable that are expected to be retained by Covidien. These receivables relate to businesses operated as part of a broader Covidien business and cannot be segregated by business line.

(h) Reflects the capitalization of $[•] million of debt issuance costs.

(i) Represents the net transfer of $[•] million of current deferred tax assets and $[•] million of non-current deferred tax assets as a result of the internal reorganization of our legal entities to facilitate the separation.

(j) Reflects a $[•] million increase to pension and postretirement benefits and a $[•] million increase to accrued and other current liabilities for pension liabilities that are expected to be transferred to us and a $[•] million increase to other assets for the transfer of investments held in a rabbi trust, the assets of which may be used to pay retirement benefits.

(k) Represents the net transfer of $[•] million of current income taxes payable and $[•] million of current deferred tax liabilities as a result of the internal reorganization of our legal entities to facilitate the separation.

(l) Reflects the expected transfer of an environmental liability related to a site located in Orrington, Maine to Covidien. This liability was historically managed by us; however, it is the legal obligation of a subsidiary that will remain with Covidien after the separation.

(m) Reflects an increase to deferred tax liabilities primarily due to changes in the internal capital structure associated with the internal reorganization of our legal entities to facilitate the separation.

(n) Reflects contingent tax liabilities related to unresolved tax matters that will be transferred to us in connection with the separation, as set forth in the tax matters agreement that we expect to enter into with Covidien. As discussed in "Our Relationship with Covidien Following the Distribution—Tax Matters Agreement," the tax matters agreement will govern the rights and obligations of Mallinckrodt and Covidien

for certain tax liabilities with respect to periods or portions thereof ending on or before the date of the distribution. The actual amounts that we may be required to accrue or pay under the tax matters agreement will depend upon a number of factors, including the outcome of the unresolved tax matters.

(o) Represents the issuance of approximately [●] million ordinary shares at a par value of $0.20 per share. Our number of ordinary shares is based on the number of Covidien ordinary shares outstanding on September 28, 2012 and an expected distribution ratio of one ordinary share of Mallinckrodt for every [●] Covidien ordinary shares.

(p) Represents the reclassification of Covidien's net investment in us, to reflect the par value of our outstanding ordinary shares and additional paid-in capital.

(q) Represents a net reduction to parent company investment as a result of the following:

- Retention of cash by Covidien described in (f);
- Transfer of certain non-U.S. accounts receivable to Covidien described in (g);
- Assumption of pension liabilities and transfer of related investments held in a rabbi trust, both of which are described in (j);
- Transfer of Orrington, Maine environmental liability to Covidien described in (l); and
- Assumption of net tax liabilities described in (i), (k), (m) and (n).

SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table sets forth selected financial data for the Pharmaceuticals business of Covidien. The combined statement of income data for fiscal 2012, 2011 and 2010 and the combined balance sheet data as of September 28, 2012 and September 30, 2011 are derived from our audited combined financial statements included elsewhere in this information statement. The combined statement of income data for fiscal 2009 and 2008 and the combined balance sheet data at September 24, 2010, September 25, 2009 and September 26, 2008 are derived from our unaudited combined financial statements that are not included in this information statement. The unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein.

The selected historical combined financial data presented below should be read in conjunction with our combined financial statements and accompanying notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited pro forma condensed combined financial statements and accompanying notes included elsewhere in this information statement. Our historical financial data may not be indicative of the results of operations or financial condition that would have been obtained if we had operated as a separate, publicly traded company during the periods presented or of our future performance as an independent company.

	Fiscal[1]				
	2012[2]	2011[3]	2010[4]	2009[5][7]	2008[6][7]
	(dollars in millions)				
Combined Statement of Income Data:					
Net sales	$2,056.2	$2,021.8	$2,047.6	$2,429.5	$2,199.8
Gross profit	964.8	914.9	932.4	1,296.3	1,023.9
Research and development expenses	144.1	141.5	119.1	155.2	109.2
Operating income[8]	235.2	240.7	240.4	508.5	363.6
Income from continuing operations before income taxes	236.1	243.2	243.2	512.0	366.8
Income from continuing operations	141.3	157.0	145.9	315.5	239.0
Combined Balance Sheet Data (End of Period):					
Total assets	$2,874.6	$2,823.4	$2,888.3	$3,166.9	$3,120.9
Long-term debt	8.9	10.4	11.6	13.6	14.8
Parent company equity	1,891.9	1,788.7	1,835.9	2,016.4	2,128.6

(1) Fiscal 2011 includes 53 weeks. All other fiscal years presented include 52 weeks.

(2) Fiscal 2012 includes $25.5 million of separation costs and $19.2 million of restructuring and related charges, net.

(3) Fiscal 2011 includes $10.0 million of restructuring and related charges, net and $2.9 million of separation costs.

(4) Fiscal 2010 includes $31.3 million of product liability charges and $11.5 million of restructuring charges, net.

(5) Fiscal 2009 includes a $71.2 million charge for the estimated additional cost to remediate environmental matters at a site located in Orrington, Maine and $27.8 million of product liability charges, net of insurance recoveries. Fiscal 2009 also includes a $35.3 million charge related to upfront fees and milestone payments related to a product acquisition and licensing arrangements, which was included in R&D expenses, and $26.7 million of restructuring charges, net.

(6) Fiscal 2008 includes $6.1 million of restructuring charges, net.

(7) Includes $354.5 million and $56.9 million of sales of oxycodone hydrocodone extended-release tablets in fiscal 2009 and 2008, respectively. These tablets were sold under a license agreement that began in the fourth quarter of fiscal 2008 and ended in the second quarter of fiscal 2009.

(8) During fiscal 2012, 2011, 2010, 2009 and 2008, Covidien allocated to us general corporate expenses in the amount of $49.2 million, $56.3 million, $60.8 million, $60.6 million and $65.3 million, respectively. General corporate expenses include, but are not limited to, costs related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and stock-based compensation. Effective with the separation, we will assume responsibility for all of these functions and related costs and anticipate our costs as a standalone entity will be higher than those allocated to us from Covidien. In the first year following the separation, these operating costs are estimated to be approximately $[●] million to $[●] million higher than the general corporate expenses historically allocated from Covidien to us.

INDEX TO COMBINED FINANCIAL STATEMENTS

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC

MALLINCKRODT PLC

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Covidien plc:

We have audited the accompanying combined balance sheets of the Pharmaceuticals business of Covidien plc (such business referred to as the "Company") as of September 28, 2012 and September 30, 2011 and the related combined statements of income, comprehensive income, parent company equity and cash flows for each of the three fiscal years in the period ended September 28, 2012. The Company's management is responsible for these combined financial statements. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of September 28, 2012 and September 30, 2011, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 28, 2012, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined financial statements, the Company is comprised of the assets and liabilities used in managing the Pharmaceuticals business of Covidien plc. The combined financial statements include expense allocations for certain corporate functions historically provided by Covidien plc. These allocations may not be reflective of the actual expenses which would have been incurred had the Company operated as a separate entity apart from Covidien plc.

/s/ DELOITTE & TOUCHE LLP
St. Louis, Missouri
February 1, 2013

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
COMBINED STATEMENTS OF INCOME
Fiscal Years Ended September 28, 2012, September 30, 2011 and September 24, 2010
(in millions)

	2012	2011	2010
Net sales (including sales to a related party of $54.2, $52.4 and $50.5)	$2,056.2	$2,021.8	$2,047.6
Cost of sales (including purchases from a related party of $34.7, $41.1 and $38.1)	1,091.4	1,106.9	1,115.2
Gross profit	964.8	914.9	932.4
Selling, general and administrative expenses	551.7	532.5	565.3
Research and development expenses	144.1	141.5	119.1
Separation costs	25.5	2.9	—
Restructuring charges, net	11.2	8.4	11.5
Gain on divestitures	(2.9)	(11.1)	(3.9)
Operating income	235.2	240.7	240.4
Other income, net (including royalties from a related party of $0.9, $2.9 and $3.5)	1.0	2.9	3.4
Interest expense	(0.5)	(0.6)	(0.7)
Interest income	0.4	0.2	0.1
Income from continuing operations before income taxes	236.1	243.2	243.2
Provision for income taxes	94.8	86.2	97.3
Income from continuing operations	141.3	157.0	145.9
(Loss) income from discontinued operations, net of income taxes	(6.7)	(6.3)	54.7
Net income	$ 134.6	$ 150.7	$ 200.6

See Notes to Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
Fiscal Years Ended September 28, 2012, September 30, 2011 and September 24, 2010
(in millions)

	2012	2011	2010
Net income	$134.6	$150.7	$200.6
Other comprehensive income (loss), net of tax			
Currency translation:			
Currency translation	(2.9)	(0.5)	(12.1)
Currency translation reclassified to net income due to business divestitures	—	—	3.3
	(2.9)	(0.5)	(8.8)
Defined benefit plans:			
Unrecognized net loss arising during the period	(18.5)	(9.2)	(25.9)
Prior service credit resulting from plan amendments	—	17.0	—
Amortization of prior service credit and net actuarial loss	3.4	4.1	7.8
Plan settlements and curtailments included in net periodic pension costs	(0.2)	5.0	7.5
	(15.3)	16.9	(10.6)
Income tax benefit (provision) relating to defined benefit plans	4.6	(4.5)	3.6
Total other comprehensive (loss) income, net of tax	(13.6)	11.9	(15.8)
Comprehensive income	$121.0	$162.6	$184.8

See Notes to Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
COMBINED BALANCE SHEETS
At September 28, 2012 and September 30, 2011
(in millions)

	2012	2011
Assets		
Current Assets:		
Accounts receivable trade, less allowance for doubtful accounts of $9.4 and $5.7	$ 291.1	$ 302.2
Inventories	435.3	373.5
Prepaid expenses and other current assets	31.0	37.7
Deferred income taxes	119.9	130.5
Total current assets	877.3	843.9
Property, plant and equipment, net	945.2	906.3
Goodwill	507.5	507.5
Intangible assets, net	365.6	379.5
Other assets	179.0	186.2
Total Assets	$2,874.6	$2,823.4
Liabilities and Parent Company Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 1.3	$ 1.3
Accounts payable	112.5	121.2
Accrued payroll and payroll-related costs	60.3	56.1
Accrued and other current liabilities	221.7	230.2
Total current liabilities	395.8	408.8
Long-term debt	8.9	10.4
Pension and postretirement benefits	189.6	202.9
Environmental liabilities	136.5	154.8
Deferred income taxes	73.7	76.1
Other liabilities	178.2	181.7
Total Liabilities	982.7	1,034.7
Commitments and contingencies (note 20)		
Parent Company Equity:		
Parent company investment	1,807.0	1,690.2
Accumulated other comprehensive income	84.9	98.5
Total Parent Company Equity	1,891.9	1,788.7
Total Liabilities and Parent Company Equity	$2,874.6	$2,823.4

See Notes to Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
COMBINED STATEMENTS OF PARENT COMPANY EQUITY
Fiscal Years Ended September 28, 2012, September 30, 2011 and September 24, 2010
(in millions)

	Parent Company Investment	Accumulated Other Comprehensive Income	Total Parent Company Equity
Balance at September 25, 2009	$1,914.0	$102.4	$2,016.4
Net income	200.6	—	200.6
Other comprehensive loss, net of tax	—	(15.8)	(15.8)
Net transfers to parent	(365.3)	—	(365.3)
Balance at September 24, 2010	1,749.3	86.6	1,835.9
Net income	150.7	—	150.7
Other comprehensive income, net of tax	—	11.9	11.9
Net transfers to parent	(209.8)	—	(209.8)
Balance at September 30, 2011	1,690.2	98.5	1,788.7
Net income	134.6	—	134.6
Other comprehensive loss, net of tax	—	(13.6)	(13.6)
Net transfers to parent	(17.8)	—	(17.8)
Balance at September 28, 2012	$1,807.0	$ 84.9	$1,891.9

See Notes to Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
COMBINED STATEMENTS OF CASH FLOWS
Fiscal Years Ended September 28, 2012, September 30, 2011 and September 24, 2010
(in millions)

	2012	2011	2010
Cash Flows from Operating Activities:			
Net income	$ 134.6	$ 150.7	$ 200.6
Loss (income) from discontinued operations, net of income taxes	6.7	6.3	(54.7)
Income from continuing operations	141.3	157.0	145.9
Adjustments to reconcile net cash provided by continuing operating activities:			
Depreciation and amortization	130.9	119.8	114.2
Share-based compensation	10.7	10.3	12.0
Deferred income taxes	9.0	36.4	(7.4)
Gain on divestitures	(2.9)	(11.1)	(3.9)
Other non-cash items	(7.8)	(0.3)	7.0
Changes in assets and liabilities, net of the effects of divestitures:			
Accounts receivable, net	8.7	5.2	(32.4)
Inventories	(62.8)	12.2	2.9
Accounts payable	(8.3)	4.6	22.6
Income taxes	79.4	36.0	99.5
Accrued and other liabilities	(54.2)	(8.0)	18.0
Other	11.8	8.1	1.0
Net cash provided by continuing operating activities	255.8	370.2	379.4
Cash Flows from Investing Activities:			
Capital expenditures	(144.2)	(120.4)	(103.5)
Divestitures, net of cash retained by businesses sold	(3.8)	7.9	286.3
Purchase of product rights	(13.2)	—	(55.0)
Restricted cash	5.6	0.1	—
Cash paid under license agreement	—	—	(15.0)
Other	3.4	(0.2)	1.5
Net cash (used in) provided by continuing investing activities	(152.2)	(112.6)	114.3
Cash Flows from Financing Activities:			
Repayment of capital leases	(1.3)	(1.3)	(1.2)
Excess tax benefit from stock-based compensation	1.7	1.8	1.0
Net transfers to parent	(104.0)	(258.1)	(505.0)
Net cash used in continuing financing activities	(103.6)	(257.6)	(505.2)
Discontinued Operations:			
Net cash provided by discontinued operating activities	—	—	22.8
Net cash used in discontinued investing activities	—	—	(11.3)
Net cash provided by discontinued operations	—	—	11.5
Net change in cash	$ —	$ —	$ —
Supplementary Cash Flow Information:			
Interest paid	$ 0.6	$ 0.6	$ 0.7
Income taxes paid, net of refunds	$ 4.9	$ 11.6	$ 23.2

See Notes to Combined Financial Statements.

