CHIMERIX INC
Form 8-K
November 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

November 7, 2014

Date of Report (Date of earliest event reported)

Chimerix,
Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-35867**	**33-0903395**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2505 Meridian Parkway, Suite 340

Durham, NC	**27713**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (919) 806-1074

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 7, 2014, we announced our financial results for the third quarter ended September 30, 2014 in the press release attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in this Item 2.02 and the attached Exhibit 99.1 is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Item 2.02 and the attached Exhibit 99.1 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release of Chimerix, Inc. dated November 7, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Chimerix, Inc.

Dated: November 7, 2014

By: /s/ Timothy W. Trost
Timothy W. Trost
Senior Vice President,
Chief Financial
Officer and Corporate
Secretary

INDEX TO EXHIBITS

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Intangible asset amortization expense for the quarter ended June 29, 2012 and June 24, 2011 was $57 million and $51 million, respectively. Intangible asset amortization for the nine months ended June 29, 2012 and June 24, 2011 was $162 million and $150 million, respectively. Annual amortization expense is expected to be as follows:

(Dollars in Millions)	
Fiscal 2012	$239
Fiscal 2013	244
Fiscal 2014	242
Fiscal 2015	241
Fiscal 2016	236

9. Debt

On May 22, 2012, Covidien International Finance S.A. (CIFSA), a wholly-owned subsidiary of the Company, issued $600 million aggregate principal amount of 1.35% senior notes due May 2015 and $650 million aggregate principal amount of 3.20% senior notes due June 2022. The notes are fully and unconditionally guaranteed by both Covidien plc and Covidien Ltd. The net proceeds of $1.24 billion were used to fund the redemption of its $500 million 5.45% senior notes due October 2012 and for general corporate purposes. In connection with the redemption of the senior notes, the Company recorded a $9 million loss on early retirement of debt in other income (expense), net during both the quarter and nine months ended June 29, 2012.

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10. Retirement Plans

The net periodic benefit cost for the Company's defined benefit pension plans was as follows:

(Dollars in Millions)	Quarter Ended		Nine Months Ended	
	June 29, 2012	June 24, 2011	June 29, 2012	June 24, 2011
Service cost	$6	$5	$16	$16
Interest cost	10	11	31	33
Expected return on plan assets	(11)	(10)	(32)	(32)
Amortization of net actuarial loss	7	6	19	18
Settlements and curtailments	—	1	—	9
Net periodic benefit cost	$12	$13	$34	$44

The net periodic benefit cost for postretirement benefit plans for the quarter and nine months ended June 29, 2012 and June 24, 2011 was not material.

11. Guarantees

In disposing of assets or businesses, the Company often provides representations, warranties and indemnities to cover various risks 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 and legal fees 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 results of operations, financial condition or cash flows.

In connection with the sale of the Specialty Chemicals business, the Company provided the purchaser with an indemnification for various risks, including environmental, health, safety, tax and other matters, some of which have an indefinite term. However, the most significant portion of this indemnification relates to environmental, health and safety matters, which has a term of 17 years. A liability of $22 million relating to this indemnification was included on the Company's consolidated balance sheet at both June 29, 2012 and September 30, 2011. The value of the environmental, health and safety guarantee was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental claims proposed under the indemnity. The maximum future payments the Company could be required to make under the indemnification provided to the purchaser is $79 million. In addition, the Company was required to pay $30 million into an escrow account as collateral, of which $26 million remained in other assets on the consolidated balance sheet at June 29, 2012.

The Company has recorded liabilities for known indemnifications included as part of environmental liabilities, which are discussed in note 15. In addition, the Company is liable for product performance; however in the opinion of management, such obligations will not significantly affect the Company's results of operations, financial condition or cash flows.

Pursuant to the Separation and Distribution Agreement and Tax Sharing Agreement, the Company entered into certain guarantee commitments and indemnifications with Tyco International and TE Connectivity, which are discussed in note 14.

12. Derivative Instruments

The Company is exposed to certain risks relating to its business operations. Risks that relate to interest rate exposure, foreign exchange exposure and certain commodity price exposures are managed by using derivative instruments. The Company uses interest rate swaps to manage interest rate exposure. Foreign currency option and forward contracts are used to economically manage the foreign exchange exposures of operations outside the United States. 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.

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The Company recognizes all derivative instruments as either assets or liabilities at fair value on the balance sheet. Changes in a derivative financial instrument's fair value are recognized in earnings unless specific hedge criteria are met. The Company has designated certain interest rate lock contracts and certain commodity swap contracts as cash flow hedges. The Company has not designated the foreign currency forward and option contracts as hedging instruments.

Interest Rate Exposure

Cash Flow Hedges—During fiscal 2007, CIFSA entered into a series of forward interest rate lock contracts to hedge the risk of variability in the market interest rates prior to the issuance of fixed rate senior notes. The rate locks were designated as cash flow hedges at inception and were terminated in fiscal 2007 and fiscal 2008 prior to the issuance of the notes in accordance with their terms. The rate locks were considered to be highly effective, accordingly, the loss that resulted upon termination of the rate locks was recorded in accumulated other comprehensive income and is being amortized to interest expense over the terms of the notes. As of June 29, 2012 and September 30, 2011, the amount of this loss that remained in accumulated other comprehensive income was $40 million and $45 million, respectively.

Foreign Exchange Exposure

Derivatives not Designated as Hedging Instruments—The Company's operations outside the United States are significant. As a result, the Company has foreign exchange exposure on the translation of the financial statements and on transactions denominated in foreign currencies. The Company'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, principally the euro and yen, as well as over 20 other currencies. The Company generally manages its exposure for forecasted transactions for the upcoming 12 months. All forward and option contracts are recorded on the consolidated balance sheet at fair value. At June 29, 2012, the Company had foreign currency forward and option contracts outstanding with a notional amount of $837 million. These contracts do not meet the necessary criteria to qualify for hedge accounting. Accordingly, all associated changes in fair value are recognized in earnings.

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

	Quarter Ended		Nine Months Ended	
(Dollars in Millions)	June 29, 2012	June 24, 2011	June 29, 2012	June 24, 2011
Cost of goods sold	$3	$(6)	$9	$(16)
Selling, general and administrative expenses	4	(7)	(3)	(12)
Total	$7	$(13)	$6	$(28)

Fair Value of Derivative Instruments

The fair value of foreign exchange forward and option contracts not designated as hedging instruments are included in the following consolidated balance sheet captions in the amounts shown:

(Dollars in Millions)	June 29, 2012	September 30, 2011
Derivative Assets:		
Prepaid expenses and other current assets	$32	$40

Accrued and other current liabilities	2	1
	$34	$41
Derivative Liabilities:		
Prepaid expenses and other current assets	$5	$5
Accrued and other current liabilities	12	24
	$17	$29

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13. 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. Fair value is a market-based measurement that should be determined 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

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 June 29, 2012 and September 30, 2011:

		Basis of Fair Value Measurement		
(Dollars in Millions)	June 29, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign currency contracts	$34	$—	$34	$—
Debt and equity securities held in rabbi trust	34	18	16	—
Total assets at fair value	$68	$18	$50	$—
Liabilities:				
Foreign currency contracts	$17	$—	$17	$—
Deferred compensation liabilities	94	—	94	—
Contingent consideration	158	—	—	158
Total liabilities at fair value	$269	$—	$111	$158

		Basis of Fair Value Measurement		
(Dollars in Millions)	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign currency contracts	$41	$—	$41	$—
Debt and equity securities held in rabbi trust	33	15	18	—
Total assets at fair value	$74	$15	$59	$—
Liabilities:				
Foreign currency contracts	$29	$—	$29	$—
Deferred compensation liabilities	93	—	93	—

Total liabilities at fair value	$122	$—	$122	$—

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Foreign currency contracts—The fair values of foreign currency contracts were measured using significant other observable inputs and valued by reference to over-the-counter quoted market prices for similar instruments. The Company does not believe that the fair values of these derivative instruments materially differ from the amounts that could be realized upon settlement or maturity, or that the changes in fair value will have a material effect on its results of operations, financial condition or cash flows.

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. Where 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—The Company maintains a non-qualified deferred compensation plan in the United States, which permits eligible employees to defer a portion of their compensation. A record keeping 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 the Company's U.S. tax-qualified retirement plan and the account balance fluctuates with the investment returns on those funds.

