UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 24, 2021
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number : 001-35803

Mallinckrodt plc

(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 No.)**

College Business & Technology Park, Cruiserath,
Blanchardstown, Dublin 15, Ireland
(Address of principal executive offices) (Zip Code)

Telephone: +353 1 696 0000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☐	Accelerated Filer	☒	Emerging Growth Company	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 29, 2021, the registrant had 84,723,768 ordinary shares outstanding at $0.20 par value.

MALLINCKRODT PLC
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MALLINCKRODT PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Net sales (includes refined estimate of the retrospective one-time charge of $0.7 million and $535.1 million related to the Medicaid lawsuit for the three and nine months ended September 25, 2020)	$ 507.2	$ 698.3	$ 1,611.6	$ 1,530.6
Cost of sales	319.2	403.0	958.4	1,171.7
Gross profit	188.0	295.3	653.2	358.9
Selling, general and administrative expenses	127.3	220.8	408.3	683.2
Research and development expenses	47.3	65.5	166.3	225.8
Restructuring charges, net	11.0	3.2	17.5	15.8
Non-restructuring impairment charges	—	—	64.5	63.5
(Gains) losses on divestiture	—	(9.7)	0.8	(10.1)
Opioid-related litigation settlement loss (gain) (Note 12)	125.0	(25.8)	125.0	(34.1)
Medicaid lawsuit (Note 12)	—	(0.2)	—	105.1
Operating (loss) income	(122.6)	41.5	(129.2)	(690.3)
Interest expense	(48.7)	(62.2)	(160.7)	(200.9)
Interest income	—	0.9	1.9	5.4
Other (expense) income, net	(3.5)	—	15.9	1.1
Reorganization items, net	(126.2)	—	(329.2)	—
Loss from continuing operations before income taxes	(301.0)	(19.8)	(601.3)	(884.7)
Income tax benefit	(32.0)	(211.6)	(81.9)	(69.2)
(Loss) income from continuing operations	(269.0)	191.8	(519.4)	(815.5)
Income (loss) from discontinued operations, net of income taxes	5.3	(0.2)	6.0	23.8
Net (loss) income	$ (263.7)	$ 191.6	$ (513.4)	$ (791.7)
Basic (loss) income per share (Note 6):				
(Loss) income from continuing operations	$ (3.18)	$ 2.27	$ (6.13)	$ (9.66)
Income (loss) from discontinued operations	0.06	—	0.07	0.28
Net (loss) income	$ (3.11)	$ 2.26	$ (6.06)	$ (9.38)
Basic weighted-average shares outstanding	84.7	84.6	84.7	84.4
Diluted (loss) income per share (Note 6):				
(Loss) income from continuing operations	$ (3.18)	$ 2.27	$ (6.13)	$ (9.66)
Income (loss) from discontinued operations	0.06	—	0.07	0.28
Net (loss) income	$ (3.11)	$ 2.26	$ (6.06)	$ (9.38)
Diluted weighted-average shares outstanding	84.7	84.6	84.7	84.4

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	September 24, 2021	**September 25, 2020**	**September 24, 2021**	**September 25, 2020**
Net (loss) income	$ (263.7)	$ 191.6	$ (513.4)	$ (791.7)
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments	(1.1)	1.0	(0.3)	0.7
Derivatives, net of tax	—	—	—	0.1
Benefit plans, net of tax	(0.2)	(0.6)	(0.6)	(1.3)
Total other comprehensive (loss) income, net of tax	(1.3)	0.4	(0.9)	(0.5)
Comprehensive (loss) income	$ (265.0)	$ 192.0	$ (514.3)	$ (792.2)

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except share data)

	September 24, 2021	December 25, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,322.6	$ 1,070.6
Accounts receivable, less allowance for doubtful accounts of $5.0 and $4.5	431.7	538.8
Inventories	367.6	344.9
Prepaid expenses and other current assets	203.7	350.0
Total current assets	2,325.6	2,304.3
Property, plant and equipment, net	767.7	833.1
Intangible assets, net	5,684.1	6,184.5
Other assets	380.6	393.5
Total Assets	$ 9,158.0	$ 9,715.4
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 1,388.1	$ 3,587.9
Accounts payable	122.2	93.3
Accrued payroll and payroll-related costs	62.7	79.4
Accrued interest	25.7	26.9
Accrued and other current liabilities	387.1	331.2
Total current liabilities	1,985.8	4,118.7
Pension and postretirement benefits	32.6	34.6
Environmental liabilities	60.3	59.8
Deferred income taxes	61.5	80.6
Other income tax liabilities	82.9	100.1
Other liabilities	86.0	109.8
Liabilities subject to compromise (Note 2)	6,335.5	4,192.6
Total Liabilities	8,644.6	8,696.2
Shareholders' Equity:		
Preferred shares, $0.20 par value, 500,000,000 authorized; none issued and outstanding	—	—
Ordinary A shares, €1.00 par value, 40,000 authorized; none issued and outstanding	—	—
Ordinary shares, $0.20 par value, 500,000,000 authorized; 94,290,199, and 94,111,303 issued; 84,722,432 and 84,605,156 outstanding	18.9	18.8
Ordinary shares held in treasury at cost, 9,567,767 and 9,506,147	(1,616.1)	(1,616.1)
Additional paid-in capital	5,596.0	5,587.6
Retained deficit	(3,474.9)	(2,961.5)
Accumulated other comprehensive loss	(10.5)	(9.6)
Total Shareholders' Equity	513.4	1,019.2
Total Liabilities and Shareholders' Equity	$ 9,158.0	$ 9,715.4