THE PHARMACEUTICALS BUSINESS OF COVIDIEN PLC
NOTES TO COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

Separation

On December 15, 2011, Covidien plc ("Covidien" or "parent") announced a plan to spin off its Pharmaceuticals business into a separate, publicly traded company. Upon completion of the separation, Mallinckrodt plc will be the parent company which will own the Pharmaceuticals business.

Basis of Presentation

The Pharmaceuticals business of Covidien plc (such business referred to as the "Company"), presented herein, represents a combined reporting entity comprising the assets and liabilities used in managing and operating the Company, including corporations, branches and operations that have been carved out which relate to Covidien's Pharmaceuticals business. The combined financial statements have been presented on a standalone basis and are derived from the consolidated financial statements of Covidien. The combined financial statements have been prepared in United States ("U.S.") dollars and in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The Company's combined financial statements may not be indicative of the Company's future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had it operated as an independent, publicly traded company during the periods presented.

Intercompany transactions between the Company and Covidien have been included in these combined financial statements and are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flows as a financing activity and in the combined balance sheets as parent company investment.

The combined financial statements include expense allocations for certain functions provided by Covidien, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, employee benefits and incentives, insurance and stock-based compensation. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating expenses, headcount or other measures. During fiscal 2012, 2011 and 2010, the Company was allocated $49.2 million, $56.3 million and $60.8 million, respectively, of general corporate expenses incurred by Covidien which are included within selling, general and administrative expenses in the combined statements of income. Management considers the bases on which the expenses have been allocated to reasonably reflect the utilization of services provided to or the benefit received by the Company during the periods presented. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. The Company is unable to determine what such costs would have been had the Company been independent. Following the separation, the Company will perform these functions using its own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Covidien under a transition services agreement, particularly in relation to areas outside the U.S.

The combined financial statements include certain assets and liabilities that have historically been recorded at the Covidien corporate level but are specifically identifiable or otherwise allocable to the Company. The cash and cash equivalents held by Covidien at the corporate level are not specifically identifiable to the Company. Accordingly, cash and cash equivalents have not been allocated to the Company for any of the periods presented.

Covidien's debt and the related interest expense have not been allocated to the Company for any of the periods presented since the Company is not the legal obligor of the debt and Covidien's borrowings were not directly attributable to the Company's business. Debt incurred by the Company directly has been included in the combined financial statements.

Covidien maintains self-insurance programs at the corporate level. The Company was allocated a portion of the expenses associated with these programs as part of the general corporate overhead expense allocation. In addition, certain product liability reserves have been allocated to the Company. No other self-insurance reserves have been allocated to the Company as the remaining self-insurance reserves represent obligations of Covidien, which are not transferrable.

The Company has disposed of some of the operations previously owned. Where appropriate, these operations have been reflected as discontinued operations in the combined financial statements. Divestitures of product lines not representing businesses have been reflected in operating income.

Fiscal Year

The Company reports its results based on a "52-53 week" year ending on the last Friday of September. Fiscal 2012 and 2010 consisted of 52 weeks and ended on September 28, 2012 and September 24, 2010, respectively. Fiscal 2011 ended on September 30, 2011 and consisted of 53 weeks. Unless otherwise indicated, references in the combined financial statements to 2012, 2011 and 2010 are to the Company's fiscal year ended September 28, 2012, September 30, 2011 and September 24, 2010, respectively.

Principles of Combination

Entities in which Covidien owns or controls more than fifty percent of the voting shares or has the ability to control through similar rights are included in the combined financial statements to the extent they relate to Covidien's Pharmaceuticals business. All intracompany transactions and accounts between the Company's businesses have been eliminated. The results of entities disposed of are included in the combined financial statements up to the date of disposal.

Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue for product sales when title and risk of loss have transferred from the Company to the buyer, which may be upon shipment or upon delivery to the customer site, based on contract terms or legal requirements in non-U.S. jurisdictions. The Company sells products direct to retail pharmacies and end user customers and through distributors who resell the products to retail pharmacies, institutions and end user customers. Chargebacks and rebates represent credits that are provided to certain distributors and customers for either the difference between the Company's contracted price with a customer and the distributor's invoice price paid to the Company or for contractually agreed volume price discounts. When the Company recognizes net sales, it simultaneously records an adjustment to revenue for estimated chargebacks, rebates, product returns and other sales deductions. These provisions are estimated based upon: historical experience, estimated future trends, estimated customer inventory levels, current contracted sales terms with customers, level of utilization of the

Company's products and other competitive factors. The Company adjusts these reserves to reflect differences between estimated activity and actual experience. Such adjustments impact the amount of net sales recognized by the Company in the period of adjustment.

Taxes collected from customers relating to product sales and remitted to governmental authorities are accounted for on a net basis. Accordingly, such taxes are excluded from both net sales and expenses.

Shipping and Handling Costs

Shipping costs, which are costs incurred to physically move product from the Company's premises to the customer's premises, are classified as selling, general and administrative expenses. Handling costs, which are costs incurred to store, move and prepare product for shipment, are classified as cost of sales. Shipping costs included in selling, general and administrative expenses were $59.1 million, $57.3 million and $68.2 million in fiscal 2012, 2011 and 2010, respectively.

Research and Development

Internal research and development costs are expensed as incurred. Research and development expenses include salary and benefits, allocated overhead and occupancy costs, clinical trial and related clinical manufacturing costs, contract services and other costs.

Upfront and milestone payments made to third parties under license arrangements are expensed as incurred up to the point of regulatory approval of the product. Milestone payments made to third parties subsequent to regulatory approval are capitalized as an intangible asset and amortized to cost of sales over the estimated useful life of the related product.

Advertising

Advertising costs are expensed when incurred. Advertising expense for continuing operations was $8.8 million, $9.7 million and $9.6 million in fiscal 2012, 2011 and 2010, respectively, and is included in selling, general and administrative expenses.

Currency Translation

For the Company's non-U.S. subsidiaries that transact in a functional currency other than U.S. dollars, assets and liabilities are translated into U.S. dollars using fiscal year-end exchange rates. Revenues and expenses are translated at the average exchange rates in effect during the related month. The net effect of these translation adjustments is shown in the combined financial statements as a component of accumulated other comprehensive income within parent company equity. For subsidiaries operating in highly inflationary environments or where the functional currency is different from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date the assets and liabilities were acquired or assumed, while monetary assets and liabilities are translated at fiscal year-end exchange rates. Translation adjustments of these subsidiaries are included in net income. Gains and losses resulting from foreign currency transactions are included in net income.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are presented net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects an estimate of losses inherent in the Company's accounts receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. Accounts receivable are written off when management determines they are uncollectible.

Inventories

Inventories are recorded at the lower of cost or market value, primarily using the first-in, first-out convention. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. Depreciation for property, plant and equipment assets, other than land and construction in progress, is based upon the following estimated useful lives, using the straight-line method:

Buildings	5 to 45 years
Leasehold improvements	2 to 14 years
Machinery and equipment	3 to 20 years

The Company capitalizes certain computer software and development costs incurred in connection with developing or obtaining software for internal use. These costs are included in machinery and equipment and are amortized over the estimated useful lives of the software.

Upon retirement or other disposal of property, plant and equipment, the cost and related amount of accumulated depreciation are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is included in net income.

The Company assesses the recoverability of assets using undiscounted cash flows whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If an asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the present value of future cash flows or other reasonable estimate of fair value.

Acquisitions

Amounts paid for acquisitions are allocated to the tangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Company then allocates the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including purchased research and development. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management. The Company allocates any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

The Company's purchased research and development represents the estimated fair value as of the acquisition date of in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval.

The value of in-process research and development ("IPR&D") is determined using the discounted cash flow method. In determining the value of IPR&D, the Company considers, among other factors, appraisals, the stage of completion of the projects, the technological feasibility of the projects, whether the projects have an alternative future use and the estimated residual cash flows that could be generated from the various projects and technologies over their respective projected economic lives. The discount rate used is determined at the time of acquisition and includes a rate of return which accounts for the time value of money, as well as risk factors that reflect the economic risk that the cash flows projected may not be realized.

The value attributable to IPR&D projects at the time of acquisition is capitalized as an indefinite-lived intangible asset and tested for impairment until the project is completed or abandoned. Upon completion of the project, the indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life. If the project is abandoned, the indefinite-lived intangible asset is charged to expense. As of September 28, 2012, the Company had no IPR&D.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets and liabilities assumed in a business combination. The Company tests goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise. The Company utilizes a two-step approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Intangible assets acquired in a business combination are recorded at fair value, while intangible assets acquired in other transactions are recorded at cost. Intangible assets with finite useful lives are subsequently amortized using the straight-line method over the following estimated useful lives of the assets:

Completed technology	5 to 25 years
License agreements	8 to 30 years
Trademarks	30 years

Amortization expense related to completed technology and certain other intangible assets is included in cost of sales, while amortization expense related to intangible assets that contribute to the Company's ability to sell, market and distribute products is included in selling, general and administrative expenses. The Company reviews intangible assets for impairment by comparing the fair value of the assets, estimated using an income approach, with their carrying value. If the carrying value exceeds the fair value of the intangible asset, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the present value of future cash flows. The Company assesses the remaining useful life and the recoverability of finite-lived intangible assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Indefinite-lived intangible assets are tested for impairment at least annually.

Contingencies

The Company is subject to various patent, product liability, government investigations, environmental liability and other legal proceedings in the ordinary course of business. The Company records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Company discounts environmental liabilities using a risk-free rate of return when the obligation is fixed or reasonably determinable. The impact of the discount in the combined balance sheets was not material in any period presented. Legal fees, other than those pertaining to environmental and asbestos matters, are expensed as incurred. Insurance recoveries related to potential claims are recognized up to the amount of the recorded liability when coverage is confirmed and the estimated recoveries are probable of payment. Assets and liabilities are not netted for financial statement presentation.

Asset Retirement Obligations

The Company's obligations to decommission two facilities upon a cessation of its radiological licensed operations are included on the combined balance sheets as asset retirement obligations. In addition, the Company establishes asset retirement obligations for certain assets at the time they are installed. The present value of an asset retirement obligation is recorded as a liability when incurred. The liability is subsequently adjusted in future periods as accretion expense is recorded or as revised estimates of the timing or amount of cash flows required to retire the asset are obtained. The corresponding asset retirement costs are capitalized as part of the carrying value of the related long-lived asset and depreciated over the asset's useful life.

Income Taxes

Income taxes as presented are calculated on a separate tax return basis (inclusive of certain loss benefits), although the Company's operations have historically been included in Covidien's U.S. federal and state tax returns or the tax returns of non-U.S. jurisdictions. Accordingly, the income taxes presented may not be reflective of the results that would have occurred on a standalone basis.

With the exception of certain non-U.S. entities, the Company does not maintain taxes payable to or from Covidien and the Company is deemed to settle the annual current tax balances immediately with the legal tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in parent company investment.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been reflected in the combined financial statements. Deferred tax assets and liabilities are determined based on the differences between the book and tax bases of assets and liabilities and operating loss carryforwards, using tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to reduce net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the uncertainty. To the extent a full benefit is not expected to be realized on the uncertain tax position, an income tax liability is established. Interest and penalties on income tax obligations, including uncertain tax positions, are included in the provision for income taxes.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across the Company's global operations. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities may result in income tax benefits being recognized in the period when it is determined that the liabilities are no longer necessary. A significant portion of these potential tax liabilities are recorded in other liabilities on the combined balance sheets as payment is not expected within one year.

Parent Company Investment

Parent company investment in the combined balance sheets represents Covidien's historical investment in the Company, the Company's accumulated net earnings after income taxes, and the net effect of transactions with and allocations from Covidien.

3. Discontinued Operations and Divestitures

Discontinued Operations

During fiscal 2010, the Specialty Chemicals business (formerly known as "Mallinckrodt Baker"), which was part of the Company's Specialty Pharmaceuticals segment, was sold for net cash proceeds of $273.3 million. Mallinckrodt Baker was sold because its products and customer bases were not aligned with the Company's long-term strategic objectives. This business met the discontinued operations criteria and, accordingly, is included in discontinued operations for all periods presented.