Contingent consideration—During the third quarter of fiscal 2012, the Company recorded contingent consideration of $47 million upon the acquisition of Maya Medical. This contingent consideration, which could total a maximum of $170 million, consists of $70 million in milestone payments related to the commercialization of a radiofrequency energy-based renal denervation device (RF Device) and $100 million in milestone payments related to a device that delivers a chemical agent to cause renal denervation (Drug Device), both of which are for the treatment of hypertension.
The milestone payments related to the RF Device consist of $20 million for the first commercial sale of the product outside of the United States and $20 million for the successful completion of a post-market clinical trial. The Company recorded contingent consideration of $20 million and $17 million related to the first commercial sale and successful completion of the post-market clinical trial within the required timeframes, respectively. In addition, the Company may be obligated to pay up to a maximum of $30 million based on the achievement of sales targets. The Company has recorded contingent consideration of $8 million related to these sales targets.
The milestone payments related to the Drug Device consist of $25 million for the successful completion of a pre-clinical trial study, $25 million for the successful completion of a clinical trial and $10 million for the first commercial sale of the product outside of the United States. The Company applied probability rates of 5% or less to each of these milestones and accordingly, the value of this contingent consideration is insignificant. In addition, the Company may be obligated to pay up to a maximum of $40 million based on the achievement of sales targets. The Company has assigned no value to this contingent consideration.
During the third quarter of fiscal 2012, the Company recorded contingent consideration of $22 million upon the acquisition of superDimension. This contingent consideration, which could total a maximum of $50 million, is based on the achievement of sales targets.

During the nine months ended June 29, 2012, the Company recorded contingent consideration of $71 million upon the acquisition of BÂRRX and an additional $4 million upon the achievement of health insurance coverage targets for procedures utilizing BÂRRX devices.

In addition, during the nine months ended June 29, 2012, the Company recorded contingent consideration of $13 million upon the acquisition of another business. This contingent consideration, which could total $20 million, is

based on the achievement of sales targets.

The fair values of contingent consideration are based on significant unobservable inputs, including management estimates and assumptions, and were measured based on the probability-weighted present value of the payments expected to be made. Accordingly, the fair values of contingent consideration have been classified as level 3 within the fair value hierarchy. These liabilities will be re-measured each reporting period and changes in the fair values will be included in the consolidated statements of income. Following is a reconciliation of changes in the fair value of contingent consideration for both the quarter and nine months ended June 29, 2012:

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	Quarter Ended	Nine Months Ended
(Dollars in Millions)	June 29, 2012	June 29, 2012
Balance at beginning of period	$85	$—
Fair value of acquired liabilities	69	153
Changes in fair value	4	5
Fair value at June 29, 2012	$158	$158

Financial Instruments Not Measured at Fair Value

The fair value of cash and cash equivalents approximate carrying value since cash equivalents consist of liquid investments with a maturity of three months or less (level 1). The fair value of restricted cash is equivalent to its carrying value of $52 million and $60 million as of June 29, 2012 and September 30, 2011, respectively (level 1). 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 $87 million and $88 million at June 29, 2012 and September 30, 2011, respectively. The fair value of long-term debt, including both current and non-current maturities, is based upon quoted prices in active markets for similar instruments (level 2) and was approximately $5.764 billion and $4.781 billion at June 29, 2012 and September 30, 2011, respectively. It is not practicable to estimate the fair value of the Company's guaranteed contingent tax liability and the related amounts due to or from former parent and affiliate.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents, derivative financial instruments and accounts receivable. The Company invests its excess cash in deposits or money market funds and diversifies the concentration of cash among different financial institutions that have at least an A credit rating. Counterparties to the Company's derivative financial instruments are limited to major financial institutions with at least a Moody's and Standard & Poor's long-term debt rating of A/A2. While the Company does not require collateral or other security to be furnished by the counterparties to its derivative financial instruments, it minimizes exposure to credit risk by dealing with a diversified group of major financial institutions and actively monitoring outstanding positions.

Concentrations of credit risk with respect to trade accounts receivable are generally limited due to the Company's large number of customers and their diversity across many geographic areas. A portion of the Company's trade accounts receivable outside the United States, 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, Italy and Portugal, 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. If the financial condition of customers or the countries' healthcare systems continue to deteriorate such that their ability to make payments is uncertain, charges may be required in future periods.

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

(Dollars in Millions)	June 29, 2012		September 30, 2011	
Accounts receivable, net in Spain, Italy and Portugal	$410		$563	
Percentage of total accounts receivable, net	25	%	32	%

Net sales to customers in Spain, Italy and Portugal totaled $168 million and $201 million during the quarters ended June 29, 2012 and June 24, 2011, respectively. Net sales to customers in Spain, Italy and Portugal totaled $504 million and $556 million during the nine months ended June 29, 2012 and June 24, 2011, respectively. At the end of June 2012, the Company collected $248 million from the Spanish government, which related to 2011 and prior invoices.

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14. Transactions with Former Parent and Affiliate

Separation and Distribution Agreement—On June 29, 2007, the Company entered into a Separation and Distribution Agreement with Tyco International and TE Connectivity. Under this agreement, subject to certain exceptions contained in the Tax Sharing Agreement, Covidien, Tyco International and TE Connectivity assumed 42%, 27% and 31%, respectively, of certain of Tyco International's contingent and other corporate liabilities, primarily consolidated securities litigation and any actions with respect to the separation brought by any third party. These contingent and other corporate liabilities do not include liabilities that specifically relate to one of the three separated companies, which were allocated solely to the relevant company.

Tax Sharing Agreement—On June 29, 2007, the Company entered into a Tax Sharing Agreement, under which the Company shares responsibility for certain of its, Tyco International's and TE Connectivity's income tax liabilities for periods prior to the separation. Covidien, Tyco International and TE Connectivity share 42%, 27% and 31%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax authorities to its, Tyco International's and TE Connectivity's U.S. income tax returns, certain income tax liabilities arising from adjustments made by tax authorities to intercompany transactions or similar adjustments, and certain taxes attributable to internal transactions undertaken in anticipation of the separation. All costs and expenses associated with the management of these tax liabilities are being shared equally among the parties. The Company is responsible for all of its own taxes that are not shared pursuant to the Tax Sharing Agreement.

All the tax liabilities of Tyco International that were associated with the Company's business became Covidien's tax liabilities following the separation. Although Covidien shares certain of these tax liabilities with Tyco International and TE Connectivity pursuant to the Tax Sharing Agreement, Covidien is primarily liable for all of these liabilities. Accordingly, if Tyco International and TE Connectivity default on their obligations to Covidien under the Tax Sharing Agreement, Covidien would be liable for the entire amount of these liabilities.

If any party to the Tax Sharing Agreement were to default in its obligation to another party to pay its share of the distribution taxes that arise as a result of no party's fault, each non-defaulting party would be required to pay, equally with any other non-defaulting party, the amounts in default. In addition, if another party to the Tax Sharing Agreement that is responsible for all or a portion of an income tax liability were to default in its payment of such liability to a taxing authority, the Company could be legally liable under applicable tax law for such liabilities and be required to make additional tax payments. Accordingly, under certain circumstances, the Company may be obligated to pay amounts in excess of the Company's agreed upon share of its, Tyco International's and TE Connectivity's tax liabilities.

The Company has used available information to develop its best estimates for certain assets and liabilities related to periods prior to separation, including amounts subject to or impacted by the provisions of the Tax Sharing Agreement. Although the Company believes its estimates are adequate, the outcome of any potential litigation is uncertain and could result in a significant increase to its liability for taxes arising prior to June 29, 2007. The actual amounts that Covidien may be required to ultimately accrue or pay under the Tax Sharing Agreement could vary depending upon the outcome of the unresolved tax matters, which may not occur for several years, especially if certain matters are litigated. Final determination of the balances will be made in subsequent periods, primarily related to certain pre-separation tax liabilities and tax years open for examination. These balances will also be impacted by the filing of final or amended income tax returns in certain jurisdictions where those returns include a combination of Tyco International, Covidien and/or TE Connectivity legal entities for periods prior to the separation.