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Nine Months Ended	
	September 24, 2021	**September 25, 2020**
Cash Flows From Operating Activities:		
Net loss	$ (513.4)	$ (791.7)
Adjustments to reconcile net cash from operating activities:		
Depreciation and amortization	506.1	675.5
Share-based compensation	8.4	17.6
Deferred income taxes	(19.1)	304.0
Non-cash impairment charges	64.5	63.5
Losses (gains) on divestiture	0.8	(10.1)
Reorganization items, net	22.5	—
Other non-cash items	(6.0)	(21.6)
Changes in assets and liabilities:		
Accounts receivable, net	105.7	61.1
Inventories	(30.9)	(43.9)
Accounts payable	14.7	(52.4)
Income taxes	92.5	(431.2)
Opioid-related litigation settlement liability	125.0	—
Medicaid lawsuit	(4.8)	640.2
Other	40.4	(116.3)
Net cash from operating activities	406.4	294.7
Cash Flows From Investing Activities:		
Capital expenditures	(39.2)	(42.4)
Proceeds from divestitures, net of cash	15.7	(0.7)
Other	1.4	6.7
Net cash from investing activities	(22.1)	(36.4)
Cash Flows From Financing Activities:		
Repayment of external debt	(128.2)	(134.6)
Debt financing costs	—	(9.3)
Repurchase of shares	—	(0.4)
Other	—	(36.3)
Net cash from financing activities	(128.2)	(180.6)
Effect of currency rate changes on cash	(0.9)	0.2
Net change in cash, cash equivalents and restricted cash	255.2	77.9
Cash, cash equivalents and restricted cash at beginning of period	1,127.0	822.6
Cash, cash equivalents and restricted cash at end of period	$ 1,382.2	$ 900.5
Cash and cash equivalents at end of period	$ 1,322.6	$ 844.2
Restricted cash included in prepaid expenses and other assets at end of period	23.3	20.2
Restricted cash included in other long-term assets at end of period	36.3	36.1
Cash, cash equivalents and restricted cash at end of period	$ 1,382.2	$ 900.5

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in millions)

	Ordinary Shares		Treasury Shares					
	Number	Par Value	Number	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as of December 27, 2019	93.5	$ 18.7	9.4	$ (1,615.7)	$ 5,562.5	$ (2,016.9)	$ (7.9)	$ 1,940.7
Net loss	—	—	—	—	—	(50.2)	—	(50.2)
Other comprehensive loss	—	—	—	—	—	—	(1.3)	(1.3)
Vesting of restricted shares	0.1	—	—	—	(0.1)	—	—	(0.1)
Share-based compensation	—	—	—	—	6.7	—	—	6.7
Balance as of March 27, 2020	93.6	$ 18.7	9.4	$ (1,615.7)	$ 5,569.1	$ (2,067.1)	$ (9.2)	$ 1,895.8
Net loss	—	—	—	—	—	(933.1)	—	(933.1)
Other comprehensive income	—	—	—	—	—	—	0.4	0.4
Vesting of restricted shares	0.5	0.1	0.1	(0.3)	—	—	—	(0.2)
Share-based compensation	—	—	—	—	6.6	—	—	6.6
Balance as of June 26, 2020	94.1	$ 18.8	9.5	$ (1,616.0)	$ 5,575.7	$ (3,000.2)	$ (8.8)	$ 969.5
Net income	—	—	—	—	—	191.6	—	191.6
Other comprehensive income	—	—	—	—	—	—	0.4	0.4
Vesting of restricted shares	—	—	—	(0.1)	—	—	—	(0.1)
Share-based compensation	—	—	—	—	4.3	—	—	4.3
Balance as of September 25, 2020	94.1	$ 18.8	9.5	$ (1,616.1)	$ 5,580.0	$ (2,808.6)	$ (8.4)	$ 1,165.7
Balance as of December 25, 2020	94.1	$ 18.8	9.5	$ (1,616.1)	$ 5,587.6	$ (2,961.5)	$ (9.6)	$ 1,019.2
Net loss	—	—	—	—	—	(143.9)	—	(143.9)
Other comprehensive income	—	—	—	—	—	—	0.1	0.1
Vesting of restricted shares	—	—	—	—	(0.1)	—	—	(0.1)
Share-based compensation	—	—	—	—	3.6	—	—	3.6
Balance as of March 26, 2021	94.1	$ 18.8	9.5	$ (1,616.1)	$ 5,591.1	$ (3,105.4)	$ (9.5)	$ 878.9
Net loss	—	—	—	—	—	(105.8)	—	(105.8)
Other comprehensive income	—	—	—	—	—	—	0.3	0.3
Vesting of restricted shares	0.2	0.1	0.1	—	0.1	—	—	0.2
Share-based compensation	—	—	—	—	2.4	—	—	2.4
Balance as of June 25, 2021	94.3	$ 18.9	9.6	$ (1,616.1)	$ 5,593.6	$ (3,211.2)	$ (9.2)	$ 776.0
Net loss	—	—	—	—	—	(263.7)	—	(263.7)
Other comprehensive loss	—	—	—	—	—	—	(1.3)	(1.3)
Share-based compensation	—	—	—	—	2.4	—	—	2.4
Balance as of September 24, 2021	94.3	$ 18.9	9.6	$ (1,616.1)	$ 5,596.0	$ (3,474.9)	$ (10.5)	$ 513.4