In connection with this transaction, the Company recorded a $20.4 million pre-tax gain on the sale of Mallinckrodt Baker during fiscal 2010. Included within this gain was a $17.7 million pre-tax charge associated with indemnification obligations to the purchaser, which are discussed in note 13.

During fiscal 2011, the Company recorded a $9.1 million pre-tax loss on the sale of Mallinckrodt Baker, primarily for pension settlements related to employees of this business. In addition, during fiscal 2012, the Company recorded an additional $6.7 million loss, primarily related to the indemnification obligations to the purchaser, which are discussed in note 13.

Net sales, income from operations and (loss) income on disposition for discontinued operations are as follows:

(Dollars in Millions)	2012	2011	2010
Net sales	$—	$—	$400.4
Income from operations, net of income tax provision of $—, $— and $28.3	$—	$—	$ 32.6
(Loss) income on disposition, net of income tax benefit of $—, $2.8 and $1.7	(6.7)	(6.3)	22.1
(Loss) income from discontinued operations, net of income taxes	$(6.7)	$(6.3)	$ 54.7

Divestitures

During fiscal 2011, the Company sold the rights to market TussiCaps extended-release capsules, a cough suppressant, for an upfront cash payment of $11.5 million. As a result of this transaction, the Company recorded an $11.1 million gain. The purchaser also may be obligated to make contingent payments to the Company of up to $11.5 million from December 31, 2011 through September 30, 2015, payable in equal quarterly installments until such time as a new competitive generic product is introduced into the market. In addition, the Company would receive a $1.0 million contingent payment if certain sales targets are achieved over the same time period. The Company received $2.9 million of contingent payments during fiscal 2012.

During fiscal 2010, the Company sold its nuclear radiopharmacies in the U.S. for net cash proceeds of $13.0 million. As a result of this transaction, the Company recorded a $3.9 million net gain. In connection with this sale, the Company also entered into a supply agreement, under which the purchaser committed to annual purchase volumes through December 31, 2014.

4. Product Acquisitions

Roxicodone—In August 2012, the Company's Specialty Pharmaceuticals segment paid $13.2 million under an agreement to acquire all of the rights to Xanodyne Pharmaceuticals, Inc.'s Roxicodone, which was capitalized as an intangible asset. Roxicodone is an immediate-release oral formulation of oxycodone hydrochloride indicated for the management of moderate to severe pain where the use of an opioid analgesic is appropriate. Roxicodone is the Reference Listed Drug for one of the Company's generic products and is important to the Company's product pipeline. There are no ongoing royalty payments under this agreement.

Exalgo—In June 2009, the Company's Specialty Pharmaceuticals segment acquired the rights to market and distribute the pain management drug Exalgo in the U.S., for an upfront cash payment of $10.0 million, which was included in research and development expenses during fiscal 2009. Under the license arrangement, the Company is obligated to make additional payments of up to $73.0 million based upon the successful completion of specified development and regulatory milestones. During fiscal 2009, $10.0 million of such milestone payments were made and included in research and development expenses. During fiscal 2010, the U.S. Food and Drug Administration ("FDA") approved the Exalgo New Drug Application ("NDA") for the 8 mg, 12 mg and 16 mg tablet dosage forms, resulting in additional payments of $55.0 million, which were capitalized as an intangible asset. In addition, during fiscal 2012 the Company received FDA approval to market a 32 mg tablet dosage form. The Company is also required to pay royalties on sales of the product. During fiscal 2012, 2011 and 2010, the Company paid royalties of $16.1 million, $5.5 million and $4.4 million, respectively.

5. License Agreements

Depomed, Inc.—In October 2009, the Company's Specialty Pharmaceuticals segment licensed worldwide rights to utilize Depomed, Inc.'s ("Depomed") Acuform gastric retentive drug delivery technology for the exclusive development of four products. Under this license agreement, the Company paid Depomed upfront and development payments of $5.3 million during fiscal 2009. In addition to these payments, the Company may be obligated to pay up to $64 million in additional development milestone payments. The Company will also pay Depomed a royalty on sales of products developed under this license agreement. During fiscal 2012 and 2010, an insignificant amount of milestone payments were expensed as incurred since regulatory approval had not yet been received. No milestone payments were made in fiscal 2011. In addition, no royalties have been paid through fiscal 2012.

Pennsaid—In June 2009, the Company's Specialty Pharmaceuticals segment entered into a licensing agreement which granted it rights to market and distribute Pennsaid and MNK-395, product candidates for the treatment of osteoarthritis of the knee. This license arrangement included an upfront cash payment of $10.0 million, which was included in research and development expenses during fiscal 2009. The Company is also responsible for all future development activities and expenses. In addition, the Company may be required to make additional payments of up to $120 million based upon the successful completion of specified regulatory and sales milestones, and is required to pay royalties on sales of the products. During fiscal 2010, upon FDA approval of the Pennsaid NDA, the Company made a milestone payment of $15.0 million, which was capitalized as an intangible asset. During fiscal 2012, the Company paid royalties of $7.5 million associated with this product. The amount of royalties the Company paid during fiscal 2011 and 2010 were insignificant. MNK-395 is currently under FDA review.

6. Restructuring and Related Charges, Net

During fiscal 2011 and fiscal 2009, Covidien launched restructuring programs designed to improve its cost structure. The 2009 program is substantially completed. The Company expects to incur charges under the 2011 program as the specific actions required to execute on these initiatives are identified and approved, most of which are expected to be incurred by the end of fiscal 2014.

Net restructuring and related charges by segment are as follows:

(Dollars in Millions)	2012	2011	2010
Specialty Pharmaceuticals	$11.3	$ 6.5	$ 3.3
Global Medical Imaging	7.9	3.8	8.4
Corporate	—	(0.3)	(0.2)
	19.2	10.0	11.5
Less: accelerated depreciation	(8.0)	(1.6)	—
Restructuring charges, net	$11.2	$ 8.4	$11.5

Net restructuring and related charges are comprised of the following:

(Dollars in Millions)	2012	2011	2010
2011 program	$21.0	$ 9.4	$ —
2009 program	(1.8)	0.6	11.5
	19.2	10.0	11.5
Less: non-cash charges, including accelerated depreciation	(6.2)	(1.6)	(0.3)
Total charges expected to be settled in cash	$13.0	$ 8.4	$11.2

The following table summarizes cash activity for restructuring reserves that are specifically identifiable to the Company, substantially all of which relates to employee severance and benefits:

(Dollars in Millions)	2011 Program	2009 Program	Total
Balance at September 25, 2009	$ —	$ 13.0	$ 13.0
Charges	—	11.7	11.7
Changes in estimate	—	(0.5)	(0.5)
Cash payments	—	(14.8)	(14.8)
Reclassifications[1]	—	(4.6)	(4.6)
Currency translation	—	(0.3)	(0.3)
Balance at September 24, 2010	—	4.5	4.5
Charges	7.8	1.8	9.6
Changes in estimate	—	(1.2)	(1.2)
Cash payments	(0.2)	(3.3)	(3.5)
Reclassifications[1]	—	(1.6)	(1.6)
Currency translation	(0.2)	—	(0.2)
Balance at September 30, 2011	7.4	0.2	7.6
Charges	12.5	0.3	12.8
Changes in estimate	0.3	(0.1)	0.2
Cash payments	(11.3)	(0.2)	(11.5)
Reclassifications[1]	(0.1)	(0.1)	(0.2)
Balance at September 28, 2012	$ 8.8	$ 0.1	$ 8.9

(1) Primarily represents the reclassification of pension and other postretirement benefits from restructuring reserves to pension and post retirement obligations.

Net restructuring and related charges, including associated asset impairments, incurred cumulative to date related to the 2011 program are as follows:

(Dollars in Millions)	2011 Program
Specialty Pharmaceuticals	$16.7
Global Medical Imaging	13.7
Total	$30.4

Restructuring reserves are reported on the Company's combined balance sheets in accrued and other current liabilities.

7. Income Taxes

The U.S. and non-U.S. components of income from continuing operations before income taxes were as follows:

(Dollars in Millions)	2012	2011	2010
U.S.	$174.6	$134.9	$152.8
Non-U.S.	61.5	108.3	90.4
	$236.1	$243.2	$243.2

Significant components of income taxes related to continuing operations are as follows:

(Dollars in Millions)	2012	2011	2010
Current:			
United States:			
Federal	$61.1	$19.2	$ 58.3
State	7.2	2.4	11.8
Non-U.S.	17.5	28.2	34.6
Current income tax provision	85.8	49.8	104.7
Deferred:			
United States:			
Federal	5.3	37.8	(5.7)
State	2.4	4.3	(0.6)
Non-U.S.	1.3	(5.7)	(1.1)
Deferred income tax provision (benefit)	9.0	36.4	(7.4)
	$94.8	$86.2	$ 97.3

The reconciliation between U.S. federal income taxes at the statutory rate and the Company's provision for income taxes on continuing operations is as follows:

(Dollars in Millions)	2012	2011	2010
Notional U.S. federal income taxes at the statutory rate	$82.6	$ 85.1	$ 85.1
Adjustments to reconcile to the income tax provision:			
U.S. state income tax provision, net	7.1	5.9	7.0
Rate differences between non-U.S. and U.S. jurisdictions[1]	(3.5)	(16.8)	(10.7)
Adjustments to accrued income tax liabilities and uncertain tax positions	2.3	0.9	10.4
Withholding tax, net	0.4	3.8	1.1
Credits, principally research	(0.8)	(4.1)	(0.7)
Nondeductible expenses	8.1	8.4	7.4
Other	(1.4)	3.0	(2.3)
Provision for income taxes	$94.8	$ 86.2	$ 97.3

(1) Excludes non-deductible charges and other items which are broken out separately in the statutory rate reconciliation presented.

As of September 28, 2012, September 30, 2011 and September 24, 2010, the amounts of unrecognized tax benefits for which the Company is legally and directly liable and would be required to remit cash if not sustained were $13.4 million, $14.2 million and $15.9 million, respectively. Historically, the Company's operations have been included in tax returns filed by Covidien or certain of its subsidiaries not included in the combined financial statements. As a result, some federal uncertain tax positions related to the Company's operations result in

unrecognized tax benefits that are obligations of entities not included in the combined financial statements. Because the activities that give rise to these unrecognized tax benefits relate to the Company's operations, the impact of these items (presented in the table below) have been charged to the income tax provision through parent company investment, a component of parent company equity.

The following table summarizes the activity related to the Company's unrecognized tax benefits, excluding interest:

(Dollars in Millions)	2012	2011	2010
Balance at beginning of fiscal year	$168.4	$175.7	$183.5
Additions related to current year tax positions	1.3	2.2	2.8
Additions related to prior period tax positions	1.6	1.1	1.1
Reductions related to prior period tax positions	(1.9)	(3.9)	(8.5)
Settlements	(1.7)	(6.7)	(0.2)
Lapse of statute of limitations	(2.2)	—	(3.0)
Balance at end of fiscal year	165.5	168.4	175.7
Cash advance paid in connection with proposed settlements	(23.5)	(23.5)	—
Balance at end of fiscal year, net of cash advance	$142.0	$144.9	$175.7

During fiscal 2011, Covidien made a $35.1 million advance payment to the U.S. Internal Revenue Service in connection with the proposed settlement of certain tax matters. This payment was comprised of $23.5 million of tax and $11.6 million of interest.

Unrecognized tax benefits are reported in the following combined balance sheet captions in the amount shown:

(Dollars in Millions)	2012	2011
Other liabilities	$ 13.4	$ 14.2
Parent company investment	152.1	154.2
	$165.5	$168.4

The Company had unrecognized tax benefits of $144.3 million, $144.8 million and $149.8 million as of September 28, 2012, September 30, 2011 and September 24, 2010, respectively, which if settled favorably would benefit the effective tax rate. The remaining $21.2 million, $23.6 million and $25.9 million of unrecognized tax benefits as of September 28, 2012, September 30, 2011 and September 24, 2010, respectively, would be offset by the write off of related deferred and other tax assets, if recognized. During fiscal 2012, 2011 and 2010, the Company accrued additional interest of $1.4 million, $3.8 million and $6.5 million, respectively. The total amount of accrued interest related to uncertain tax positions was $33.9 million, $32.5 million and $40.3 million at September 28, 2012, September 30, 2011 and September 24, 2010, respectively, of which $26.0 million, $24.8 million and $32.3 million was included in parent company investment as of September 28, 2012, September 30, 2011 and September 24, 2010, respectively. Non-current income taxes payable also includes anticipated refunds and other items not related to uncertain tax positions.

Income taxes payable is reported in the following combined balance sheet captions in the amounts shown:

(Dollars in Millions)	2012	2011
Accrued and other current liabilities	$ 2.6	$ 0.7
Other liabilities	19.4	19.9
	$22.0	$20.6

Covidien continues to be examined by various tax authorities. The resolution of these tax matters could result in a significant change in the Company's unrecognized tax benefits. However, the Company does not expect that the total amount of unrecognized tax benefits will significantly change over the next twelve months.