At June 29, 2012, the Company is the primary obligor to the taxing authorities for $1.707 billion of contingent tax liabilities that are recorded on the consolidated balance sheet, of which $1.124 billion relates to periods prior to the separation and which is shared with Tyco International and TE Connectivity pursuant to the Tax Sharing Agreement. At September 30, 2011, the Company was the primary obligor to the taxing authorities for $1.631 billion of contingent tax liabilities that were recorded on the consolidated balance sheet.

Income Tax Receivables—The Company has a current and non-current receivable from Tyco International and TE Connectivity totaling $602 million and $587 million at June 29, 2012 and September 30, 2011, respectively. These receivables, which reflect 58% of the contingent tax liabilities that are subject to the Tax Sharing Agreement, are classified as due from former parent and affiliate on the consolidated balance sheets. Adjustments to these receivables are recorded in other income. During the first nine months of fiscal 2012, the Company received a net reimbursement payment totaling $11 million from Tyco International and TE Connectivity.

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Guaranteed Contingent Tax Liabilities—The Company has certain guarantee commitments and indemnifications with Tyco International and TE Connectivity, primarily related to certain contingent tax liabilities. Current and non-current liabilities totaling $613 million and $660 million related to these guarantees were included on the Company's consolidated balance sheets at June 29, 2012 and September 30, 2011, respectively. During the first nine months of fiscal 2012, the Company made payments totaling $45 million to Tyco International and TE Connectivity, which represents the 42% reimbursement required pursuant to the Tax Sharing Agreement for applicable tax and interest payments made by Tyco International and TE Connectivity.

15. Commitments and Contingencies

The Company is subject to various legal proceedings and claims, including patent infringement claims, product liability matters, environmental matters, employment disputes, disputes on agreements and other commercial disputes. 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 proceedings, based upon the Company's experience, current information and applicable law, management does not expect that these proceedings will have a material adverse effect on the Company's financial condition. However, one or more of the proceedings could have a material adverse effect on the Company's results of operations or cash flows for a future period. The most significant of these matters are discussed below.

Products Liability Litigation—The Company currently is involved in litigation in various state and federal courts against manufacturers of transvaginal pelvic mesh products alleging personal injuries resulting from the implantation of those products. Two subsidiaries of the Company have supplied pelvic mesh product to one of the manufacturers named in the litigation and the Company is indemnifying that manufacturer on certain claims. The litigation includes a federal multi-district litigation in the United States District Court for the Northern District of West Virginia and cases in various state courts. Generally, complaints allege design and manufacturing claims, failure to warn, breach of warranty, fraud, violations of state consumer protection laws and loss of consortium claims. The Company believes that it has meritorious defenses to these claims and is vigorously defending against them. As of June 29, 2012, there were approximately 520 cases pending believed to involve products manufactured by Company subsidiaries. During fiscal 2011, the Company recorded a charge of $46 million for all known pending and estimated future claims, net of anticipated insurance recoveries. During the first nine months of fiscal 2012, the Company continued to receive claims and used the claims data to update its estimate of future claims. Accordingly, the Company recorded an additional charge of $47 million, which is included in selling, general and administrative expenses. The liability and insurance receivable are included in other liabilities and other assets, respectively, on the consolidated balance sheets. The Company believes that it has adequate amounts recorded relating to these matters based on current information. While the Company believes that the final disposition of all known claims, after taking into account amounts already accrued and insurance coverage, will not have a material adverse effect on the Company's results of operations, financial condition or cash flows, it is not possible at this time to determine with certainty the ultimate outcome of these matters or the effect of potential future claims.

Asbestos Matters—Mallinckrodt Inc. is 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 incorporating asbestos. A very limited number of the cases allege premises liability, based on claims that individuals were exposed to asbestos while on Mallinckrodt's property. Each case typically names dozens of corporate defendants in addition to Mallinckrodt. 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 Mallinckrodt 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 vigorously defend these lawsuits. When appropriate, the Company settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of June 29, 2012, there were approximately 11,800 asbestos liability cases pending against Mallinckrodt.

The Company estimates pending asbestos claims and claims that were incurred but not reported, as well as related 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 its results of operations, financial condition or cash flows.

Environmental Proceedings—The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. 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. As of June 29, 2012, the Company concluded that it was probable that it would incur remedial costs in the range of $168 million to $285 million. As of June 29, 2012, the Company concluded that the best estimate within this range was $168 million, of which $19 million was included in accrued and other current liabilities and $149 million was included in other liabilities on the consolidated balance sheet. The most significant of these liabilities pertains to a site in Orrington, Maine, which is discussed below. The Company believes that any potential payment of such estimated amounts will not have a material adverse effect on its results of operations, financial condition or cash flows.

Mallinckrodt LLC, a subsidiary of the Company, is a successor to a company which owned and operated a chemical manufacturing facility in Orrington, Maine from 1967 until 1982. Mallinckrodt is responsible for the costs of completing an environmental site investigation required by the United States Environmental Protection Agency (EPA) and the Maine Department of Environmental Protection (MDEP). Based on the site investigation, Mallinckrodt 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 Mallinckrodt LLC (now known as Mallinckrodt US LLC) and United States Surgical Corporation in December 2008. The compliance order included a directive to remove a significant volume of soils at the site. On December 19, 2008, Mallinckrodt 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, Mallinckrodt appealed the final order issued by the Maine Board in Maine Superior Court. On appeal Mallinckrodt 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 Mallinckrodt remove one of the two landfills and recap the remaining three landfills. Mallinckrodt also appealed certain administrative requirements of the final order. 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.

As of June 29, 2012, the Company estimates that the cost to comply with these proposed remediation alternatives at this site ranges from $92 million to $166 million. These amounts are included in the range of aggregate environmental remediation costs described above. 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.

The Company has also recorded asset retirement obligations (AROs) for the estimated future costs primarily associated with legal obligations to decommission two facilities within the Pharmaceuticals segment. At both June 29, 2012 and September 30, 2011, the Company’s AROs were $53 million. The Company believes that any potential payment of such estimated amounts will not have a material adverse effect on its results of operations, financial

condition or 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 its results of operations, financial condition or cash flows.

Tyco International Legal Proceedings—As discussed in note 14, pursuant to the Separation and Distribution Agreement, the Company assumed a portion of Tyco International's contingent and other corporate liabilities, including potential liabilities related to certain of Tyco International's outstanding litigation matters. As of June 24, 2011, there were no remaining securities lawsuits outstanding. Accordingly, during the first nine months of fiscal 2011, the Company recorded income of $11 million related to the reversal of its portion of the remaining reserves that had previously been established.

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Compliance Matters—Prior to the separation from Tyco International, Tyco International received and responded to various allegations that certain improper payments were made by Tyco International subsidiaries, including subsidiaries which are now part of the Company. During 2005, Tyco International reported to the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) the investigative steps and remedial measures that it had taken in response to the allegations. Tyco International also informed the DOJ and the SEC that it retained outside counsel to perform a company-wide baseline review of its policies, controls and practices with respect to compliance with the Foreign Corrupt Practices Act (FCPA), that it would continue to make periodic progress reports to these agencies and that it would present its factual findings upon conclusion of the baseline review. The Company has continued to communicate with the DOJ and SEC to provide updates on the baseline review and follow-up investigations, including, as appropriate, briefings concerning additional instances of potential improper conduct identified by the Company in the course of its ongoing compliance activities. To date, the baseline review and other compliance reviews have revealed that some past business practices may not comply with Covidien and FCPA requirements. The Company believes that it has adequate amounts recorded related to these matters, the amount of which is not significant.

Income Taxes—The income tax returns of the Company and its subsidiaries are periodically examined by various tax authorities. The U.S. Internal Revenue Service (IRS) continues to audit the Company's U.S. federal income tax returns for the years 2008 and 2009. Open periods for examination also include certain periods during which the Company was a subsidiary of Tyco International. The resolution of these matters is subject to the conditions set forth in the Tax Sharing Agreement. Tyco International has the right to administer, control and settle all U.S. income tax audits for periods prior to the separation. The Company has potential liabilities related to these income tax returns and has included its best estimate of potential liabilities for these years within the current and non-current income taxes payable. With respect to these potential income tax liabilities from all of these years, Covidien believes that the amounts recorded in its consolidated financial statements as current or non-current income taxes payable are adequate.