See Notes to Condensed Consolidated Financial Statements.

1. Background and Basis of Presentation

Background

Mallinckrodt plc is a global business of multiple wholly owned subsidiaries (collectively, "Mallinckrodt" or "the Company") that develop, manufacture, market and distribute specialty pharmaceutical products and therapies. Areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; analgesics and gastrointestinal products.

The Company operates in two reportable segments, which are further described below:

- *Specialty Brands* includes innovative specialty pharmaceutical brands; and
- *Specialty Generics* includes niche specialty generic drugs and active pharmaceutical ingredients ("API(s)").

The Company owns or has rights to use the trademarks and trade names that are used in conjunction with the operation of its business. One of the more important trademarks that the Company owns or has rights to use that appears in this Quarterly Report on Form 10-Q is "Mallinckrodt," which is a registered trademark or the subject of pending trademark applications in the United States ("U.S.") and other jurisdictions. Solely for convenience, the Company only uses the ™ or ® symbols the first time any trademark or trade name is mentioned in the following notes. Such references are not intended to indicate in any way that the Company will not assert, to the fullest extent permitted under applicable law, its rights to its trademarks and trade names. Each trademark or trade name of any other company appearing in the following notes is, to the Company's knowledge, owned by such other company.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in U.S. dollars and in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of the unaudited condensed consolidated 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. The unaudited condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and entities in which they own or control more than 50.0% of the voting shares, or have the ability to control through similar rights. All intercompany balances and transactions have been eliminated in consolidation and all normal recurring adjustments necessary for a fair presentation have been included in the results reported.

The results of entities disposed of are included in the unaudited condensed consolidated financial statements up to the date of disposal, and where appropriate, these operations have been reported in discontinued operations. Divestitures of product lines and businesses not meeting the criteria for discontinued operations have been reflected in operating (loss) income.

The fiscal year end balance sheet data was derived from audited consolidated financial statements, but do not include all of the annual disclosures required by GAAP; accordingly these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 25, 2020 filed with the U.S. Securities and Exchange Commission ("SEC") on March 10, 2021.

Voluntary Filing Under Chapter 11 and Going Concern

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

On October 12, 2020, Mallinckrodt plc and certain of its subsidiaries voluntarily initiated proceedings (the "Chapter 11 Cases") under chapter 11 of title 11 ("Chapter 11") of the United States Code (the "Bankruptcy Code"), to modify its capital structure, including restructuring portions of its debt, and resolve potential legal liabilities, including but not limited to those described in Note 12 as *Opioid-Related Matters* and *Acthar Gel-Related Matters*. In connection with the filing of the Chapter 11 Cases, the Company entered into a Restructuring Support Agreement (as amended, supplemented or otherwise modified, the "RSA") (further detail for which is provided in Note 2) as part of a prearranged plan of reorganization. See Note 2 for further information on the voluntary petitions for reorganization, the RSA and agreements in principle subsequently memorialized in the Company's Chapter 11 plan of reorganization.

Substantial doubt about the Company's ability to continue as a going concern exists in light of its Chapter 11 Cases. The Company's ability to continue as a going concern is contingent upon, among other things, its ability to, subject to the approval by the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), implement a plan of reorganization, emerge from the Chapter 11 proceedings and generate sufficient liquidity following the reorganization to meet its obligations, most notably its opioid and Acthar® Gel (repository corticotropin injection) ("Acthar Gel")-related settlements, restructured debt obligations, and operating needs.

Although management believes that the reorganization of the Company through the Chapter 11 proceedings will appropriately position the Company upon emergence, the commencement of these proceedings constituted an event of default under certain of the Company's debt agreements, enforcement of any remedies in respect of which is automatically stayed as a result of the Chapter 11 proceedings. There are a number of risks and uncertainties associated with the Company's bankruptcy, including, among others that: (a) the Company's prearranged plan of reorganization may never be confirmed or become effective, (b) the RSA may be terminated by one or more of the parties thereto, (c) the Bankruptcy Court may grant or deny motions in a manner that is adverse to the Company and its subsidiaries, and (d) the Chapter 11 Cases may be converted into cases under chapter 7 of the Bankruptcy Code.

The transactions contemplated by the Company's Chapter 11 plan of reorganization are subject to approval by the Bankruptcy Court, among other conditions. Accordingly, no assurance can be given that the transactions described therein will be consummated. As a result, the Company has concluded that management's plans at this stage do not alleviate substantial doubt about the Company's ability to continue as a going concern.