As of September 28, 2012, tax years that remain subject to examination in the Company's major tax jurisdictions are as follows:

Jurisdiction	Earliest Open Year
United States—federal and state	1996
Australia	2008
Canada	2004
France	2000
Germany	2003
Ireland	2008
Italy	2005
Japan	2006
Netherlands	2005
Switzerland	2004
United Kingdom	2009

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred tax asset at the end of each fiscal year are as follows:

(Dollars in Millions)	2012	2011
Deferred tax assets:		
Accrued liabilities and reserves	$ 47.4	$ 46.0
Inventories	36.4	40.7
Environmental liabilities	66.4	75.6
Rebate reserves	38.1	38.7
Indemnification reserves	14.9	15.3
Postretirement benefits	67.7	74.5
Other	20.8	24.9
	291.7	315.7
Deferred tax liabilities:		
Property, plant and equipment	(139.9)	(150.0)
Intangible assets	(89.1)	(94.2)
	(229.0)	(244.2)
Net deferred tax asset before valuation allowances	62.7	71.5
Valuation allowances	(15.3)	(15.6)
Net deferred tax asset	$ 47.4	$ 55.9

Deferred taxes are reported in the following combined balance sheet captions in the amounts shown:

(Dollars in Millions)	2012	2011
Deferred income taxes (current assets)	$119.9	$130.5
Other assets	3.8	3.2
Accrued and other current liabilities	(2.6)	(1.7)
Deferred income taxes (non-current liabilities)	(73.7)	(76.1)
Net deferred tax asset	$ 47.4	$ 55.9

At September 28, 2012, the Company had approximately $4.6 million of net operating loss carryforwards in certain non-U.S. jurisdictions, of which $2.4 million have no expiration, and the remaining $2.2 million will expire in future years through 2021.

The valuation allowances for deferred tax assets of $15.3 million and $15.6 million at September 28, 2012 and September 30, 2011, respectively, relate principally to the uncertainty of the utilization of certain deferred tax assets, primarily certain reserves in non-U.S. jurisdictions and unrealized capital losses in the U.S. The Company believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets.

During fiscal 2012 and 2011, the Company provided for U.S. and non-U.S. income and withholding taxes in the amount of $0.4 million and $3.8 million, respectively, on earnings that were or are intended to be repatriated. In general, the remaining earnings of the Company's subsidiaries are considered to be permanently reinvested. Income taxes are not provided on undistributed earnings of U.S. and non-U.S. subsidiaries that are either indefinitely reinvested or can be distributed on a tax-free basis. It is not practicable to determine the cumulative amount of undistributed earnings and tax liability that would arise if these earnings were remitted.

8. Inventories

At the end of fiscal 2012 and 2011, inventories were comprised of:

(Dollars in Millions)	2012	2011
Raw materials and supplies	$ 74.1	$ 73.7
Work in process	184.7	161.3
Finished goods	176.5	138.5
Inventories	$435.3	$373.5

9. Property, plant and equipment

At the end of fiscal 2012 and 2011, property, plant and equipment at cost and accumulated depreciation were:

(Dollars in Millions)	2012	2011
Land	$ 60.0	$ 60.4
Buildings and related improvements	297.3	276.6
Machinery and equipment	1,212.7	1,134.2
Construction in progress	181.4	154.5
	1,751.4	1,625.7
Less: accumulated depreciation	(806.2)	(719.4)
Property, plant and equipment, net	$ 945.2	$ 906.3

The amounts above include property under capital leases of $17.0 million and $17.9 million at September 28, 2012 and September 30, 2011, respectively, consisting primarily of buildings. Accumulated amortization of capitalized lease assets was $14.3 million and $14.1 million at the end of fiscal 2012 and 2011, respectively. In addition, machinery and equipment includes capitalized software costs of $59.9 million and $52.2 million at September 28, 2012 and September 30, 2011, respectively. Accumulated amortization of capitalized software was $43.3 million and $38.2 million at the end of fiscal 2012 and 2011, respectively.

Depreciation expense, including amounts related to capitalized leased assets, was $103.6 million, $92.8 million and $90.8 million in fiscal 2012, 2011 and 2010, respectively.

10. Goodwill and Intangible Assets

Goodwill for the Company's operating segments consisted of the following:

(Dollars in Millions)	September 28, 2012	September 30, 2011
Specialty Pharmaceuticals	$287.8	$287.8
Global Medical Imaging	219.7	219.7
	$507.5	$507.5

The gross carrying amount and accumulated amortization of intangible assets at the end of fiscal 2012 and 2011 were as follows:

	2012		2011	
(Dollars in Millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable:				
Completed technology	$376.1	$173.7	$362.8	$159.0
Licenses	191.1	67.1	191.1	54.8
Trademarks	7.7	3.5	7.7	3.3
Total	$574.9	$244.3	$561.6	$217.1
Non-Amortizable:				
Trademarks	$ 35.0		$ 35.0	

Intangible asset amortization expense for fiscal 2012, 2011 and 2010 was $27.3 million, $27.0 million and $23.4 million, respectively. The estimated aggregate amortization expense on intangible assets owned by the Company as of September 28, 2012 is expected to be $29.7 million in fiscal 2013 through fiscal 2016 and $28.2 million in fiscal 2017.

In fiscal 2008, the Company's Global Medical Imaging segment acquired completed technology, which facilitates the injection of contrast media. In fiscal 2010, the Company decided to market the technology for sale. However, the Company subsequently realized that a design flaw of the technology would prohibit the sale of the products without further investment. The Company decided not to make any further investment in the technology and, accordingly, recorded an impairment charge of $4.6 million to write off the entire amount of the intangible asset, which is included in research and development expenses in fiscal 2010. The Company recorded total intangible asset impairments of $6.4 million during fiscal 2010.

11. Related Party Transactions

The combined financial statements have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of Covidien.

Related Party Sales and Purchases

During fiscal 2012, 2011 and 2010, the Company sold products to other Covidien businesses in the amount of $54.2 million, $52.4 million and $50.5 million, respectively, which is included in net sales in the combined statements of income. The Company also purchases inventories from other Covidien businesses. The Company purchased and recognized in cost of sales inventory from Covidien of $34.7 million, $41.1 million and $38.1 million in fiscal 2012, 2011 and 2010, respectively. As of September 28, 2012 and September 30, 2011, the aggregate amount of inventories purchased from other Covidien businesses that remained on the Company's combined balance sheets was insignificant.

Royalty Income

During fiscal 2012, 2011 and 2010, a subsidiary of Covidien paid royalties to the Company for use of certain trademarks and technology. Amounts outstanding under these agreements are considered settled for cash in the combined financial statements at the end of each reporting period and, as such, are included in parent company investment. During fiscal 2012, 2011 and 2010, the Company recognized royalty income of $0.9 million, $2.9 million and $3.5 million, respectively, which is included in other income in the combined statements of income.

Parent Company Equity

Covidien uses a centralized approach to cash management and financing of its operations, excluding debt directly incurred by any of its businesses. The Company's cash is transferred to Covidien daily and Covidien funds the Company's operating and investing activities as needed. Cash transfers to and from Covidien's cash management system are reflected as a component of parent company investment within parent company equity in the combined balance sheets.

Net transfers to parent are included within parent company investment on the combined statements of parent company equity. The components of the net transfers to parent for fiscal 2012, 2011 and 2010 are as follows:

(Dollars in Millions)	2012	2011	2010
Cash pooling and general financing activities	$(84.0)	$(258.2)	$(209.8)
Corporate expense allocation	49.2	56.3	60.8
Cash transfer from (to) parent for divestitures	3.8	(7.9)	(286.3)
Cash transfer from parent for purchase of product rights and license	13.2	—	70.0
Total net transfers to parent	$(17.8)	$(209.8)	$(365.3)

12. Debt

At the end of fiscal 2012 and 2011, debt was comprised of:

(Dollars in Millions)	2012	2011
Current maturities of long-term debt:		
Capital lease obligation	$ 1.3	$ 1.3
Long-term debt:		
7% debentures due December 2013	5.8	5.8
Capital lease obligation	3.1	4.6
Total	8.9	10.4
Total debt	$10.2	$11.7

Since quoted market prices for the Company's debentures are not available in an active market, they are classified as level 2 for purposes of developing an estimate of their fair value. The fair value of the Company's debt did not differ significantly from its carrying value at September 28, 2012 and September 30, 2011.

The Company's capital lease obligation relates to a non-U.S. manufacturing facility. This lease expires in December 2015. The aggregate amounts of debt, including capital lease obligations, maturing during the next five fiscal years are as follows:

(Dollars in Millions)	
Fiscal 2013	$ 1.3
Fiscal 2014	7.1
Fiscal 2015	1.4
Fiscal 2016	0.4
Fiscal 2017	—

13. Guarantees

In disposing of assets or businesses, the Company often provides representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities and unidentified tax liabilities related to periods prior to disposition. Except as discussed below, the Company generally does not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, the Company has no reason to believe that these uncertainties would have a material adverse effect on its financial condition, results of operations and cash flows.

In connection with the sale of Mallinckrodt Baker, the Company agreed to indemnify the purchaser with respect to various matters, including environmental, health, safety, tax and other matters. The indemnification obligations relating to environmental, health and safety matters have a term of 17 years, while some of the other indemnification obligations have an indefinite term. The amount of the liability relating to all of these indemnification obligations included in other liabilities on the Company's combined balance sheets at both September 28, 2012 and September 30, 2011 was $22.4 million, of which $18.3 million related to environmental, health and safety matters. The value of the environmental, health and safety indemnity was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental, health and safety claims made under the indemnity. The aggregate fair value of these indemnification obligations did not differ significantly from their aggregate carrying value at September 28, 2012 and September 30, 2011. As of September 28, 2012, the maximum future payments the Company could be required to make under all of these indemnification obligations was $76.5 million. The Company was required to pay $30.0 million into an escrow account as collateral for all of these indemnification obligations to the purchaser, of which $24.5 million and $30.0 million remained in other assets on the combined balance sheet at September 28, 2012 and September 30, 2011, respectively.

The Company has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in note 20. In addition, the Company is liable for product performance; however in the opinion of management, such obligations will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

The Company is required to provide the Nuclear Regulatory Commission financial assurance demonstrating its ability to cover the cost of decommissioning its Maryland Heights, Missouri radiopharmaceuticals production facility upon closure, though the Company does not intend to close this facility. The Company has provided this financial assurance in the form of a $58.0 million surety bond. In addition, as of September 28, 2012, the Company had a $21.1 million letter of credit to guarantee decommissioning costs associated with its St. Louis, Missouri plant.

As of September 28, 2012, the Company had various other letters of credit and guarantee and surety bonds totaling $25.8 million. In addition, at September 28, 2012, Covidien had outstanding letters of credit and guarantee and surety bonds totaling $108.4 million, which supported multiple Covidien businesses, including the Company.

14. Derivative Instruments

The Company is exposed to certain risks relating to its business operations. Risks that relate to foreign exchange exposure and certain commodity price exposures are managed by participating in the centralized hedging functions of Covidien which are designed to minimize exposure to such risks. Foreign currency option and forward contracts are used to economically manage the foreign exchange exposures of operations outside the U.S. Swap contracts on commodities are periodically entered into to manage the price risk associated with forecasted purchases of commodities used in the Company's manufacturing processes. The associated derivative assets and liabilities have not been included on the Company's combined balance sheet since derivative activity is centrally managed by Covidien. Changes in the derivative financial instrument's fair value which related to the Company's business operations, however, have been recognized in the Company's earnings unless specific hedge criteria are met. Covidien has designated certain commodity swap contracts as cash flow hedges. Covidien has not designated the foreign currency forward and option contracts as hedging instruments.

Foreign Exchange Exposure

Derivatives not designated as hedging instruments—The Company has foreign exchange exposure on the translation of the financial statements and on transactions denominated in foreign currencies. Covidien's policy is to use various forward and option contracts to economically manage foreign currency exposures on accounts and notes receivable, accounts payable, intercompany loans and forecasted transactions that are denominated in certain foreign currencies. Covidien generally manages its exposure for forecasted transactions for the upcoming 12 months. These contracts do not meet the necessary criteria to qualify for hedge accounting; accordingly, changes in fair value are recognized in earnings.

The amount of net (loss) gain on foreign exchange forward and option contracts not designated as hedging instruments and related hedged items were recorded as follows:

(Dollars in Millions)	2012	2011	2010
Cost of sales	$(0.3)	$(3.7)	$—
Selling, general and administrative expenses	0.1	0.1	(3.1)
	$(0.2)	$(3.6)	$(3.1)

Commodities Exposure

Covidien has entered into gas commodity swap contracts on behalf of the Company. The amounts of the net losses on these contracts were recorded as follows:

(Dollars in Millions)	2012	2011	2010
Cost of sales	$0.9	$0.8	$1.1
Selling, general and administrative expenses	2.3	2.4	1.7
	$3.2	$3.2	$2.8

15. Financial Instruments and Fair Value Measurements

Fair value is defined as the exit price that would be received from the sale of an asset or paid to transfer a liability, using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs used in measuring fair value. The levels within the hierarchy are as follows:

Level 1—observable inputs such as quoted prices in active markets for identical assets or liabilities;
Level 2—significant other observable inputs that are observable either directly or indirectly; and
Level 3—significant unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions.