The IRS has concluded its field examination of certain of Tyco International's U.S. federal income tax returns for the years 1997 through 2000 and proposed tax adjustments, several of which also affect Covidien's income tax returns for years after 2000. Tyco International has appealed certain of the tax adjustments proposed by the IRS and Covidien believes that some of these adjustments relating to certain Tyco International subsidiaries are likely to be resolved within the next 12 months. With respect to other adjustments, Tyco International has indicated that settlement is unlikely. In the event that Tyco International is unable to resolve these issues in the IRS administrative process, Tyco International will likely contest certain adjustments related to disallowed deductions through litigation. While Covidien believes that the amounts recorded as non-current taxes payable or guaranteed contingent tax liabilities related to these adjustments are adequate, the timing and outcome of such litigation is highly uncertain and could have a significant effect on the consolidated financial statements.

The IRS continues to audit certain of Tyco International's U.S. federal income tax returns for the years 2001 through 2004 and 2005 through 2007 audit cycles. Tyco International and the IRS have entered into settlements related to certain outstanding tax matters arising in the 2001 through 2004 U.S. audit cycle, which otherwise remains open and subject to examination and resolution of other matters.

The resolution of tax matters arising from the 1997 through 2007 U.S. audits, non-U.S. audits and other settlements or statute of limitations expirations, 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 12 months.

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16. Segment Data

The Company's three reportable segments are as follows:

- Medical Devices includes the development, manufacture and sale of endomechanical instruments, energy devices, soft tissue repair products, vascular products, oximetry and monitoring products, airway and ventilation products and other medical products.
- Pharmaceuticals includes the development, manufacture and distribution of specialty pharmaceuticals, active pharmaceutical ingredients, contrast products and radiopharmaceuticals.
- Medical Supplies includes the development, manufacture and sale of nursing care products, medical surgical products, SharpSafety products and original equipment manufacturer products (OEM).

The Company has aggregated the following five operating segments into the Medical Devices reportable segment based upon their similar operational and economic characteristics: General Surgery in the United States and Europe, Vascular in the United States and Europe, Respiratory & Monitoring Solutions in the United States and Europe, Developed Markets (Canada, Japan, Australia and New Zealand) and Emerging Markets (Latin America, Asia, Eastern Europe, the Middle East and Africa).

Selected information by business segment is as follows:

(Dollars in Millions)	Quarter Ended June 29, 2012	Quarter Ended June 24, 2011	Nine Months Ended June 29, 2012	Nine Months Ended June 24, 2011
Net sales[1] :				
Medical Devices	$2,063	$1,985	$6,051	$5,739
Pharmaceuticals	501	500	1,499	1,460
Medical Supplies	443	441	1,301	1,297
	$3,007	$2,926	$8,851	$8,496
Operating income:				
Medical Devices	$640	$613	$1,902	$1,777
Pharmaceuticals	88	80	263	237
Medical Supplies	52	59	154	181
Operating income of reportable segments	780	752	2,319	2,195
Unallocated amounts:				
Corporate expenses	(104)	(105)	(286)	(312)
Legal charges (note 15)	—	—	(47)	—
Restructuring and related charges, net (note 3)	(29)	(32)	(68)	(83)
Separation costs[2]	(11)	—	(21)	—
Charges associated with acquisitions and licensing arrangement[3]	(19)	—	(35)	(32)
Shareholder settlement income	—	—	—	11
Consolidated operating income	$617	$615	$1,862	$1,779

(1) Amounts represent sales to external customers. Intersegment sales are not significant.

(2) Amounts represent costs incurred related to the separation of the Company's Pharmaceuticals segment, which are included in selling, general and administrative expenses.

(3) Note 2 provides information regarding current period amounts. Prior year amount represent charges included in cost of goods sold related to the sale of acquired inventory that had been written up to fair value upon acquisition.

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17. Covidien International Finance S.A.

CIFSA, a Luxembourg company, is a holding company that owns, directly or indirectly, substantially all of the operating subsidiaries of Covidien plc. CIFSA is the issuer of the Company's senior notes and commercial paper, both of which are fully and unconditionally guaranteed by Covidien plc and Covidien Ltd., the owners of CIFSA. In addition, CIFSA is the borrower under the revolving credit facility, which is fully and unconditionally guaranteed by Covidien plc. The following information provides the composition of the Company's income, assets, liabilities, equity and cash flows by relevant group within the Company: Covidien plc and Covidien Ltd. as the guarantors, CIFSA as issuer of the debt and the operating companies that represent assets of CIFSA. There are no other subsidiary guarantees. Condensed consolidating financial information for Covidien plc, Covidien Ltd. and CIFSA, on a stand-alone basis, is presented using the equity method of accounting for subsidiaries.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
Quarter Ended June 29, 2012
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Net sales	$—	$—	$—	$3,007	$—	$3,007
Cost of goods sold	—	—	—	1,268	—	1,268
Gross profit	—	—	—	1,739	—	1,739
Selling, general and administrative expenses	26	—	1	909	—	936
Research and development expenses	—	—	—	159	—	159
Restructuring charges, net	—	—	—	27	—	27
Operating (loss) income	(26)	—	(1)	644	—	617
Interest expense	—	—	(53)	—	—	(53)
Interest income	—	—	—	1	—	1
Other (expense) income, net	—	—	(9)	21	—	12
Equity in net income of subsidiaries	474	476	375	—	(1,325)	—
Intercompany interest and fees	4	(2)	164	(166)	—	—
Income before income taxes	452	474	476	500	(1,325)	577
Income tax (benefit) expense	(1)	—	—	125	—	124
Net income	453	474	476	375	(1,325)	453
Currency translation	—	—	—	(134)	—	(134)
Unrealized gain on derivatives, net of income taxes	—	—	2	1	—	3
Total comprehensive income	$453	$474	$478	$242	$(1,325)	$322

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
Quarter Ended June 24, 2011
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Net sales	$—	$—	$—	$2,926	$—	$2,926
Cost of goods sold	—	—	—	1,255	—	1,255
Gross profit	—	—	—	1,671	—	1,671
Selling, general and administrative expenses	4	—	1	881	—	886
Research and development expenses	—	—	—	138	—	138
Restructuring charges, net	—	—	—	32	—	32
Operating (loss) income	(4)	—	(1)	620	—	615
Interest expense	—	—	(50)	(1)	—	(51)
Interest income	—	—	—	6	—	6
Other expense, net	—	—	—	(12)	—	(12)
Equity in net income of subsidiaries	519	521	413	—	(1,453)	—
Intercompany interest and fees	18	(2)	159	(175)	—	—
Income from continuing operations before income taxes	533	519	521	438	(1,453)	558
Income tax (benefit) expense	(2)	—	—	28	—	26
Income from continuing operations	535	519	521	410	(1,453)	532
Income from discontinued operations, net of income taxes	—	—	—	3	—	3
Net income	535	519	521	413	(1,453)	535
Currency translation	—	—	—	53	—	53
Unrealized gain on derivatives, net of income taxes	—	—	1	—	—	1
Change related to benefit plans, net of income taxes	—	—	—	(1)	—	(1)
Total comprehensive income	$535	$519	$522	$465	$(1,453)	$588

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
Nine Months Ended June 29, 2012
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Net sales	$—	$—	$—	$8,851	$—	$8,851
Cost of goods sold	—	—	—	3,705	—	3,705
Gross profit	—	—	—	5,146	—	5,146
Selling, general and administrative expenses	74	—	2	2,681	—	2,757
Research and development expenses	—	—	—	470	—	470
Restructuring charges, net	—	—	—	57	—	57
Operating (loss) income	(74)	—	(2)	1,938	—	1,862
Interest expense	—	—	(156)	1	—	(155)
Interest income	—	—	—	13	—	13
Other (expense) income, net	—	—	(9)	27	—	18
Equity in net income of subsidiaries	1,572	1,577	1,255	—	(4,404)	—
Intercompany interest and fees	(59)	(5)	489	(425)	—	—
Income from continuing operations before income taxes	1,439	1,572	1,577	1,554	(4,404)	1,738
Income tax (benefit) expense	(5)	—	—	305	—	300
Income from continuing operations	1,444	1,572	1,577	1,249	(4,404)	1,438
Income from discontinued operations, net of income taxes	—	—	—	6	—	6
Net income	1,444	1,572	1,577	1,255	(4,404)	1,444
Currency translation	—	—	—	(172)	—	(172)
Unrealized gain on derivatives, net of income taxes	—	—	4	—	—	4
Change related to benefit plans, net of income taxes	—	—	—	1	—	1
Total comprehensive income	$1,444	$1,572	$1,581	$1,084	$(4,404)	$1,277