The unaudited condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might result from the outcome of this uncertainty.

Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors (as defined in Note 2) retain control of their assets and are authorized to operate their business as debtors-in-possession while being subject to the jurisdiction of the Bankruptcy Court. While operating as debtors-in-possession under Chapter 11, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business and subject to applicable orders of the Bankruptcy Court, for amounts other than those reflected in the accompanying unaudited condensed consolidated financial statements. Any such actions occurring during the Chapter 11 Cases authorized by the Bankruptcy Court could materially impact the amounts and classifications of assets and liabilities reported in the Company's unaudited condensed consolidated financial statements. For more information regarding the Chapter 11 Cases, see Note 2.

Fiscal Year

The Company reports its results based on a "52-53 week" year ending on the last Friday of December. Unless otherwise indicated, the three and nine months ended September 24, 2021 refers to the thirteen and thirty-nine week periods ended September 24, 2021 and the three and nine months ended September 25, 2020 refers to the thirteen and thirty-nine week periods ended September 25, 2020. The full year fiscal 2020 consisted of 52 weeks, while fiscal 2021 will consist of 53 weeks and end on December 31, 2021.

2. Bankruptcy Proceedings

Voluntary Filing Under Chapter 11

On October 12, 2020 (the "Petition Date"), Mallinckrodt plc and certain of its subsidiaries voluntarily initiated the Chapter 11 Cases under the Bankruptcy Code in the Bankruptcy Court to effectuate settlements contemplated in the RSA. The entities that filed the Chapter 11 Cases include the Company, substantially all of the Company's U.S. subsidiaries, including certain subsidiaries of Mallinckrodt plc operating the Specialty Generics business (the "Specialty Generics Subsidiaries") and the Specialty Brands business (the "Specialty Brands Subsidiaries"), and certain of the Company's international subsidiaries (together with the Company, Specialty Generics Subsidiaries and Specialty Brands Subsidiaries, the "Debtors"). Pursuant to orders granted by the Ontario Superior Court of Justice, the Chapter 11 proceedings commenced by a limited subset of the Company's subsidiaries have also been recognized and given effect in Canada. The Chapter 11 Cases are being jointly administered under the caption In re Mallinckrodt plc, Case No. 20-12522 (JTD). Information about the Chapter 11 Cases, including the case docket, may be found free of charge at https://restructuring.primeclerk.com/Mallinckrodt/.

The Debtors continue to operate their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As debtors-in-possession, the Debtors are authorized to continue to operate as ongoing businesses, and may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. However, the Debtors may not pay third-party claims or creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court.

Under the Bankruptcy Code, third-party actions to collect pre-petition indebtedness owed by the Debtors, as well as most litigation pending against the Company as of the Petition Date, are subject to an automatic stay. However, under the Bankruptcy Code, certain regulatory or criminal proceedings generally are not subject to the automatic stay and may continue unless otherwise ordered by the Bankruptcy Court. Absent an order of the Bankruptcy Court providing otherwise, substantially all pre-petition liabilities will be resolved under a Chapter 11 plan of reorganization.

Among other requirements, a Chapter 11 plan of reorganization must comply with the priority scheme established by the Bankruptcy Code, under which certain post-petition and secured or “priority” pre-petition liabilities need to be satisfied before general unsecured creditors and holders of the Company's equity are entitled to receive any distribution. Upon solicitation of the plan of reorganization to creditors, with an accompanying court-approved disclosure statement, certain impaired creditors and interest holders will vote by ballot to approve or reject the plan. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 Cases to the claims and interests of each of these constituencies. See *Restructuring Support Agreement and Plan of Reorganization* section below for contemplated distributions to creditors and interest holders.

Under the Bankruptcy Code, the Debtors may assume, modify, assign or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and to certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease in this Quarterly Report on Form 10-Q, including, where applicable, the express termination rights thereunder or a quantification of their obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights the Debtors have under the Bankruptcy Code.

As discussed further below, the Debtors obtained approval from the Bankruptcy Court for certain "first day" motions, including motions to obtain customary relief intended to continue ordinary course operations after the Petition Date.

Significant Bankruptcy Court Actions

First Day Motions

On October 14, 2020, the Debtors received Bankruptcy Court approval of their customary motions filed on the Petition Date ("First Day Motions") on an interim basis seeking court authorization to continue to support its business operations during the Chapter 11 Cases, including the continued payment of employee wages and benefits without interruption, payment of critical and foreign vendors, continuation of customer programs, continuation of use of existing cash management programs and allowance of certain financing payments under a cash collateral order. The First Day Motions were subsequently approved by the Bankruptcy Court on a final basis at hearings.

Chapter 11 Financing

The Company obtained an order of the Bankruptcy Court in the Chapter 11 Cases (in a form agreed with, among others, the agent under the senior secured credit facilities, lenders under the senior secured revolving credit facility and the senior secured term loans and holders of the first lien senior notes and the second lien senior notes) permitting the use of cash collateral to finance the Chapter 11 Cases. Such use is subject to an approved budget, updated and submitted every four weeks, consisting of rolling thirteen week periods subject to the consent of the lenders under the senior secured revolving credit facility and the senior secured term loans.