The following tables provide a summary of the significant assets and liabilities that are measured at fair value on a recurring basis at September 28, 2012:

(Dollars in Millions)	Total	Basis of Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Basis of Fair Value Measurement: Significant Other Observable Inputs (Level 2)
Assets			
Debt and equity securities held in rabbi trust	$25.2	$13.7	$11.5
Liabilities			
Deferred compensation liabilities	$ 9.3	$ 9.3	$—

The following tables provide a summary of the significant assets and liabilities that are measured at fair value on a recurring basis at September 30, 2011:

(Dollars in Millions)	Total	Basis of Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Basis of Fair Value Measurement: Significant Other Observable Inputs (Level 2)
Assets			
Debt and equity securities held in rabbi trust	$22.5	$8.8	$13.7
Liabilities			
Deferred compensation liabilities	$ 6.4	$6.4	$—

Debt and equity securities held in rabbi trust—Debt securities held in the rabbi trust primarily consist of U.S. government and agency securities and corporate bonds. When quoted prices are available in an active market, the investments are classified as level 1. When quoted market prices for a security are not available in an active market, they are classified as level 2. Equity securities held in the rabbi trust primarily consist of U.S. common stocks, which are valued using quoted market prices reported on nationally recognized securities exchanges.

Deferred compensation liabilities—Covidien maintains a non-qualified deferred compensation plan in the U.S., which permits eligible employees of the Company to defer a portion of their compensation. A recordkeeping account is set up for each participant and the participant chooses from a variety of funds for the deemed investment of their accounts. The measurement funds generally correspond to the funds offered in Covidien's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Financial Instruments Not Measured at Fair Value

The fair value of restricted cash is equivalent to its carrying value of $24.6 million and $30.2 million as of September 28, 2012 and September 30, 2011, respectively (level 1), substantially all of which is included in other assets on the combined balance sheets. The Company's life insurance contracts are carried at cash surrender value (level 3). The fair value of these contracts approximates the carrying value of $37.8 million and $36.4 million at September 28, 2012 and September 30, 2011, respectively.

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of accounts receivable. The Company does not require collateral from customers. A portion of the Company's trade accounts receivable outside the U.S., however, include sales to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies. Deteriorating credit and economic conditions in parts of Western Europe, particularly in Spain and Italy, may continue to increase the average length of time it takes the Company to collect its accounts receivable in certain regions within these countries.

The Company routinely evaluates all government receivables for potential collection risks associated with the availability of government funding and reimbursement practices. While the Company's accounts receivable, net of allowance for doubtful accounts, in Greece is insignificant, during fiscal 2012, the Company recorded a $4.4 million charge to write down its outstanding accounts receivable in Greece. This charge is included within selling, general and administrative expenses. The Company has not incurred any other significant losses on government receivables; however, if the financial condition of customers or the countries' healthcare systems continue to deteriorate such that their ability to make payments is uncertain, additional allowances may be required in future periods.

The Company's accounts receivable, net of the allowance for doubtful accounts, in Spain and Italy at the end of each period are as follows:

(Dollars in Millions)	2012	2011
Spain	$15.0	$26.6
Italy	12.5	14.7

Net sales to customers in Spain and Italy totaled $55.0 million, $60.2 million and $58.7 million for fiscal 2012, 2011 and 2010, respectively.

The following table shows net sales attributable to distributors that accounted for 10% or more of the Company's total net sales:

	2012	2011	2010
Cardinal Health, Inc.	19%	19%	15%
McKesson Corporation	14%	13%	11%

The following table shows accounts receivable attributable to distributors that accounted for 10% or more of the Company's gross accounts receivable at the end of each period:

	2012	2011
Cardinal Health, Inc.	19%	19%
McKesson Corporation	20%	16%
AmerisourceBergen Corporation	10%	12%

The following table shows net sales attributable to products that accounted for 10% or more of the Company's total net sales:

	2012	2011	2010
Optiray (CMDS)	17%	19%	17%
Acetaminophen products (API)	11%	11%	10%

Molybdenum-99 ("Mo-99") is a key raw material in the Company's Ultra-Technekow DTE technetium generators that are sold by its Global Medical Imaging segment. There are only eight suppliers of this raw material worldwide and the Company relies predominantly on two of these suppliers for Mo-99. Accordingly, a disruption in the commercial supply or a significant increase in the cost of this material from these sources could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

16. Retirement Plans

Defined Benefit Plans

The Company sponsors a number of defined benefit retirement plans covering certain of its U.S. employees and non-U.S. employees. As of September 28, 2012, U.S. plans represented 73% of the Company's total pension plan assets and 78% of the Company's total projected benefit obligation. The Company generally does not provide postretirement benefits other than retirement plan benefits for its employees. However, certain of the Company's U.S. employees participate in postretirement benefit plans that provide medical benefits. These plans are unfunded.

During fiscal 2011, the Company amended one of its U.S. retiree medical plans to eliminate coverage for future retirees unless certain conditions were met. The plan amendment reduced the Company's overall obligation to participants by $17.0 million and impacted both prior and future benefits under the plan. As a result of this amendment, the Company's net periodic benefit cost decreased by approximately $8.6 million during fiscal 2011.

During fiscal 2011, the Company incurred settlement charges of $11.1 million resulting from the level of lump-sum payments paid out of one of its U.S. pension plans, a significant portion of which were driven by the divestiture of Mallinckrodt Baker. During fiscal 2010, the Company incurred settlement charges of $7.4 million resulting from the level of lump-sum payments paid out of one of its U.S. pension plans stemming primarily from restructuring actions.

The net periodic benefit cost (credit) for pension and postretirement benefit plans is as follows:

(Dollars in Millions)	Pension Benefits			Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
Service cost	$ 5.0	$ 6.2	$ 7.4	$ 0.1	$ 0.2	$ 1.0
Interest cost	21.2	23.5	24.9	3.1	3.8	4.9
Expected return on plan assets	(24.5)	(25.3)	(23.8)	—	—	—
Amortization of prior service cost (credit)	0.7	0.8	1.8	(9.2)	(9.0)	(5.8)
Amortization of net actuarial loss	11.7	11.8	11.5	0.2	0.5	0.3
Plan settlements (gain) loss	(0.2)	11.1	7.4	—	—	—
Curtailments	—	1.9	0.1	—	(4.6)	—
Special termination benefits	—	0.1	1.8	—	—	—
Net periodic benefit cost (credit)	$ 13.9	$ 30.1	$ 31.1	$(5.8)	$(9.1)	$ 0.4

The following table represents the changes in benefit obligations, plan assets and the net amounts recognized on the combined balance sheet for pension and postretirement benefit plans at the end of fiscal 2012 and 2011:

(Dollars in Millions)	Pension Benefits 2012	Pension Benefits 2011	Postretirement Benefits 2012	Postretirement Benefits 2011
Change in benefit obligations:				
Projected benefit obligations at beginning of year	$ 491.1	$ 498.9	$ 80.1	$100.0
Service cost	5.0	6.2	0.1	0.2
Interest cost	21.2	23.5	3.1	3.8
Employee contributions	0.3	0.3	—	—
Actuarial loss (gain)	53.3	12.8	2.8	(4.3)
Benefits and administrative expenses paid	(32.3)	(21.8)	(5.8)	(6.0)
Plan amendments	—	—	—	(17.0)
Plan settlements	(0.3)	(30.0)	—	—
Curtailments	—	—	—	3.4
Currency translation	(5.1)	1.2	—	—
Projected benefit obligations at end of year	$ 533.2	$ 491.1	$ 80.3	$ 80.1
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 383.6	$ 379.3	$ —	$ —
Actual return on plan assets	63.0	25.0	—	—
Employer contributions	23.4	30.2	5.8	6.0
Employee contributions	0.3	0.3	—	—
Benefits and administrative expenses paid	(32.3)	(21.8)	(5.8)	(6.0)
Plan settlements	(0.3)	(30.0)	—	—
Currency translation	(5.7)	0.6	—	—
Fair value of plan assets at end of year	$ 432.0	$ 383.6	$ —	$ —
Funded status at end of year	$(101.2)	$(107.5)	$(80.3)	$ (80.1)
Amounts recognized on the combined balance sheet:				
Non-current assets	$ 17.7	$ 25.6	$ —	$ —
Current liabilities	(2.2)	(2.2)	(7.4)	(8.1)
Non-current liabilities	(116.7)	(130.9)	(72.9)	(72.0)
Net amount recognized on the combined balance sheet	$(101.2)	$(107.5)	$(80.3)	$ (80.1)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	$(127.5)	$(123.2)	$(12.1)	$ (9.5)
Prior service (cost) credit	(1.8)	(2.5)	20.8	30.0
Net amount recognized in accumulated other comprehensive income	$(129.3)	$(125.7)	$ 8.7	$ 20.5

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost (credit) in fiscal 2013 are as follows:

(Dollars in Millions)	Pension Benefits	Postretirement Benefits
Amortization of net actuarial loss	$12.1	$ 0.4
Amortization of prior service cost (credit)	0.6	(9.2)

The accumulated benefit obligation for all pension plans at the end of fiscal 2012 and 2011 was $527.6 million and $487.0 million, respectively.

Additional information related to pension plans is as follows:

(Dollars in Millions)	2012	2011
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$414.3	$386.3
Fair value of plan assets	295.4	253.3

The accumulated benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets do not significantly differ from the amounts in the table above since substantially all of the Company's pension plans are frozen.

Actuarial Assumptions

Weighted-average assumptions used to determine net periodic benefit cost for the Company's pension plans are as follows:

	U.S. Plans			Non-U.S. Plans		
	2012	2011	2010	2012	2011	2010
Discount rate	4.4%	4.9%	5.5%	5.2%	4.7%	6.2%
Expected return on plan assets	7.5%	7.6%	7.2%	4.0%	4.0%	4.1%
Rate of compensation increase	2.8%	2.8%	2.1%	3.7%	3.7%	3.1%

Weighted-average assumptions used to determine benefit obligations for the Company's pension plans are as follows:

	U.S. Plans			Non-U.S. Plans		
	2012	2011	2010	2012	2011	2010
Discount rate	3.5%	4.4%	4.9%	4.0%	5.2%	4.7%
Rate of compensation increase	— %	2.8%	2.8%	3.7%	3.7%	3.7%

For the Company's U.S. plans, the discount rate is based on the market rate for a broad population of Moody's AA-rated corporate bonds over $250 million. For the Company's non-U.S. plans, the discount rate is generally determined by reviewing country and region specific government and corporate bond interest rates.

In determining the expected return on pension plan assets, Covidien and the Company consider the relative weighting of plan assets by class and individual asset class performance expectations as provided by external advisors in reaching conclusions on appropriate assumptions. The investment strategy for the pension plans has been governed by Covidien. Covidien's overall investment objective is to obtain a long-term return on plan assets that is consistent with the level of investment risk that is considered appropriate. Investment risks and returns are reviewed regularly against benchmarks to ensure objectives are being met.

The weighted-average discount rate used to determine net periodic benefit cost and obligations for the Company's postretirement benefit plans are as follows:

	2012	2011	2010
Net periodic benefit cost	4.1%	4.6%	5.4%
Benefit obligations	3.2%	4.1%	4.6%

Healthcare cost trend assumptions for postretirement benefit plans are as follows:

	2012	2011
Healthcare cost trend rate assumed for next fiscal year	7.5%	7.8%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Fiscal year the ultimate trend rate is achieved	2029	2029

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

(Dollars in Millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	$0.2	$(0.2)
Effect on postretirement benefit obligation	3.5	(3.5)

Plan Assets

The Company's U.S. pension plans have a target allocation of either 59% equity securities and 41% debt securities or 33% equity securities and 67% debt securities, depending on the status and duration of liabilities of the plan. Various asset allocation strategies are in place for non-U.S. pension plans depending upon local law, status, funding level and duration of liabilities. The weighted-average target allocation for the Company's non-U.S. pension plans at the end of fiscal 2012 is as follows:

Equity securities	15%
Debt securities	80
Real estate	5
Total	100%

Pension plans have the following weighted-average asset allocations at the end of each fiscal year:

	U.S. Plans		Non-U.S. Plans	
	2012	2011	2012	2011
Equity securities	58%	56%	8%	10%
Debt securities	40	42	89	86
Cash and cash equivalents	1	1	—	—
Real estate and other	1	1	3	4
Total	100%	100%	100%	100%

The following tables provide a summary of plan assets held by the Company's pension plans that are measured at fair value on a recurring basis at the end of fiscal 2012 and 2011:

(Dollars in Millions)	Total	Basis of Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
U.S. small mid cap	$ 24.0	$ 24.0	$ —	$ —
U.S. large cap	101.2	101.2	—	—
International	66.8	57.2	9.6	—
Debt securities:				
Diversified fixed income funds[1]	97.4	97.4	—	—
High yield bonds	15.9	15.9	—	—
Emerging market funds	12.0	12.0	—	—
Diversified/commingled funds	2.2	—	2.2	—
Insurance contracts	105.1	—	—	105.1
Other	7.4	3.8	3.6	—
Total	$432.0	$311.5	$15.4	$105.1

(Dollars in Millions)	Total	Basis of Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
U.S. small mid cap	$ 19.6	$ 19.6	$ —	$ —
U.S. large cap	87.4	87.4	—	—
International	55.9	44.6	11.3	—
Debt securities:				
Diversified fixed income funds[1]	85.7	85.7	—	—
High yield bonds	17.1	17.1	—	—
Emerging market funds	10.0	10.0	—	—
Diversified/commingled funds	2.5	—	2.5	—
Insurance contracts	97.8	—	—	97.8
Other	7.6	3.0	4.6	—
Total	$383.6	$267.4	$18.4	$97.8

(1) Diversified fixed income funds consist of U.S. Treasury bonds, mortgage-backed securities, corporate bonds, asset-backed securities and U.S. agency bonds.