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
Nine Months Ended June 24, 2011
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Net sales	$—	$—	$—	$8,496	$—	$8,496
Cost of goods sold	—	—	—	3,658	—	3,658
Gross profit	—	—	—	4,838	—	4,838
Selling, general and administrative expenses	11	—	2	2,587	—	2,600
Research and development expenses	—	—	—	387	—	387
Restructuring charges, net	—	—	—	83	—	83
Shareholder settlement income	—	—	—	(11)	—	(11)
Operating (loss) income	(11)	—	(2)	1,792	—	1,779
Interest expense	—	—	(154)	1	—	(153)
Interest income	—	—	—	17	—	17
Equity in net income of subsidiaries	1,460	1,464	1,145	—	(4,069)	—
Intercompany interest and fees	(43)	(4)	475	(428)	—	—
Income from continuing operations before income taxes	1,406	1,460	1,464	1,382	(4,069)	1,643
Income tax (benefit) expense	(11)	—	—	231	—	220
Income from continuing operations	1,417	1,460	1,464	1,151	(4,069)	1,423
Loss from discontinued operations, net of income taxes	—	—	—	(6)	—	(6)
Net income	1,417	1,460	1,464	1,145	(4,069)	1,417
Currency translation	—	—	—	174	—	174
Unrealized gain on derivatives, net of income taxes	—	—	3	2	—	5
Change related to benefit plans, net of income taxes	—	—	—	(5)	—	(5)
Total comprehensive income	$1,417	$1,460	$1,467	$1,316	$(4,069)	$1,591

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CONDENSED CONSOLIDATING BALANCE SHEET
At June 29, 2012
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Assets						
Current Assets:						
Cash and cash equivalents	$—	$—	$351	$1,584	$—	$1,935
Accounts receivable trade, net	—	—	—	1,662	—	1,662
Inventories	—	—	—	1,723	—	1,723
Intercompany receivable	23	51	—	19	(93)	—
Prepaid expenses and other current assets	1	—	1	936	—	938
Total current assets	24	51	352	5,924	(93)	6,258
Property, plant and equipment, net	2	—	—	2,804	—	2,806
Goodwill	—	—	—	8,486	—	8,486
Intangible assets, net	—	—	—	3,080	—	3,080
Due from former parent and affiliate	—	—	—	595	—	595
Investment in subsidiaries	13,278	13,901	11,356	—	(38,535)	—
Intercompany loans receivable	—	93	12,110	4,898	(17,101)	—
Other assets	—	—	27	862	—	889
Total Assets	$13,304	$14,045	$23,845	$26,649	$(55,729)	$22,114
Liabilities and Shareholders' Equity						
Current Liabilities:						
Current maturities of long-term debt	$—	$—	$503	$8	$—	$511
Accounts payable	3	—	—	593	—	596
Intercompany payable	19	—	—	74	(93)	—
Accrued and other current liabilities	1	—	32	1,375	—	1,408
Income taxes payable	—	—	—	51	—	51
Guaranteed contingent tax liabilities	—	—	—	30	—	30
Total current liabilities	23	—	535	2,131	(93)	2,596
Long-term debt	—	—	4,511	63	—	4,574
Income taxes payable	—	—	—	1,675	—	1,675
Guaranteed contingent tax liabilities	—	—	—	583	—	583
Intercompany loans payable	2,569	767	4,898	8,867	(17,101)	—

Other liabilities	—	—	—	1,974	—	1,974
Total Liabilities	2,592	767	9,944	15,293	(17,194)	11,402
Shareholders' Equity	10,712	13,278	13,901	11,356	(38,535)	10,712
Total Liabilities and Shareholders' Equity	$13,304	$14,045	$23,845	$26,649	$(55,729)	$22,114

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CONDENSED CONSOLIDATING BALANCE SHEET
At September 30, 2011
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Assets						
Current Assets:						
Cash and cash equivalents	$—	$—	$169	$1,334	$—	$1,503
Accounts receivable trade, net	—	—	—	1,744	—	1,744
Inventories	—	—	—	1,513	—	1,513
Intercompany receivable	23	—	—	153	(176)	—
Prepaid expenses and other current assets	3	—	29	981	—	1,013
Total current assets	26	—	198	5,725	(176)	5,773
Property, plant and equipment, net	2	—	—	2,703	—	2,705
Goodwill	—	—	—	7,683	—	7,683
Intangible assets, net	—	—	—	2,764	—	2,764
Due from former parent and affiliate	—	—	—	583	—	583
Investment in subsidiaries	11,860	12,478	11,340	—	(35,678)	—
Intercompany loans receivable	—	94	11,294	6,160	(17,548)	—
Other assets	—	—	22	844	—	866
Total Assets	$11,888	$12,572	$22,854	$26,462	$(53,402)	$20,374
Liabilities and Shareholders' Equity						
Current Liabilities:						
Current maturities of long-term debt	$—	$—	$3	$8	$—	$11
Accounts payable	—	—	—	576	—	576
Intercompany payable	24	129	—	23	(176)	—
Accrued and other current liabilities	109	—	83	1,419	—	1,611
Income taxes payable	—	—	—	97	—	97
Guaranteed contingent tax liabilities	—	—	—	105	—	105
Total current liabilities	133	129	86	2,228	(176)	2,400
Long-term debt	—	—	4,129	68	—	4,197
Income taxes payable	—	—	—	1,629	—	1,629
Guaranteed contingent tax liabilities	—	—	—	555	—	555
	1,937	583	6,161	8,867	(17,548)	—

Intercompany loans payable						
Other liabilities	1	—	—	1,775	—	1,776
Total Liabilities	2,071	712	10,376	15,122	(17,724)	10,557
Shareholders' Equity	9,817	11,860	12,478	11,340	(35,678)	9,817
Total Liabilities and Shareholders' Equity	$11,888	$12,572	$22,854	$26,462	$(53,402)	$20,374

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended June 29, 2012
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Cash Flows From Operating Activities:						
Net cash (used in) provided by operating activities	$(89)	$(184)	$312	$1,598	$—	$1,637
Cash Flows From Investing Activities:						
Capital expenditures	—	—	—	(378)	—	(378)
Acquisition-related payments, net of cash acquired	—	—	—	(1,063)	—	(1,063)
Acquisition of licenses and technology	—	—	—	(26)	—	(26)
Sale of investments	—	—	—	7	—	7
Net increase in intercompany loans	—	—	(2,078)	—	2,078	—
Increase in investment in subsidiary	—	—	(625)	—	625	—
Other	—	—	—	(2)	—	(2)
Net cash used in investing activities	—	—	(2,703)	(1,462)	2,703	(1,462)
Cash Flows From Financing Activities:						
Net issuance of commercial paper	—	—	136	—	—	136
Issuance of debt	—	—	1,240	—	—	1,240
Repayment of debt	—	—	(508)	(44)	—	(552)
Dividends paid	(326)	—	—	—	—	(326)
Repurchase of shares	(385)	—	—	—	—	(385)
Proceeds from exercise of share options	143	—	—	—	—	143
Net intercompany loan borrowings	632	184	—	1,262	(2,078)	—
Intercompany dividend received (paid)	—	—	1,705	(1,705)	—	—
Capital contribution	—	—	—	625	(625)	—
Other	25	—	—	(11)	—	14
Net cash provided by (used in) financing activities	89	184	2,573	127	(2,703)	270
	—	—	—	(13)	—	(13)

Effect of currency rate changes on cash						
Net increase in cash and cash equivalents	—	—	182	250	—	432
Cash and cash equivalents at beginning of period	—	—	169	1,334	—	1,503
Cash and cash equivalents at end of period	$—	$—	$351	$1,584	$—	$1,935

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended June 24, 2011
(dollars in millions)