Such order requires that the Company make cash adequate protection payments on the senior secured revolving credit facility and the senior secured term loans for, among other things, unpaid pre-petition and post-petition fees, unpaid pre-petition interest (at the specified contract rate) and post-petition interest (at a rate equal to (1) the adjusted London Inter-Bank Offered Rate ("LIBOR"), plus (2) the contract-specified applicable margin, and plus (3) an incremental 200 basis points), quarterly amortization payments on the senior secured term loans and reimbursement of certain costs. Such order further requires that the Company make cash adequate protection payments on the first lien senior notes and the second lien senior notes for, among other things, unpaid pre-petition and post-petition interest (at the specified non-default interest rate) and reimbursement of certain costs. On April 13, 2021, the Debtors received Bankruptcy Court approval of their motion to amend the final cash collateral order as of March 22, 2021 to pay post-petition interest on the senior secured term loans at a rate equal to (1) the adjusted LIBOR, plus (2) the contract-specified applicable margin, and plus (3) an incremental 250 basis points for its senior secured term loans.

Interest expense incurred and paid with respect to the incremental adequate protection payments of 200 basis points and 250 basis points on the senior secured revolving credit facility and the senior secured term loans, respectively, were as follows:

	September 24, 2021	
	Three Months Ended	Nine Months Ended
Interest expense incurred for adequate protection payments	$ 15.8	$ 46.1
Cash paid for adequate protection payments	16.4	45.5

The cash collateral order provides that it is without prejudice to (i) the rights of certain parties to request additional or alternative adequate protection from the Bankruptcy Court, (ii) the rights of lenders under the senior secured revolving credit facility and the senior secured term loans to seek a higher rate of interest and (iii) the rights of the holders of the first lien senior notes and the second lien senior notes to seek payment of a make-whole premium.

Bar Date

On December 31, 2020, the Bankruptcy Court entered an order approving a deadline of February 16, 2021 at 5:00 pm (Eastern Time) (the "General Bar Date") and April 12, 2021, at 5:00 p.m. (Eastern Time) (the “Governmental Bar Date”) (collectively, together the "Bar Dates") for filing claims against the Debtors relating to the period prior to the Petition Date for general claims and government claims, respectively. The preceding Bar Dates do not cover opioid claims (inclusive of voluntary injunction opioid claims). The Company's review of asserted claims is discussed further below in *Chapter 11 Claims Process*.

Administrative Expense Bar Date

On May 20, 2021, the Bankruptcy Court entered an order approving a deadline of June 28, 2021 at 5:00 pm (Eastern Time) (the "Administrative Expense Bar Date") for filing claims against the Debtors relating to the period from the Petition Date to April 30, 2021 for administrative expense requests by certain creditors. The preceding Administrative Expense Bar Date does not cover opioid claims (inclusive of voluntary injunction opioid claims). The Company's review and reconciliation of asserted administrative expense requests is ongoing.

Injunctive Litigation Relief

The Bankruptcy Court entered an order extending its prior injunctions against certain opioid and Acthar Gel-related litigation matters proceeding against the Debtors and also against certain covered non-Debtors on August 30, 2021. Refer to Note 12 for further discussion.

Restructuring Support Agreement and Plan of Reorganization

Restructuring Support Agreement

On October 11, 2020, the Company and the other Debtors entered into a RSA with creditors holding approximately 84%, by aggregate principal amount, of the Company’s outstanding guaranteed unsecured senior notes and with a group of governmental plaintiffs in the opioid litigation pending against the Company and certain of its subsidiaries, including 50 state and territory attorneys general and the court-appointed plaintiffs’ executive committee in the opioid multidistrict litigation (collectively, the "RSA Supporting Parties"). After the bankruptcy filing, the Multi-State Governmental Entities Group (the "MSGE Group") entered into a joinder to the RSA that gained the support of approximately 1,300 cities, municipalities, hospital and school districts, amongst others. On March 11, 2021, an ad hoc group of lenders holding approximately $1,300.0 million, by aggregate principal amount, of the Company’s outstanding senior secured term loan due September 2024 (the "2017 Term Loan") and senior secured term loan due February 2025 (the "2018 Term Loan") agreed to join the RSA as supporting parties and certain of the existing supporting parties agreed to certain amendments thereto (the "Joinder and Amendment").

The restructuring transactions will be effectuated through the Chapter 11 plan of reorganization, which among other things provides for a financial restructuring that would reduce the Company’s total debt by approximately $1,300.0 million. Pursuant to the RSA, each of the Debtors and the RSA Supporting Parties has made certain customary commitments to each other in connection with the pursuit of the transactions contemplated by the term sheets attached thereto. The Debtors have agreed, among other things, to use commercially reasonable efforts to make all requisite filings with the Bankruptcy Court; continue to involve and update the RSA Supporting Parties’ representatives in the bankruptcy process; and satisfy certain other covenants. The RSA Supporting Parties have committed to support and vote for the Chapter 11 plan of reorganization implementing the terms of the RSA and have agreed to use commercially reasonable efforts to take, or refrain from taking, certain actions in furtherance of such support.