Equity securities—Equity securities primarily consist of mutual funds with underlying investments in foreign equity and domestic equity markets. The fair value of these investments is based on net asset value of the units held in the respective fund, which are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1) or through net asset values provided by the fund administrators that can be corroborated by observable market data (level 2).

Debt securities—Debt securities are primarily invested in mutual funds with underlying fixed income investments in U.S. government and corporate debt, U.S. dollar denominated foreign government and corporate debt, asset-backed securities, mortgage-backed securities and U.S. agency bonds. The fair value of these investments is based on the net asset value of the units held in the respective fund which are determined by obtaining quoted prices on nationally recognized securities exchanges.

Diversified/commingled funds—Diversified/commingled funds held by the Company primarily consist of corporate debt securities and mutual funds invested in U.S. and non-U.S. equity securities. The fair value of these investments is determined using other inputs, such as net asset values provided by the fund administrators that can be corroborated by observable market data.

Insurance contracts—Insurance contracts held by the Company are issued by well-known, highly rated insurance companies. The fair value of insurance contracts classified as level 3 is based on negotiated value, the underlying investments and the credit worthiness of the issuer. The underlying investments are government, asset-backed and fixed income securities.

Other—Other includes cash and cash equivalents invested in a money market mutual fund, the fair value of which is determined by obtaining quoted prices on nationally recognized securities exchanges (level 1). In addition, other includes real estate funds, the fair value of which is determined using other inputs, such as net asset values provided by the fund administrators that can be corroborated by observable market data (level 2).

The following table provides a summary of the changes in the fair value measurements that used significant unobservable inputs (level 3) for fiscal 2011 and 2012:

(Dollars in Millions)	Insurance Contracts
Balance at September 24, 2010	$ 76.6
Net unrealized gains	18.4
Net purchases, sales and issuances	2.6
Currency translation	0.2
Balance at September 30, 2011	97.8
Net unrealized gains	15.1
Net purchases, sales and issuances	(2.9)
Currency translation	(4.9)
Balance at September 28, 2012	$105.1

Covidien shares are not a direct investment of the Company's pension funds; however, the pension funds may indirectly include Covidien shares. The aggregate amount of the Covidien shares are not material relative to the total pension fund assets.

Contributions

Covidien and the Company's funding policy is to make contributions in accordance with the laws and customs of the various countries in which the Company operates as well as to make discretionary voluntary contributions from time to time. The Company anticipates that Covidien will make contributions of $42.8 million to the Company's defined benefit pension plans in fiscal 2013. In addition, the Company anticipates that Covidien will make contributions of $7.5 million to the Company's postretirement benefit plans in fiscal 2013.

Expected Future Benefit Payments

Benefit payments expected to be paid, reflecting future expected service as appropriate, are as follows:

(Dollars in Millions)	Pension Benefits	Postretirement Benefits
Fiscal 2013	$ 45.2	$ 7.5
Fiscal 2014	34.4	7.1
Fiscal 2015	33.9	6.7
Fiscal 2016	33.4	6.4
Fiscal 2017	32.7	6.0
Fiscal 2018-2022	153.1	25.1

Defined Contribution Retirement Plans

The Company maintains, through Covidien, one active tax-qualified 401(k) retirement plan in the U.S., which provides for an automatic Company contribution of three percent of an eligible employee's pay. The Company also makes a matching contribution generally equal to 50% of each employee's elective contribution to the plan up to six percent of the employee's eligible pay. Total 401(k) expense related to continuing operations was $20.9 million, $19.3 million and $18.4 million for fiscal 2012, 2011 and 2010, respectively.

Deferred Compensation Plans

As discussed in note 15, the Company maintains, through Covidien, one active non-qualified deferred compensation plan in the U.S., which permits eligible employees to defer a portion of their compensation. Deferred compensation expense for each period presented was insignificant.

Rabbi Trusts and Other Investments

The Company maintains several rabbi trusts, the assets of which are used to pay retirement benefits. The rabbi trust assets are subject to the claims of the Company's creditors in the event of the Company's insolvency. Plan participants are general creditors of the Company with respect to these benefits. The trusts primarily hold life insurance policies and debt and equity securities, the value of which is included in other assets on the combined balance sheets. Note 15 provides additional information regarding the debt and equity securities. The carrying value of the 70 life insurance contracts held by these trusts was $37.8 million and $36.4 million at September 28, 2012 and September 30, 2011, respectively. These contracts have a total death benefit of $93.9 million and $94.2 million at September 28, 2012 and September 30, 2011, respectively. However, there are outstanding loans against the policies amounting to $16.9 million and $16.3 million at September 28, 2012 and September 30, 2011, respectively.

Covidien has insurance contracts which serve as collateral for certain of the Company's non-U.S. pension plan benefits, $9.8 million and $10.2 million of which have been allocated to the Company at September 28, 2012 and September 30, 2011, respectively. These amounts were also included in other assets on the combined balance sheets.

17. Share Plans

Compensation costs related to share-based transactions are recognized in the combined financial statements based on fair value. Total equity-based compensation cost related to continuing operations for fiscal 2012 and 2011 was $11.1 million and $10.6 million, respectively, and has been included in selling, general and administrative expenses. Total equity-based compensation for fiscal 2010 was $14.1 million, of which $12.6 million related to continuing operations and was included in selling, general and administrative expenses. The Company recognized a related tax benefit associated with this expense of $3.8 million, $3.4 million and $4.8 million during fiscal 2012, 2011 and 2010, respectively.

Stock Compensation Plans

As of September 28, 2012, all equity awards held by employees of the Company were granted under Covidien's amended and restated 2007 Stock and Incentive Plan or predecessor plans. The following disclosures represent the Company's portion of such plans.

Share options—Options are granted to purchase Covidien ordinary shares at prices that are equal to the fair market value of the shares on the date the option is granted. Options generally vest in equal annual installments over a period of four years and expire 10 years after the date of grant. The grant-date fair value of options, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. Forfeitures are estimated based on historical experience.

Option activity and information is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (dollars in millions)
Outstanding at September 30, 2011	2,012,713	$40.79		
Granted	722,720	47.00		
Exercised	(576,616)	38.87		
Expired/Forfeited	(135,241)	43.83		
Outstanding at September 28, 2012	2,023,576	43.35	7.20	$32.5
Vested and unvested expected to vest as of September 28, 2012	1,876,242	43.15	7.08	30.5
Exercisable at September 28, 2012	680,731	39.91	4.80	13.3

As of September 28, 2012, there was $7.7 million of total unrecognized compensation cost related to unvested Covidien options, which is expected to be recognized over a weighted-average period of 1.4 years.

The grant date fair value of options has been estimated using the Black-Scholes pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. The expected volatility assumption is based on the historical and implied volatility of Covidien's peer group with similar business models. The expected life assumption is based on the contractual and vesting term of the option, employee exercise patterns and employee post-vesting termination behavior. The expected annual dividend per share is based on Covidien's dividend rate on the date of grant. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The weighted-average assumptions used in the Black-Scholes pricing model for options granted during each year, along with the weighted-average grant-date fair values, were as follows:

	2012	2011	2010
Expected stock price volatility	27.9%	27.0%	27.0%
Risk-free interest rate	1.18%	1.79%	2.29%
Expected annual dividend per share	$ 0.90	$0.80	$ 0.72
Expected life of options (years)	5.6	5.3	5.4
Fair value per option	$10.27	$9.46	$11.46

The total intrinsic value of options exercised during fiscal 2012, 2011 and 2010 was $8.5 million, $11.1 million and $5.3 million, respectively. The related tax benefit for fiscal 2012, 2011 and 2010 was $3.0 million, $3.5 million and $2.0 million, respectively.

Restricted stock units—Recipients of restricted stock units ("RSUs") have no voting rights and receive dividend equivalent units which vest upon the vesting of the related shares. RSUs generally vest in equal annual installments over a four-year period. Restrictions on RSUs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSUs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period. The fair market value of RSUs is determined based on the market value of Covidien's shares on the date of grant.

RSU activity is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 30, 2011	162,760	$42.85
Granted	167,086	47.35
Vested	(55,496)	42.03
Forfeited	(21,334)	44.87
Non-vested at September 28, 2012	253,016	45.83

The weighted-average grant-date fair value of Covidien RSUs granted to employees of the Company during fiscal 2012, 2011 and 2010 was $47.35, $43.85 and $47.05, respectively. The total fair value of RSUs vested for employees of the Company during fiscal 2012, 2011 and 2010 was $2.6 million, $5.8 million and $6.8 million, respectively. The related tax benefit for fiscal 2012, 2011 and 2010 was $0.9 million, $2.0 million and $2.4 million, respectively. As of September 28, 2012, there was $6.6 million of unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of 1.4 years.

Performance share units—Similar to recipients of RSUs, recipients of performance share units ("PSUs") have no voting rights and receive dividend equivalent units which vest upon the vesting of the related shares. The grant-date fair value of PSUs, adjusted for estimated forfeitures, is generally recognized as expense on a straight-line basis from the grant date through the end of the performance period. The vesting of PSUs is generally based on relative total shareholder return (total shareholder return for Covidien as compared to total shareholder return of a healthcare industry index), measured over a three-year performance period. The healthcare industry index is comprised of many healthcare companies which replicate Covidien's mix of businesses. Depending on Covidien's relative performance during the performance period, a recipient of the award is entitled to receive a number of ordinary shares equal to a percentage, ranging from 0% to 200%, of the award granted.

PSU activity is as follows[1]:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 30, 2011	193,521	$54.52
Granted	21,803	61.85
Performance metric adjustment[2]	(4,003)	42.20
Vested	(65,957)	42.65
Forfeited	(12,771)	59.59
Non-vested at September 28, 2012[3]	132,593	61.52

(1) The number of shares disclosed in this table are at the target number of 100%.

(2) Represents the adjustment to awards granted in fiscal 2009 for the three-year performance cycle award period ended September 30, 2011, based on the actual total shareholder return achievement of 94%.

(3) Approximately 100,000 shares of Covidien were earned for awards that were granted in fiscal 2010 for the three-year performance cycle award period ended September 28, 2012, based on the actual total shareholder return achievement of 200%.

The Monte Carlo model was used to estimate the probability of satisfying the performance criteria and the resulting fair value of PSU awards. The assumptions used in the Monte Carlo model for PSUs granted during each year were as follows:

	2012	2011	2010
Covidien expected stock price volatility	28.7%	31.4%	30.2%
Covidien peer group stock price volatility	29.1%	33.3%	32.5%
Correlation of returns	47.5%	49.7%	47.3%

The weighted-average grant-date fair value per share of PSUs granted to employees of the Company during fiscal 2012, 2011 and 2010 was $61.85, $58.05 and $62.53, respectively. The total fair value of PSUs vested during fiscal 2012 was $2.9 million and the related tax benefit was $1.0 million. The total fair value of PSUs vested and related tax benefit during fiscal 2011 and 2010 was not significant. As of September 28, 2012, there was $1.6 million of unrecognized compensation cost related to PSUs, which is expected to be recognized over a weighted-average period of 0.8 years.

Employee Stock Purchase Plans

Substantially all full-time employees of the Company's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries are eligible to participate in Covidien's employee stock purchase plan. Eligible employees authorize payroll deductions to be made for the purchase of shares. Covidien matches the first $25,000 of an employee's contribution by contributing an additional 15% of the employee's payroll deduction. All shares purchased under the plan are purchased on the open market by a designated broker.

Covidien also maintains a Savings Related Share Plan for the benefit of employees of certain qualified non-U.S. subsidiaries in the United Kingdom. The terms of this plan provide for Covidien to grant to certain employees the right to purchase shares at a stated price and receive certain tax benefits. Under this plan, eligible Company employees in the United Kingdom are granted options to purchase shares of Covidien at the end of a three-year period at 85% of the fair market value of a Company share on the day before the date such employees were invited to apply for the grant of options. Options under the plan are generally exercisable after a period of three years from the invitation date and expire six months after the date of vesting. Compensation cost related to options granted under this plan was insignificant during fiscal 2012, 2011 and 2010.