	Covidien plc	Covidien Ltd.	CIFSA	Other Subsidiaries	Consolidating Adjustments	Total
Cash Flows From Operating Activities:						
Net cash (used in) provided by operating activities	$(23)	$169	$270	$1,193	$—	$1,609
Cash Flows From Investing Activities:						
Capital expenditures	—	—	—	(303)	—	(303)
Acquisition-related payments	—	—	—	(13)	—	(13)
Acquisition of licenses and technology	—	—	—	(4)	—	(4)
Sale of investments	—	—	—	14	—	14
Net increase in intercompany loans	—	—	(341)	—	341	—
Increase in investment in subsidiary	—	(199)	—	—	199	—
Other	—	—	—	(9)	—	(9)
Net cash used in investing activities	—	(199)	(341)	(315)	540	(315)
Cash Flows From Financing Activities:						
Net repayment of commercial paper	—	—	(307)	—	—	(307)
Repayment of debt	—	—	(250)	(4)	—	(254)
Dividends paid	(297)	—	—	—	—	(297)
Repurchase of shares	(378)	—	—	—	—	(378)
Proceeds from exercise of share options	164	—	—	—	—	164
Payment of contingent consideration	—	—	—	(71)	—	(71)
Net intercompany loan borrowings	487	30	—	(176)	(341)	—
Intercompany dividend received (paid)	—	—	490	(490)	—	—
Capital contribution	—	—	—	199	(199)	—
Other	48	—	—	(35)	—	13
Net cash provided by (used in) financing activities	24	30	(67)	(577)	(540)	(1,130)
	—	—	—	26	—	26

Effect of currency rate changes on cash						
Net increase (decrease) in cash and cash equivalents	1	—	(138)	327	—	190
Cash and cash equivalents at beginning of period	1	—	399	1,165	—	1,565
Cash and cash equivalents at end of period	$2	$—	$261	$1,492	$—	$1,755

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the accompanying notes included in this Quarterly Report. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed under the headings "Risk Factors" and "Forward-Looking Statements" in both our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 and in this Quarterly Report.

Overview

We develop, manufacture and sell healthcare products for use in clinical and home settings. Our mission is to create and deliver innovative healthcare solutions, developed in ethical collaboration with medical professionals, which enhance the quality of life for patients and improve outcomes for our customers and our shareholders. We manage and operate our business through the following three segments:

- Medical Devices includes the development, manufacture and sale of endomechanical instruments, energy devices, soft tissue repair products, vascular products, oximetry and monitoring products, airway and ventilation products, and other medical products.
- Pharmaceuticals includes the development, manufacture and distribution of specialty pharmaceuticals, active pharmaceutical ingredients, contrast products and radiopharmaceuticals.
- Medical Supplies includes the development, manufacture and sale of nursing care products, medical surgical products, SharpSafety products and original equipment manufacturer (OEM) products.

Separation

In December 2011, we announced a plan to spin off our pharmaceuticals business into a stand-alone public company. We anticipate that the transaction will be in the form of a distribution that will be tax-free to U.S. shareholders of a new publicly traded stock in the new pharmaceuticals company. Completion of the transaction is expected to be subject to certain conditions, including, among others, receipt of regulatory approvals, assurance as to the tax-free status of the spin-off of the pharmaceuticals business to our U.S. shareholders, the effectiveness of a Form 10 registration statement to be filed with the U.S. Securities and Exchange Commission and final approval by our Board of Directors. We currently expect to complete the transaction in June 2013; however, there can be no assurance regarding the ultimate timing of the proposed transaction or that the transaction will be completed.

Healthcare Reform

In March 2010, the Patient Protection and Affordable Care Act was enacted in the United States. This legislation includes a provision that imposes a 2.3% excise tax on the sale of certain medical devices by a manufacturer, producer or importer of such devices in the United States starting after December 31, 2012. The legislation also includes a $28 billion fee on the branded pharmaceutical industry over nine years starting in 2011 and a $2.8 billion annual fee on branded pharmaceuticals thereafter. The amount of branded pharmaceutical fee payable by each company is based upon market share. Since our branded pharmaceutical sales currently represent a small portion of the total market, this annual assessment has not had a significant impact on Covidien. The medical devices tax, however, may have a significant impact on our results of operations, the potential impact of which is still being evaluated. U.S. net sales of potentially taxable medical devices represented approximately 30% to 40% of our total net sales in fiscal 2011 and, therefore, this tax burden may have a material, negative impact on our results of operations and our cash flows. In addition to the excise tax and annual fee described above, the new legislation contains numerous other provisions,

many of which pertain to health insurance plans, which could adversely impact our financial results in future periods.

Acquisitions

In June 2012, we acquired Oridion Systems Ltd. (Oridion), a developer of patient monitoring systems, for $327 million in cash, net of cash acquired of $10 million. The acquisition of Oridion complements our existing product portfolio of pulse oximeters and monitoring products.

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In May 2012, we acquired superDimension, Ltd., a developer of minimally invasive interventional pulmonology devices, for total consideration of $286 million. The total consideration was comprised of an upfront cash payment of $243 million, net of cash acquired of $8 million, debt assumed of $21 million, which was subsequently repaid, and the fair value of contingent consideration of $22 million. The contingent consideration, which could total $50 million, consists of milestone payments related to the achievement of sales targets. The acquisition of superDimension allows us to deliver more comprehensive solutions in the evaluation and treatment of lung disease.

In May 2012, we acquired Newport Medical Instruments, Inc. (Newport Medical), a designer and manufacturer of ventilators, for total consideration of $101 million. The total consideration was comprised of $92 million in cash, net of cash acquired of $2 million, and $9 million of debt assumed, which was subsequently repaid. The acquisition of Newport Medical complements our existing portfolio of acute care and home care ventilation solutions and broadens our ventilation platforms.

In April 2012, we acquired Maya Medical, a developer of a treatment for hypertension, for total consideration of $106 million. The total consideration was comprised of an upfront cash payment of $49 million, debt assumed of $10 million, which was subsequently repaid, and the fair value of contingent consideration of $47 million. The contingent consideration, which could total a maximum of $170 million, consists of $70 million in milestone payments related to the commercialization of a radiofrequency energy-based renal denervation device and $100 million in milestone payments related to a device that delivers a chemical agent to cause renal denervation. The acquisition of Maya Medical expands our ability to treat vascular diseases by allowing us to enter the hypertension market.

In January 2012, we acquired all of the outstanding equity of BÂRRX Medical, Inc. (BÂRRX), a developer of bipolar radiofrequency ablation devices used in the treatment of Barrett's esophagus syndrome, for total consideration of $393 million. The total purchase consideration was comprised of an upfront cash payment of $322 million, net of cash acquired of $16 million, and the fair value of contingent consideration of $71 million. During the quarter ended June 29, 2012, the Company recorded an additional $4 million of contingent consideration upon the achievement of health insurance coverage targets for procedures utilizing BÂRRX devices. The acquisition of BÂRRX expands our ability to treat gastrointestinal diseases.

In July 2012, we acquired MindFrame, Inc., a designer and manufacturer of devices designed to optimize rapid perfusion and clot removal in the treatment of patients suffering from ischemic stroke, for approximately $75 million in cash. The acquisition of MindFrame broadens our product offerings for the treatment of acute ischemic stroke.

Licensing Agreement

In January 2012, our Medical Devices segment entered into an exclusive licensing agreement which grants us product rights for two medical device patent and product candidates that are designed to remove peripheral artery blockages. This licensing arrangement included an upfront cash payment of $12 million, which was included in research and development expenses. In addition, during the first nine months of fiscal 2012, we made a regulatory-related milestone payment of $5 million, which was capitalized as an intangible asset. We may also be required to make additional payments of up to $60 million if certain regulatory and sales milestones are achieved.

Restructuring Initiatives

In fiscal 2011, we launched a restructuring program, designed to improve our cost structure. This program includes actions across all three segments as well as corporate. We expect to incur total charges of approximately $275 million 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. Savings from this program are estimated to be $175 million to $225 million

on an annualized basis once the program is completed. As of June 29, 2012, we had incurred $98 million of net restructuring charges under the 2011 program since its inception.