The RSA contains milestones for the progress of the Chapter 11 Cases (the "Milestones"), which include the dates by which the Debtors are required to, among other things, obtain certain orders of the Bankruptcy Court and consummate the Debtors’ emergence from bankruptcy. Among other milestones, the RSA (as amended, including by the Joinder and Amendment) requires the Debtors to have filed a Chapter 11 plan of reorganization by no later than April 20, 2021, the Bankruptcy Court to have entered an order

confirming the Chapter 11 plan of reorganization by no later than August 15, 2021 and the Debtors to have emerged from bankruptcy by no later than November 15, 2021. The Bankruptcy Court commenced the plan confirmation hearing on November 1, 2021, to which scheduling the parties to the RSA consented.

The RSA (as supplemented by the above-described joinders, including the Joinder and Amendment) incorporates the terms agreed to by the parties reflected in the term sheets attached to the RSA and such joinders, including the Joinder and Amendment, including an agreement by the RSA Supporting Parties. Each of the parties to the RSA may terminate the agreement (and thereby their support for the associated plan of reorganization) under certain limited circumstances. Any Debtor may terminate the RSA upon, among other circumstances: (i) its board of directors, after consultation with legal counsel, reasonably determining in good faith that performance under the RSA would be inconsistent with its fiduciary duties; and (ii) certain actions by the Bankruptcy Court, including dismissing the Chapter 11 Cases or converting the Chapter 11 Cases into cases under Chapter 7 of the Bankruptcy Code.

The RSA Supporting Parties also have specified termination rights, including, among other circumstances, termination rights that arise if certain of the Milestones have not been achieved, extended, or waived. Termination by one of these creditor groups will result in the termination of the RSA as to the terminating group only, with the RSA remaining in effect with respect to the Debtors and the non-terminating group.

The transactions contemplated by the RSA are subject to approval by the Bankruptcy Court, among other conditions. Accordingly, no assurance can be given that the transactions described therein will be consummated.

Plan of Reorganization

On September 2, 2021, the Debtors reached agreements in principle with (1) the Governmental Plaintiff Ad Hoc Committee (the “GAHC”), the MSGE Group, and the Official Committee of Opioid Related Claimants appointed in the Chapter 11 Cases (the “OCC” and, together with the GAHC and the MSGE Group, the “Opioid Claimants”), (2) the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases (the “UCC”) and (3) holders of more than two-thirds of the outstanding principal amount of the 10.00% second lien senior secured notes due April 2025 (the "Second Lien Notes") issued by Company’s subsidiaries Mallinckrodt International Finance S.A. and Mallinckrodt CB LLC (the “Settling Second Lien Noteholders”) and the trustee for the Second Lien Notes, in each case relating to the treatment of certain claims pursuant to the proposed Joint Chapter 11 Plan of Reorganization of Mallinckrodt plc and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code dated as of June 18, 2021 (the "Proposed Plan"), as it was amended to conform to such agreements in principle (the “Amended Plan”) as filed by the Debtors on September 29, 2021.

The RSA Supporting Parties along with the OCC, the UCC and the Settling Second Lien Noteholders (in accordance with the agreements in principle) agree to support the following as memorialized in the Amended Plan, which may be amended, modified or supplemented from time to time:

- *A proposed resolution of all opioid-related claims against the Company and its subsidiaries*. Under the terms of the amended proposed settlement (the "Amended Proposed Opioid-Related Litigation Settlement"), which would become effective upon Mallinckrodt’s emergence from the Chapter 11 process, subject to court approval and other conditions:
    - Opioid claims would be channeled to one or more trusts, which would receive $1,725.0 million in structured payments consisting of (i) a $450.0 million payment upon the Company’s emergence from Chapter 11; (ii) a $200.0 million payment upon each of the first and second anniversaries of emergence; (iii) a $150.0 million payment upon each of the third through seventh anniversaries of emergence; and (iv) a $125.0 million payment upon the eighth anniversary of emergence with an eighteen-month prepayment option at a discount for all but the first payment.
    - Opioid claimants would also receive warrants for approximately 19.99% of the reorganized Company’s new outstanding shares, after giving effect to the exercise of the warrants, but subject to dilution from equity reserved under the management incentive plan, exercisable at any time on or prior to the sixth anniversary of the Company's emergence, at a strike price reflecting an aggregate equity value for the reorganized Debtors of $1,551.0 million (the "New Opioid Warrants").
    - Upon commencing the Chapter 11 filing, the Company has begun to comply with an agreed-upon operating injunction with respect to the operation of its opioid business.
- *A proposed resolution with the U.S. Department of Justice and other governmental parties to settle a range of litigation matters and disputes relating to Acthar Gel*.
    - The Company has reached an agreement in principle with the U.S. Department of Justice ("DOJ") and other governmental parties to settle a range of litigation matters and disputes relating to Acthar Gel (the "Proposed Acthar Gel-Related Settlement") including the Medicaid lawsuit with the Centers for Medicare and Medicaid Services ("CMS"), a related False Claims Act ("FCA") lawsuit in Boston, and an Eastern District of Pennsylvania ("EDPA") FCA lawsuit relating to Acthar Gel's previous owner's (Questcor Pharmaceuticals Inc. ("Questcor")) interactions with an independent charitable foundation. Under the Proposed Acthar Gel-Related Settlement, which was conditioned upon the Company entering the Chapter 11 restructuring process, the Company has agreed to pay