Impact of the separation—Prior to completion of the separation from Covidien, the board of directors of Mallinckrodt plc is expected to adopt, with the approval of the current shareholders of Mallinckrodt plc, stock incentive plans, which provide for future awards to Company employees. In connection with the separation from Covidien, PSUs are expected to be converted into RSUs based on performance achieved on or about the distribution date. In addition, upon separation from Covidien, all outstanding equity awards held by active employees of the Company are expected to be converted into like-kind equity awards of the Company. Such equity awards will be converted at equivalent value determined using the intrinsic value method. The original vesting provisions will remain in effect for all equity awards.

18. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

(Dollars in Millions)	Currency Translation	Unrecognized (Loss) Gain on Benefit Plans	Accumulated Other Comprehensive Income
Balance at September 25, 2009	$169.3	$(66.9)	$102.4
Pre-tax change	(8.8)	(10.6)	(19.4)
Income tax benefit	—	3.6	3.6
Balance at September 24, 2010	160.5	(73.9)	86.6
Pre-tax change	(0.5)	16.9	16.4
Income tax provision	—	(4.5)	(4.5)
Balance at September 30, 2011	160.0	(61.5)	98.5
Pre-tax change	(2.9)	(15.3)	(18.2)
Income tax benefit	—	4.6	4.6
Balance at September 28, 2012	$157.1	$(72.2)	$ 84.9

19. Leases

The Company has facility, vehicle and equipment leases that expire at various dates. Rental expense under facility, vehicle and equipment operating leases related to continuing operations, a portion of which has been allocated to the Company, was $15.5 million, $14.4 million and $16.5 million for fiscal 2012, 2011 and 2010, respectively. The Company also has facility and equipment commitments under capital leases.

The following is a schedule of minimum lease payments for non-cancelable leases as of September 28, 2012:

(Dollars in Millions)	Operating Leases	Capital Leases
Fiscal 2013	$11.3	$ 1.4
Fiscal 2014	11.3	1.4
Fiscal 2015	6.9	1.4
Fiscal 2016	6.3	0.4
Fiscal 2017	5.8	—
Thereafter	12.7	—
Total minimum lease payments	$54.3	4.6
Less interest portion of payments		(0.2)
Present value of minimum lease payments		$ 4.4

20. Commitments and Contingencies

The Company has purchase obligations related to commitments to purchase certain goods and services. At September 28, 2012, such obligations were as follows:

(Dollars in Millions)	
Fiscal 2013	$70.1
Fiscal 2014	24.6
Fiscal 2015	21.2
Fiscal 2016	21.2
Fiscal 2017	—

The Company is subject to various legal proceedings and claims, including patent infringement claims, product liability matters, environmental matters, employment disputes, contractual disputes and other commercial disputes, including those described below. Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these matters, management is of the opinion that their ultimate resolution should not have a material adverse effect on the Company's financial position, cash flows or results of operations.

Governmental Proceedings

On January 7, 2009, the Company received a subpoena from the U.S. Attorney's Office for the Northern District of California requesting production of documents relating to the sales and marketing of its Tofranil-PM, Restoril and Magnacet products. The Company is complying as required by the terms of the subpoena. The Company believes that the amount accrued related to this matter is adequate, which amount is not significant.

Patent/Antitrust Litigation

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Company, Inc. The Company filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") on March 20, 2007 pursuant to procedures set out in the Drug Price Competition and Patent Term Restoration Act of 1984, after Mutual submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking to sell a generic version of the Company's 7.5 mg Restoril sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. On January 18, 2013, the trial court issued an opinion and order granting our motion for summary judgment regarding Mutual's antitrust and unfair competition counterclaims. Mutual has the right to appeal this decision. While it is not possible at this time to determine with certainty the ultimate outcome of the counterclaims, the Company believes that the final resolution of the claims will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

In addition, the Company was involved in patent infringement litigation involving two patents owned by the Company. During fiscal 2010, the counterparty agreed to pay the Company $19.3 million in exchange for the Company's release of all claims associated with the two patents, of which $15.0 million was received in fiscal 2010 and the remainder in fiscal 2011. The settlement amount was allocated to both past and future royalties through 2014. Accordingly, during fiscal 2012, 2011 and 2010, the Company recorded income of $1.8 million, $1.8 million and $12.0 million, respectively, related to this settlement.

Pricing Litigation

Two cases are pending against the Company that allege generally that the Company and numerous other pharmaceuticals companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid, resulting in overpayment by state Medicaid programs for those drugs. These cases, brought by state Attorneys General in Utah and Louisiana, generally seek monetary damages and attorneys' fees. The Company is named as a defendant in *State of Utah v. Actavis US, Inc., et al.* filed May 8, 2008, which is pending in the Third Judicial Circuit of Salt Lake County, Utah and in *State of Louisiana v. Abbott Laboratories Inc., et al.* filed November 3, 2010, which is pending in the 19th Judicial District, Parish of East Baton Rouge, Louisiana. The Company intends to contest these cases and to explore other options as appropriate. The Company believes that the amount accrued related to these cases, the amount of which is not significant, is adequate.

Commercial Litigation

During fiscal 2012, the Company recorded a legal charge of $4.3 million to settle a longstanding dispute with General Electric Company ("GE"), which is included in selling, general and administrative expenses. GE had alleged breach of a manufacturing and supply agreement claiming that the Company failed to manufacture and supply the imaging agent Optison™ at certain times.

Environmental Remediation and Litigation Proceedings

The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites, including those described below. The ultimate cost of site cleanup and timing of future cash flows is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. The Company concluded that, as of September 28, 2012, it was probable that it would incur remedial costs in the range of $151.5 million to $264.9 million. The Company concluded that, as of September 28, 2012, the best estimate within this range was $151.5 million, of which $15.0 million was included in accrued and other current liabilities and the remainder was included in other liabilities on our combined balance sheet at September 28, 2012.

Orrington, Maine—The Company is a successor to a company which owned and operated a chemical manufacturing facility in Orrington, Maine from 1967 until 1982. The Company is currently responsible for the costs of completing an environmental site investigation required by the U.S. Environmental Protection Agency ("EPA") and the Maine Department of Environmental Protection ("MDEP"). Based on the site investigation, the Company submitted a Corrective Measures Study plan and identified a preferred alternative which was submitted to the EPA and MDEP for approval in 2004. MDEP disagreed with the proposed alternative and served a compliance order on the Company and United States Surgical Corporation, a subsidiary of Covidien, in December 2008. The compliance order included a directive to remove a significant volume of soils at the site. On December 19, 2008, the Company filed an appeal with the Maine Board of Environmental Protection ("Maine Board") to challenge the terms of the compliance order. A hearing before the Maine Board began on January 25, 2010 and concluded on February 4, 2010. On August 19, 2010, the Maine Board modified the MDEP order and issued a final order requiring removal of two landfills, capping of the remaining three landfills, installation of a groundwater extraction system and long-term monitoring of the site and the three remaining landfills.

On September 17, 2010, the Company appealed the final order issued by the Maine Board in Maine Superior Court. On appeal, the Company has requested that the Superior Court invalidate the Maine Board's final order in its entirety or, in the alternative, reverse or modify the final order to eliminate the requirements that it remove one of the two landfills and recap the remaining three landfills. The Company also appealed certain administrative requirements of the final order. On November 1, 2012, the Superior Court affirmed the Maine Board's final order. The Company has appealed the Superior Court's decision to the Maine Supreme Judicial Court. The Company has assessed the status of this matter and has concluded that it is more likely than not that the Maine Board's final order will be either invalidated, reversed or modified, and, further, intends to vigorously pursue all available means to achieve such result.

The Company estimates that, as of September 28, 2012, the cost to comply with the proposed remediation alternatives at this site ranges from $95.8 million to $170.3 million. However, there are still significant uncertainties in the outcome of the pending litigation, and the Company continues to disagree with the level of remediation outlined in the Maine Board's final order. At September 28, 2012, estimated future investigation and remediation costs of $95.8 million were accrued for this site.

Penobscot River and Bay—Since April 2000, the Company has also been involved in a lawsuit, *Maine People's Alliance and Natural Resources Defense Council, Inc. v. HoltraChem Manufacturing Company, LLC and Mallinckrodt US LLC*, filed in the U.S. District Court for the District of Maine by the Natural Resources Defense Council and the Maine People's Alliance. Plaintiffs sought an injunction requiring the Company to conduct extensive studies of mercury contamination of the Penobscot River and Bay and options for remediating such contamination, and to perform appropriate remedial activities, if necessary.

On July 29, 2002, following a March 2002 trial, the District Court entered an opinion and order which held that conditions in the Penobscot River and Bay may pose an imminent and substantial endangerment and that the Company was liable for the cost of performing a study of the river and bay. The District Court subsequently appointed a study panel to oversee the study and ordered the Company to pay costs associated with the study. The study panel conducted Phase I studies and proposed a Phase II study which was approved by the District Court. The Phase II study calls for several additional years of field work, followed by a fourth year for data synthesis. The Company has accrued for the cost of the studies as estimated by the study panel; however, due to the uncertainties involved pending completion of the study panel's work, it is not possible to estimate the costs, if any, that might result from an order to conduct remediation in the Penobscot River and Bay. Accordingly, costs of any such remediation are not included in the range of estimated aggregate environmental remediation costs.

The entities with liability for the investigation and remediation described under "Orrington, Maine" and "Penobscot River and Bay" will not be transferred to Mallinckrodt plc as part of the separation. Accordingly, this liability will remain with Covidien.

Crab Orchard National Wildlife Refuge Superfund Site, near Marion, Illinois—The Company is a successor in interest to International Minerals and Chemicals Corporation ("IMC"). Between 1967 and 1982, IMC leased portions of the AUS Operable Unit at the Crab Orchard Superfund Site (the "Site") from the government and manufactured various explosives for use in mining and other operations. In March 2002, the Department of Justice ("DOJ"), the U.S. Department of the Interior and the EPA (together, the "Government Agencies") issued a special notice letter to General Dynamics Ordnance and Tactical Systems, Inc. ("General Dynamics"), one of the other potentially responsible parties ("PRPs") at the Site, to compel General Dynamics to perform the remedial investigation and feasibility study ("RI/FS") for the AUS Operable Unit. General Dynamics negotiated an Administrative Order on Consent with the Government Agencies to conduct an extensive RI/FS at the Site under the direction of the U.S. Fish and Wildlife Service. General Dynamics asserted in August 2004 that the Company is jointly and severally liable, along with approximately eight other lessees and operators at the AUS Operable Unit, for alleged contamination of soils and groundwater resulting from historic operations and has threatened to file a contribution claim against the Company and other parties for recovery of its costs incurred in connection with the RI/FS activities being conducted at the AUS Operable Unit. The Company and other PRPs who received demand letters from General Dynamics have explored settlement alternatives, but have not reached settlement to date. The Company and other PRPs are awaiting completion of the RI/FS by General Dynamics before the initiation of formal PRP negotiations to address resolution of these alleged claims. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Company believes that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Mallinckrodt Veterinary, Inc., Millsboro, Delaware—The Company previously operated a plant in Millsboro, Delaware (the "Millsboro Site") that manufactured various animal healthcare products. In 2005, the Delaware Department of Natural Resources and Environmental Control found trichloroethylene ("TCE") in the Millsboro public water supply at levels that exceeded the federal drinking water standards. Further investigation to identify the source of the TCE in the ground water indicated that the source was potentially from the property near the Millsboro Site. The Company, and other former owners assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Company and other PRPs entered into an Administrative Order on Consent with the EPA on May 10, 2010 which was subsequently amended in November 2010 and January 2011 to investigate the potential source of TCE contamination and to evaluate options to abate, mitigate and/or eliminate the release or threat of release of hazardous substances at the Millsboro Site. The Company, along with other parties, continues to conduct the studies and prepare remediation plans in accordance with the amended Administrative Order on Consent. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Company believes that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Coldwater Creek, St. Louis County, Missouri—The Company is one of several companies named as defendants in three tort complaints (*McClurg, et al. v. MI Holdings, Inc., et al.*, filed February 28, 2012; *Adams, et al. v. MI Holdings, Inc., et al.*, filed April 10, 2012 and *Steinmann et al. v. MI Holdings, Inc., et al.*, filed October 23, 2012) with numerous plaintiffs pending in the U.S. District Court for the Eastern District of Missouri. These cases allege personal injury for alleged exposure to radiological substances present in Coldwater Creek in Missouri. Plaintiffs lived in various locations in St. Louis County, Missouri near Coldwater Creek. Radiological residues which may have been present in the creek have been remediated by the U.S. Army Corps of Engineers. The Company believes that it has meritorious defenses to these complaints and is vigorously defending against them. The Company is unable to estimate a range of reasonably possible losses for the following reasons: (i) the proceedings are in early stages; (ii) the Company has not received and reviewed complete information regarding the plaintiffs and their medical conditions; and (iii) there are significant factual issues to be resolved. While it is not possible at this time to determine with certainty the ultimate outcome of these cases, the Company believes that the final resolution of all known claims will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

The Company has also recorded asset retirement obligations for the estimated future costs primarily associated with legal obligations to decommission two facilities within the Global Medical Imaging segment. Substantially all of these obligations are included in other liabilities on the combined balance sheets. The following table provides a summary of the changes in the Company's asset retirement obligations:

(Dollars in Millions)	2012	2011
Balance at beginning of period	$45.9	$ 73.9
Accretion expense	2.5	4.3
Revisions in estimated cash flows	—	(32.2)
Currency translation and other	(2.0)	(0.1)
Balance at end of period	$46.4	$ 45.9

The Company believes that any potential payment of such estimated amounts will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Supply Agreement

During fiscal 2010, the Company amended an existing supply agreement. In accordance with the amendment, the Company will receive $6.1 million over a four-year period in exchange for decreasing the purchase requirements under the supply agreement. As a result of this contract amendment, the Company recorded a $5.5 million gain during fiscal 2010, which was included in selling, general and administrative expenses.