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Results of Operations

Quarter and Nine Months Ended June 29, 2012 and June 24, 2011

The following table presents results of operations, including percentage of net sales:

	Quarter Ended				Nine Months Ended			
(Dollars in Millions)	June 29, 2012		June 24, 2011		June 29, 2012		June 24, 2011	
Net sales	$3,007	100.0 %	$2,926	100.0 %	$8,851	100.0 %	$8,496	100.0 %
Cost of goods sold	1,268	42.2	1,255	42.9	3,705	41.9	3,658	43.1
Gross profit	1,739	57.8	1,671	57.1	5,146	58.1	4,838	56.9
Selling, general and administrative expenses	936	31.1	886	30.3	2,757	31.1	2,600	30.6
Research and development expenses	159	5.3	138	4.7	470	5.3	387	4.6
Restructuring charges, net	27	0.9	32	1.1	57	0.6	83	1.0
Shareholder settlement income	—	—	—	—	—	—	(11)	(0.1)
Operating income	617	20.5	615	21.0	1,862	21.0	1,779	20.9
Interest expense	(53)	(1.8)	(51)	(1.7)	(155)	(1.8)	(153)	(1.8)
Interest income	1	—	6	0.2	13	0.1	17	0.2
Other income (expense), net	12	0.4	(12)	(0.4)	18	0.2	—	—
Income from continuing operations before income taxes	577	19.2	558	19.1	1,738	19.6	1,643	19.3
Income tax expense	124	4.1	26	0.9	300	3.4	220	2.6
Income from continuing operations	453	15.1	532	18.2	1,438	16.2	1,423	16.7
Income (loss) from discontinued operations, net of income taxes	—	—	3	0.1	6	0.1	(6)	(0.1)
Net income	$453	15.1	$535	18.3	$1,444	16.3	$1,417	16.7

Net sales—Our net sales in the third quarter of fiscal 2012 increased $81 million, or 2.8%, to $3.007 billion, compared with $2.926 billion in the third quarter of fiscal 2012. Our net sales for the first nine months of fiscal 2012 increased $355 million, or 4.2%, to $8.851 billion, compared to $8.496 billion in the first nine months of fiscal 2011. The increases in net sales for both periods were driven by sales growth within our Medical Devices segment, partially offset by unfavorable currency exchange rate fluctuations of $89 million and $105 million for the third quarter and first nine months of fiscal 2012, respectively.

Net sales generated by our businesses in the United States were $1.680 billion and $1.580 billion for the third quarter of fiscal 2012 and 2011, respectively, and $4.904 billion and $4.653 billion for the first nine months of fiscal 2012 and 2011, respectively. Our non-U.S. businesses generated net sales of $1.327 billion and $1.346 billion for the third quarter of fiscal 2012 and 2011, respectively, and $3.947 billion and $3.843 billion for the first nine months of fiscal 2012 and 2011, respectively. Our business outside the United States accounted for approximately 44% and 46% of our net sales for the third quarter of fiscal 2012 and 2011, respectively, and 45% for both the first nine months of fiscal 2012 and 2011.

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Net sales by geographic area are shown in the following table:

(Dollars in Millions)	Quarter Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth[2]
U.S.	$1,680	$1,580	6 %	— %	6 %
Other Americas	186	191	(3)	(9)	6
Europe	660	721	(8)	(10)	2
Asia-Pacific	481	434	11	—	11
Net Sales[1]	$3,007	$2,926	3	(3)	6

(Dollars in Millions)	Nine Months Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth[2]
U.S.	$4,904	$4,653	5 %	— %	5 %
Other Americas	535	537	—	(5)	5
Europe	2,003	2,048	(2)	(5)	3
Asia-Pacific	1,409	1,258	12	3	9
Net Sales[1]	$8,851	$8,496	4	(1)	5

(1) Sales to external customers are reflected in the regions based on the reporting entity that records the transaction. U.S. sales include sales of neurovascular and peripheral products exported to customers outside the United States and invoiced in multiple currencies of approximately $80 million and $77 million for the third quarter of fiscal 2012 and 2011, respectively and $234 million and $209 million for the first nine months of fiscal 2012 and 2011, respectively. Accordingly, these U.S. sales are subject to the effects of changes in foreign currency exchange rates.

(2) Operational growth, a non-GAAP financial measure, measures the change in sales between current and prior year periods using a constant currency, the exchange rate in effect during the applicable prior year period. We have provided this non-GAAP financial measure because we believe it provides meaningful information regarding our results on a consistent and comparable basis for the periods presented. Management uses this non-GAAP financial measure, in addition to GAAP financial measures, to evaluate our operating results. It is also one of the performance metrics that determines management incentive compensation. This non-GAAP financial measure should be considered supplemental to and not a substitute for our reported financial results prepared in accordance with GAAP.

Cost of goods sold—Cost of goods sold was 42.2% and 41.9% of net sales in the third quarter and first nine months of fiscal 2012, respectively, compared to 42.9% and 43.1% of net sales in the third quarter and first nine months of fiscal 2011, respectively. The decreases in cost of goods sold as a percent of net sales for both fiscal 2012 periods were primarily attributable to favorable mix of businesses and manufacturing cost reductions.

Selling, general and administrative expenses—Selling, general and administrative expenses in the third quarter of fiscal 2012 increased $50 million, or 5.6%, to $936 million, compared with the third quarter of fiscal 2011, and increased $157 million, or 6.0%, to $2.757 billion, compared with the first nine months of fiscal 2011. The increases in selling, general and administrative expenses for both fiscal 2012 periods were primarily due to increased selling and marketing expenses resulting from sales force expansion, primarily in the emerging markets. Separation and transaction costs totaling $27 million and $39 million for the third quarter and first nine months of fiscal 2012, respectively, also contributed to the increase in selling, general and administrative expenses for both current year periods. In addition, legal charges of $47 million recorded during the first nine months of fiscal 2012 related to indemnification obligations for certain claims pertaining to all known pending and estimated future pelvic mesh

product liability cases contributed to the increase in selling, general and administrative expenses during the first nine months of fiscal 2012. We expect selling, general and administrative expenses to continue to increase as a result of our recent acquisitions, planned sales and marketing investments to drive our future growth, and the medical device excise tax, which becomes effective in January 2013.

Research and development expenses—Research and development expenses increased $21 million, or 15.2%, to $159 million in the third quarter of fiscal 2012, compared with the third quarter of fiscal 2011, and increased $83 million, or 21.4%, to $470 million in the first nine months of fiscal 2012, compared to the first nine months of fiscal 2011. The increases in research and development expenses for both periods primarily resulted from increased spending within our Medical Devices segment to support our growth initiatives. In addition, the first nine months of fiscal 2012 includes a $12 million upfront

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payment made in connection with a license agreement entered into by our Medical Devices segment. As a percentage of our net sales, research and development expenses was 5.3% for both the third quarter and first nine months of fiscal 2012, compared to 4.7% and 4.6% for the third quarter and first nine months of fiscal 2011, respectively.

Restructuring charges, net—During the third quarter and first nine months of fiscal 2012, we recorded net restructuring and related charges of $29 million and $68 million, respectively, of which charges of $2 million and $11 million, respectively, related to accelerated depreciation and were included in cost of goods sold. The remaining amounts of $27 million and $57 million for the third quarter and first nine months of fiscal 2012, respectively, primarily related to severance and employee benefit costs incurred under our 2011 program.

We recorded net restructuring charges of $32 million and $83 million during the third quarter and first nine months of fiscal 2011, respectively. The charges recorded during the first nine months of fiscal 2011 primarily related to severance and employee benefit costs incurred under our 2009 and 2011 programs and the cancellation of distributor and supplier agreements associated with acquisitions by our Medical Devices segment. In addition, during the first nine months of fiscal 2011, we reversed $16 million of restructuring reserves under our 2009 program, $10 million of which resulted from the determination that one of the restructuring actions within our Medical Supplies segment was no longer cost effective. Additional information regarding our restructuring charges is provided in note 3 to our consolidated financial statements.

Shareholder settlement income—During fiscal 2011, the remaining securities lawsuits were resolved. Accordingly, during the first nine months of fiscal 2011, we recorded income of $11 million related to the reversal of our portion of the remaining reserves that had previously been established.