$260.0 million to the DOJ and other parties over seven years and reset Acthar Gel's Medicaid rebate calculation as of July 1, 2020, such that state Medicaid programs will receive 100% rebates on Acthar Gel Medicaid sales, based on current Acthar Gel pricing. Additionally, upon execution of the settlement, the Company will dismiss its appeal of the U.S. District Court of Columbia's ("D.C. District Court") adverse decision in the Medicaid lawsuit, which appeal was filed in the U.S. Court of Appeals for the District of Columbia ("D.C. Circuit"). Also in connection with the Proposed Acthar Gel-Related Settlement, the Company expects to enter into a corporate integrity agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services. The Company continues to work with the government to finalize the CIA. In turn, the U.S. Government will drop its demand for approximately $640 million in retrospective Medicaid rebates for Acthar Gel and agree to dismiss the FCA lawsuit in Boston and the EDPA FCA lawsuit.

Mallinckrodt has entered into the Proposed Acthar Gel-Related Settlement to settle with the DOJ and other governmental parties solely to move past these litigation matters and disputes and will make no admission of liability. The Company is working to complete the settlement with the DOJ, as well as various states that are party to the Boston FCA litigation, subject to court approval.

- *A modification of the Company's senior secured term loans*. At the end of the court-supervised process, lenders holding allowed claims in respect of the Company's 2017 and 2018 Term Loans are expected to receive either (1) new senior secured term loans in an amount equal to the remaining principal amount of claims (as reduced by, inter alia, the excess cash flow ("ECF") Payment) bearing interest at a rate per annum equal to LIBOR plus 5.25% (with respect to the 2017 Term Loan) or LIBOR plus 5.50% (with respect to the 2018 Term Loan) (the "Adjusted Interest Rate"), maturing on the earlier of September 30, 2027 and 5.75 years after emergence and without any financial maintenance covenant or (2) payment in full in cash. A mandatory prepayment in an amount equal to $114.0 million arising from excess cash flow with respect to fiscal 2020 was paid to the holders of the Company's 2017 and 2018 Term Loans on March 19, 2021.
- *The reinstatement or repayment of the Company's senior secured revolving credit facility*. At the end of the court-supervised process, all allowed claims under such facility would be paid in full in cash with the proceeds of newly incurred debt.
- *The reinstatement of the agreements associated with the Company's 10.00% first lien senior notes*. At the end of the court-supervised process, all allowed claims under these agreements would either be reinstated at existing rates and maturities if the applicable holders' purported make-whole claims are disallowed or, if such reinstatement is not permitted or if the applicable holders' make-whole claims are allowed, receive take-back notes at market rates with an extended maturity.
- *A modification of the Company's 10.00% second lien senior notes.* At the end of the court-supervised process, lenders holding allowed claims in respect of the Company's 10.00% second lien senior secured notes are expected to receive their pro rata share of new 10.00% second lien senior secured notes due 2025 that will have the same principal amount and other economic terms as the existing second lien senior secured notes.
- *A restructuring of the Company's unsecured notes under the guaranteed unsecured notes indentures.* At the end of the court-supervised process, holders of allowed claims under indentures governing the Guaranteed Unsecured Notes (the 5.75% Senior Notes due 2022, the 5.625% Senior Notes due 2023 and the 5.50% Senior Notes due 2025) and the Guaranteed Unsecured Notes are expected to receive their pro rata share of $375.0 million of new 10.00% second lien senior secured notes due seven years after emergence and 100% of the new Mallinckrodt ordinary shares, subject to dilution by the warrants described above and certain other equity.
- *A proposed resolution of other remaining claims and treatment of equity holders.* At the end of the court-supervised process, certain trade creditors and holders of other allowed general unsecured claims, including holders of the 9.50% debentures due May 2022, the 8.00% debentures due March 2023 and the 4.75% senior notes due April 2023, are expected to share in $135.0 million in cash, plus other potential consideration, in accordance with the allocations as prescribed in the Amended Plan, and equity holders would receive no recovery.

On April 20, 2021, the Debtors filed a joint plan of reorganization of the Debtors (the "Original Plan") reflecting the terms of the RSA, as amended by the Joinder and Amendment and a related proposed Disclosure Statement (the "Original Disclosure Statement"). On each of June 8, 2021 (or, with respect to the Original Disclosure Statement, June 9, 2021), June 15, 2021 and June 17, 2021, the Debtors filed with the Bankruptcy Court amended versions of the Original Plan and the Original Disclosure Statement. Finally, on June 18, 2021, the Debtors filed with the Bankruptcy Court a solicitation version of the Proposed Plan, and a solicitation version of a related Disclosure Statement (the "Disclosure Statement"). Contemporaneously, the Debtors filed a motion requesting that the Court (i) establish the Proposed Plan solicitation and voting procedures, (ii) approve the forms of ballots, solicitation packages, and related notices to be sent to the various creditors and interest holders in connection with confirmation of the Plan, and (iii) establish certain deadlines in connection with the approval of the disclosure statement (the "Solicitation and Voting Procedures"). On September 29,

2021 the Debtors filed the Amended Plan with the Bankruptcy Court incorporating the Amended Proposed Opioid-Related Litigation Settlement, the settlement with the UCC and the settlement with the Settling Second Lien Noteholders.