Products Liability Litigation

The Company is one of four manufacturers of Gadolinium-Based Contrast Agents, such as our Optimark product, involved in litigation alleging that administration of these agents causes development of nephrogenic systemic fibrosis in a small number of patients with advanced renal impairment. The complaints generally allege design and manufacturing defects, failure to warn, breach of warranty, fraud and violations of various state consumer protection laws. The litigation includes a federal multi-district litigation in the U.S. District Court for the Northern District of Ohio (*In re Gadolinium-Based Contrast Agents Product Liability Litigation*, which was established on February 27, 2008) and cases in various state courts. The Company believes that it has meritorious defenses to these complaints and is defending against them. When appropriate, the Company settles cases. As of January 31, 2013, there were four remaining cases in which the plaintiffs have either documented or specifically alleged use of the Company's Optimark product. The Company believes that it has adequate amounts recorded related to these matters. While it is not possible at this time to determine with certainty the ultimate outcome of

these cases, the Company believes that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Beginning with lawsuits brought in July 1976, the Company is also named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims, based principally on allegations of past distribution of products containing asbestos. A limited number of the cases allege premises liability, based on claims that individuals were exposed to asbestos while on the Company's property. Each case typically names dozens of corporate defendants in addition to the Company. The complaints generally seek monetary damages for personal injury or bodily injury resulting from alleged exposure to products containing asbestos. The Company's involvement in asbestos cases has been limited because it did not mine or produce asbestos. Furthermore, in the Company's experience, a large percentage of these claims have never been substantiated and have been dismissed by the courts. The Company has not suffered an adverse verdict in a trial court proceeding related to asbestos claims, and intends to continue to defend these lawsuits. When appropriate, the Company settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of January 31, 2013, there were approximately 11,600 asbestos-related cases pending against the Company.

The Company estimates pending asbestos claims and claims that were incurred but not reported, as well as insurance recoveries. The Company's estimate of its liability for pending and future claims is based on claims experience over the past five years and covers claims either currently filed or expected to be filed over the next seven years. The Company believes that it has adequate amounts recorded related to these matters. While it is not possible at this time to determine with certainty the ultimate outcome of these asbestos-related proceedings, the Company believes that the final outcome of all known and anticipated future claims, after taking into account amounts already accrued and insurance coverage, will not have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Other Matters

The Company is a defendant in a number of other pending legal proceedings incidental to present and former operations, acquisitions and dispositions. The Company does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations and cash flows.

21. Segment and Geographic Data

The Company is engaged in the development, manufacture and distribution of pharmaceuticals and diagnostic imaging agents. The Company manages and operates its business through the following two segments:

- Specialty Pharmaceuticals produces and markets branded and generic pharmaceuticals and active pharmaceutical ingredients ("API"), comprised of medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients;
- Global Medical Imaging develops, manufactures and markets contrast media and delivery systems and radiopharmaceuticals (nuclear medicine).

Management measures and evaluates the Company's operating segments based on segment net sales and operating income. Management excludes corporate expenses from segment operating income. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating income because management evaluates the operating results of the segments excluding such items. These items include revenues and expenses associated with related party sales of products to other Covidien businesses, intangible asset amortization, net restructuring and related charges, and separation costs. Although these amounts are excluded from segment operating income, as applicable, they are included in reported combined operating income and in the reconciliations presented below. Selected information by business segment is as follows:

(Dollars in Millions)	2012	2011	2010
Net sales[1]:			
Specialty Pharmaceuticals	$1,005.2	$ 909.4	$ 869.0
Global Medical Imaging	996.8	1,060.0	1,128.1
Net sales of operating segments	2,002.0	1,969.4	1,997.1
Net sales to related parties[2]	54.2	52.4	50.5
Net sales	$2,056.2	$2,021.8	$2,047.6
Operating income:			
Specialty Pharmaceuticals	$ 162.8	$ 121.5	$ 139.6
Global Medical Imaging	214.3	232.4	221.5
Segment operating income	377.1	353.9	361.1
Unallocated amounts:			
Corporate and allocated expenses[3]	(69.9)	(73.3)	(85.8)
Intangible asset amortization	(27.3)	(27.0)	(23.4)
Restructuring and related charges, net	(19.2)	(10.0)	(11.5)
Separation costs	(25.5)	(2.9)	—
Operating income	$ 235.2	$ 240.7	$ 240.4

(1) Amounts represent sales to external customers. There are no intersegment sales.
(2) Represents products that were sold to other Covidien businesses, which is discussed in note 11.
(3) Includes administration expenses and certain compensation, environmental and other costs not charged to the Company's operating segments.

(Dollars in Millions)	2012	2011	2010
Depreciation and amortization[4]:			
Specialty Pharmaceuticals	$ 88.7	$ 77.5	$ 68.2
Global Medical Imaging	42.2	42.3	46.0
Depreciation and amortization	$130.9	$119.8	$114.2

(4) Depreciation for certain shared facilities is allocated based on occupancy percentage.

Net sales by products within the Company's segments are as follows:

(Dollars in Millions)	2012	2011	2010
Generic Pharmaceuticals and API	$ 848.8	$ 824.7	$ 781.8
Brands Pharmaceuticals	156.4	84.7	87.2
Specialty Pharmaceuticals	1,005.2	909.4	869.0
Contrast Media and Delivery Systems	542.0	595.5	609.1
Nuclear Imaging	454.8	464.5	519.0
Global Medical Imaging	996.8	1,060.0	1,128.1
Net sales of operating segments	2,002.0	1,969.4	1,997.1
Net sales to related parties[1]	54.2	52.4	50.5
Net sales	$2,056.2	$2,021.8	$2,047.6

(1) Represents products that were sold to other Covidien businesses, which is discussed in note 11.

Selected information by geographic area is as follows:

(Dollars in Millions)	2012	2011	2010
Net sales[2]:			
United States	$1,350.2	$1,293.8	$1,380.5
Europe, Middle East and Africa	411.0	419.7	393.8
Other	295.0	308.3	273.3
	$2,056.2	$2,021.8	$2,047.6
Long-lived assets[3]:			
United States	$ 847.7	$ 802.0	$ 802.9
Europe, Middle East and Africa (including $45.5, $48.9 and $49.6 in Ireland)	72.2	81.3	85.6
Other	52.1	48.1	50.6
	$ 972.0	$ 931.4	$ 939.1

(2) Net sales are attributed to regions based on the location of the entity that records the transaction, none of which relate to the country of Ireland.

(3) Long-lived assets are primarily composed of property, plant and equipment.

22. Subsequent Events

Subsequent events have been evaluated for adjustment through November 15, 2012, the date at which the parent's consolidated financial statements were completed and issued, and February 1, 2013, for purposes of evaluating disclosures in these combined financial statements.

On October 1, 2012, the Company's Specialty Pharmaceuticals segment acquired all the outstanding equity of CNS Therapeutics, Inc. ("CNS Therapeutics"), a specialty pharmaceuticals company focused on developing and commercializing products for site-specific administration to the central nervous system to treat neurological disorders and intractable chronic pain, for total consideration of $95.0 million. The total consideration was comprised of an upfront cash payment of $88.1 million (net of cash acquired of $3.6 million) and the fair value of contingent consideration of $6.9 million. This contingent consideration, which could potentially total a maximum of $9.0 million, is primarily based on whether the FDA approves another dosage form of Gablofen on or before December 31, 2016. The acquisition of CNS Therapeutics expanded the Company's branded pharmaceuticals portfolio and supports the Company's strategy of leveraging its therapeutic expertise and core capabilities in manufacturing, regulatory and commercialization to serve patients.

The following amounts represent the preliminary estimate of the fair value of the identifiable assets acquired and liabilities assumed:

(Dollars in millions)	
Current assets[1]	$ 13.6
Intangible assets	91.9
Goodwill (non-tax deductible)	24.3
Total assets acquired	129.8
Current liabilities	4.0
Deferred tax liabilities (non-current)	27.2
Contingent consideration (non-current)	6.9
Total liabilities assumed	38.1
Net assets acquired	$ 91.7

(1) This amount includes $3.3 million of accounts receivable, which is also the gross contractual value. As of the acquisition date, the fair value of accounts receivable approximated carrying value.

Intangible assets acquired consist of the following:

(Dollars in Millions)	Amount	Weighted-Average Amortization Period
Completed technology	$73.1	13 years
Trademark	0.2	3 years
In-process research and development	18.6	Non-Amortizable
	$91.9	

The in-process research and development projects primarily relate to three intrathecal pain products. As of the date of acquisition, these pain products were in various stages of development. Development, testing, clinical trials and regulatory submission are required in order to bring these products to market. The Company estimates that the total costs to complete these products will be approximately $18.0 million. In addition, the Company expects that regulatory approvals will occur between 2015 and 2018. The Company determined the valuation of in-process research and development using, among other factors, appraisals. The value was primarily based on the discounted cash flow method and was discounted at a 35% rate, which was considered commensurate with the risks and stages of development of the pain products. Future residual cash flows that could be generated from the products were determined based upon management's estimate of future revenue and expected profitability of the products. These projected cash flows were then discounted to their present values taking into account management's estimate of future expenses that would be necessary to bring the products to completion.

The Company has not yet finalized its deferred tax assets and liabilities for the CNS Therapeutics acquisition, the impact of which is not expected to have a material effect on the Company's financial condition.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Mallinckrodt plc:

We have audited the accompanying balance sheet of Mallinckrodt plc (the "Company") as of January 11, 2013 (date of capitalization). This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of the Company as of January 11, 2013 (date of capitalization), in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts
February 1, 2013

MALLINCKRODT PLC

BALANCE SHEET
At January 11, 2013 (date of capitalization)
(in thousands of U.S. dollars)

Assets	
Current Assets:	
Cash	$ 53
Total Assets	$ 53
Commitments and contingencies (Note 4)	
Stockholders' Equity	
Ordinary A shares; €1.00 par value, 40,000 shares authorized, 40,000 shares issued and outstanding	$ 53
Ordinary shares; $0.20 par value, 300,000 shares authorized, 7 shares issued and outstanding	—
Total Stockholder's Equity	$ 53

See Notes to Financial Statements.

MALLINCKRODT PLC
NOTES TO FINANCIAL STATEMENTS

1. History and Description of the Company

Mallinckrodt plc (the "Company") was incorporated in Ireland, as a public limited company, on January 9, 2013 and capitalized on January 11, 2013 as a holding company for the purposes of being the parent company of Covidien plc's Pharmaceuticals business. The Company has not engaged in any business or other activities.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The balance sheet and accompanying notes have been prepared in accordance with accounting principles generally accepted in the U.S.

Cash

Cash as of January 11, 2013 was received in exchange for ordinary shares issued.

Functional Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which Mallinckrodt plc operates. The financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency.

Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through February 1, 2013, the date the financial statements were available to be issued.

3. Share Capital

Ordinary A shares have no voting or dividend rights. In addition, in the event of the liquidation of the Company, the holders of any ordinary A shares then outstanding would be entitled to payment only after the holders of ordinary shares have received amounts owed to them in accordance with the articles of association.

4. Commitments and Contingencies

The Company is not currently a party to any loss contingencies or litigation.

Tax Matters

Upon separation, Covidien will transfer its interest in the businesses comprising its Pharmaceuticals segment to the Company. In addition, assets and liabilities related to certain non-operating activities of Covidien, primarily intercompany transactions, will also be transferred to the Company; historically, these activities were not managed by the Pharmaceuticals segment. Most of these assets and liabilities are not significant. However, as measured as of September 28, 2012, the Company expects to assume a net income tax payable of approximately $125 million, primarily consisting of non-current contingent tax liabilities associated with unresolved tax matters related to these non-operating activities. In addition, the Company expects to enter into a tax matters agreement, pursuant to which Covidien will indemnify it, net of certain tax benefits realized by us, for any payments related to these liabilities which in the aggregate (after taking into account certain tax benefits realized by us) exceed $200 million, and which pertain to periods prior to the distribution date. In addition, the Company expects to assume a net deferred tax liability of approximately $134 million as measured as of September 28, 2012, primarily resulting from different treatment for book and tax purposes of certain intercompany transactions and the deferred tax effect of the aforementioned contingent tax liabilities. As the Company is not currently obligated to pay any of these liabilities and will not be obligated to do so until the separation has been completed, they are not included in the Company's balance sheet.