Operating income—In the third quarter of fiscal 2012, operating income increased $2 million to $617 million, compared with operating income of $615 million in the third quarter of fiscal 2011. The increase in operating income for the third quarter of fiscal 2012 compared with the same prior year period was primarily due to the gross profit resulting from increased sales volume within our Medical Devices segment. This increase to operating income was partially offset by increased selling and marketing expenses resulting from sales force expansion, $30 million of separation and transaction costs incurred during the current quarter and a $21 million increase in research and development expenses.

In the first nine months of fiscal 2012, operating income increased $83 million to $1.862 billion, compared with operating income of $1.779 billion in the first nine months of fiscal 2011. The increase in operating income for the first nine months of fiscal 2012 compared with the same prior year period was primarily due to the gross profit resulting from increased sales volume within our Medical Devices segment. The increase in operating income was partially offset by an $83 million increase in research and development expenses, $47 million of legal charges recorded during the first nine months of fiscal 2012 related to indemnification obligations for certain claims pertaining to all known pending and estimated future pelvic mesh product liability cases and $21 million of separation costs related to the spin-off of our Pharmaceuticals segment.

Analysis of Operating Results by Segment

Net sales by segment are shown in the following table:

(Dollars in Millions)	Quarter Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth
Medical Devices	$2,063	$1,985	4 %	(4)%	8 %
Pharmaceuticals	501	500	—	(2)	2
Medical Supplies	443	441	—	(2)	2
	$3,007	$2,926	3	(3)	6

(Dollars in Millions)	Nine Months Ended		Percentage Change	Currency Impact	Operational Growth

	June 29, 2012	June 24, 2011					
Medical Devices	$6,051	$5,739	5	%	(2	)%	7 %
Pharmaceuticals	1,499	1,460	3		(1	)	4
Medical Supplies	1,301	1,297	—		(1	)	1
	$8,851	$8,496	4		(1	)	5

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Operating income by segment and as a percentage of segment net sales is shown in the following table:

(Dollars in Millions)	Quarter Ended June 29, 2012		Quarter Ended June 24, 2011		Nine Months Ended June 29, 2012		Nine Months Ended June 24, 2011	
Medical Devices	$640	31.0 %	$613	30.9 %	$1,902	31.4 %	$1,777	31.0 %
Pharmaceuticals	88	17.6	80	16.0	263	17.5	237	16.2
Medical Supplies	52	11.7	59	13.4	154	11.8	181	14.0
Operating income of reportable segments	780	25.9	752	25.7	2,319	26.2	2,195	25.8
Unallocated amounts:								
Corporate expenses	(104)		(105)		(286)		(312)	
Legal charges	—		—		(47)		—	
Restructuring and related charges, net	(29)		(32)		(68)		(83)	
Separation costs[1]	(11)		—		(21)		—	
Charges associated with acquisitions and licensing arrangement[2]	(19)		—		(35)		(32)	
Shareholder settlement income	—		—		—		11	
Consolidated operating income	$617		$615		$1,862		$1,779	

(1) Amounts represent costs incurred related to the separation of our Pharmaceuticals segment, which are included in selling, general and administrative expenses.

(2) Note 2 to our consolidated financial statements provides information regarding current period amounts. Prior year amount represent charges included in cost of goods sold related to the sale of acquired inventory that had been written up to fair value upon acquisition.

Medical Devices

Net sales for Medical Devices by groups of products and by geography for the third quarter of fiscal 2012 and 2011 are as follows:

(Dollars in Millions)	Quarter Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth
Endomechanical Instruments	$600	$593	1 %	(5)%	6 %
Energy Devices	330	301	10	(3)	13
Soft Tissue Repair Products	226	229	(1)	(5)	4
Vascular Products	418	368	14	(1)	15
Oximetry & Monitoring Products	210	211	—	(2)	2
Airway & Ventilation Products	184	183	1	(3)	4
Other Products	95	100	(5)	(4)	(1)
	$2,063	$1,985	4	(4)	8
U.S.	$952	$874	9 %	— %	9 %
Non-U.S.	1,111	1,111	—	(6)	6
	$2,063	$1,985	4	(4)	8

Net sales for the third quarter of fiscal 2012 increased $78 million, or 4%, to $2.063 billion, compared with $1.985 billion for the third quarter of fiscal 2011. Unfavorable currency exchange fluctuations lowered net sales by $72 million during the third quarter of fiscal 2012, while acquisitions resulted in an additional $23 million in net sales during the current quarter. The remaining increase in net sales for the segment was driven by increased sales of

Vascular Products and Energy Devices. The increase in sales for Vascular Products was primarily due to increased sales of neurovascular products, namely our Pipeline™ Embolization and Solitaire™ FR Revascularization devices. Sales of peripheral vascular products also contributed to the increase, although to a lesser extent, aided by a competitor recall. The increase in Energy Devices sales primarily resulted from higher sales volume of vessel sealing products, most notably in the United States.

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Operating income for the third quarter of fiscal 2012 increased $27 million to $640 million, compared with $613 million for the third quarter of fiscal 2011. Our operating margin was 31.0% for the third quarter of fiscal 2012, compared with 30.9% for the third quarter of fiscal 2011. The increase in our operating income was primarily attributable to increased gross profit on the favorable sales performance for the overall segment discussed above. This increase to operating income was partially offset by an increase in selling and marketing expenses primarily resulting from sales force expansion in the emerging markets and an increase in research and development expenses to support our growth initiatives.

Net sales for Medical Devices by groups of products and by geography for the first nine months of fiscal 2012 and 2011 are as follows:

(Dollars in Millions)	Nine Months Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth
Endomechanical Instruments	$1,758	$1,718	2%	(2)%	4%
Energy Devices	969	854	13	(2)	15
Soft Tissue Repair Products	666	670	(1)	(3)	2
Vascular Products	1,195	1,033	16	—	16
Oximetry & Monitoring Products	637	627	2	(1)	3
Airway & Ventilation Products	550	554	(1)	(2)	1
Other Products	276	283	(2)	—	(2)
	$6,051	$5,739	5	(2)	7
U.S.	$2,751	$2,562	7%	—%	7%
Non-U.S.	3,300	3,177	4	(2)	6
	$6,051	$5,739	5	(2)	7

Net sales for the first nine months of fiscal 2012 increased $312 million, or 5%, to $6.051 billion, compared with $5.739 billion for the first nine months of fiscal 2011. Unfavorable currency exchange fluctuations lowered net sales by $78 million during the first nine months of fiscal 2012, while acquisitions resulted in an additional $32 million in net sales during the current period. The remaining increase in net sales for the segment was driven by increased sales of Vascular Products, Energy Devices and Endomechanical Instruments. The increase in sales for Vascular Products was primarily due to increased sales of neurovascular products and, to a lesser extent, peripheral vascular and chronic venous insufficiency products. The increase in Energy Devices sales primarily resulted from higher sales volume of vessel sealing products, most notably in the United States. Finally, the increase in sales of Endomechanical Instruments primarily resulted from higher sales volume of stapling devices, partially offset by a decrease in sales of laparoscopy instruments.

Operating income for the first nine months of fiscal 2012 increased $125 million to $1.902 billion, compared with $1.777 billion for the first nine months of fiscal 2011. Our operating margin was 31.4% for the first nine months of fiscal 2012, compared with 31.0% for the first nine months of fiscal 2011. The increase in our operating income was primarily attributable to increased gross profit on the favorable sales performance for the overall segment discussed above. This increase to operating income was partially offset by an increase in selling and marketing expenses primarily resulting from sales force expansion in the emerging markets and an increase in research and development expenses to support our growth initiatives.

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Pharmaceuticals

Net sales for Pharmaceuticals by groups of products and by geography for the third quarter of fiscal 2012 and 2011 are as follows:

(Dollars in Millions)	Quarter Ended June 29, 2012	June 24, 2011	Percentage Change	Currency Impact	Operational Growth
Specialty Pharmaceuticals	$145	$120	21 %	— %	21 %
Active Pharmaceutical Ingredients	110	107	3	—	3
Contrast Products	129	157	(18)	(5)	(13)
Radiopharmaceuticals	117	116	1	(3)	4
	$501	$500	—	(2)	2
U.S.	$335	$322	4 %	— %	4 %
Non-U.S.	166	178	(7)	(7)	—
	$501	$500	—		