The Amended Plan and the related Disclosure Statement describe, among other things, the terms of the Amended Plan; the Debtors contemplated financial restructuring (the "Restructuring"); the events leading up to the Chapter 11 Cases; certain events that have occurred or are anticipated to occur during the Chapter 11 Cases, including the anticipated solicitation of votes to approve the Proposed Plan from certain of the Debtors' creditors and certain other aspects of the Restructuring.

By order dated June 17, 2021, the Bankruptcy Court approved the Disclosure Statement and the Solicitation and Voting Procedures. Pursuant to the Solicitation and Voting Procedures, the Debtors mailed the ballots, solicitation packages and related notices by June 24, 2021, and votes were due by October 13, 2021, with exception of holders of class 8 and 9 whose votes were due October 20, 2021. In accordance with the Debtors' proposed confirmation timeline, which is subject to change by the Bankruptcy Court, a hearing to consider confirmation of the Amended Plan (which may be adjourned or extended from time to time) commenced on November 1, 2021.

Event of default

The commencement of the Chapter 11 Cases above constituted an event of default under certain of the Company's debt agreements. Subject to any applicable provisions of the Bankruptcy Code, the Company's debt instruments and agreements, as further described in Note 10 and within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended December 25, 2020, provide that, as a result of the commencement of the Chapter 11 Cases, the principal amount, together with accrued and unpaid interest thereon, and in the case of the indebtedness outstanding under the senior notes, premium, if any, thereon, shall be immediately due and payable. Accordingly, all long-term debt was classified as current on the unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020. However, any efforts to enforce payment obligations under the debt instruments are automatically stayed as a result of the Chapter 11 Cases and the creditors' rights in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code.

Financial Reporting in Reorganization

Effective on the Petition Date, the Company began to apply Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 852 - Reorganizations, which specifies the accounting and financial reporting requirements for entities reorganizing through Chapter 11 bankruptcy proceedings. These requirements include distinguishing transactions directly associated with the reorganization from activities related to the ongoing operations of the business within the financial statements for periods subsequent to the Petition Date. Expenses, realized gains and losses, and provisions for losses that are directly associated with reorganization proceedings must be reported separately as reorganization items, net in the unaudited condensed consolidated statements of operations. In addition, the unaudited condensed consolidated balance sheet must distinguish pre-petition liabilities subject to compromise ("LSTC") of the Debtors from pre-petition liabilities that are not subject to compromise, post-petition liabilities, and liabilities of the subsidiaries of the Company that are not debtors in the Chapter 11 Cases. LSTC are pre-petition obligations that are not fully secured and have at least a possibility of not being repaid at the full claim amount. Where there is uncertainty about whether a secured claim will be paid or impaired pursuant to the Chapter 11 Cases, the Debtors have classified the entire amount of the claim as LSTC.

Furthermore, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession, actions to enforce or otherwise effect the payment of certain claims against the Debtors in existence before the Petition Date are stayed while the Debtors continue business operations as debtors-in-possession. These claims are reflected as LSTC in the unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020. Additional claims (which could be LSTC) may arise after the Petition Date resulting from the rejection of executory contracts, including leases, and from the determination by the Bankruptcy Court (or agreement by parties-in-interest) of allowed claims for contingencies and other disputed amounts.

Certain subsidiary entities are not debtors under the Chapter 11 Cases. However, condensed combined financial statements of the Debtors are not presented in the notes to the unaudited condensed consolidated financial statements as the assets and liabilities, operating results and cash flows of the non-debtor entities included in the consolidated financial statements are insignificant and, therefore, the unaudited condensed consolidated financial statements presented herein materially represent the unaudited condensed combined financial statements of the debtor entities for all periods presented.

Non-debtor entity intercompany balances from/due to the debtor entities at the end of each period were:

	September 24, 2021	December 25, 2020
Intercompany receivables	$ 137.2	$ 282.3
Intercompany payables	119.7	120.3

The intercompany balances were primarily attributable to the Company's centralized approach to cash management and financing of its operations. The permission to continue the use of existing cash management systems during the pendency of the Chapter 11 Cases was approved by the Bankruptcy Court on a final basis as part of the First Day motions as described further above.

The Company is currently assessing whether or not it qualifies for fresh start accounting upon emergence from Chapter 11. If the Company were to meet the requirements to adopt the fresh start accounting rules, its assets and liabilities would be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on its unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020.

Liabilities Subject to Compromise

As a result of the commencement of the Chapter 11 Cases, the payment of pre-petition liabilities is subject to compromise or other treatment pursuant to a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-petition liabilities are stayed. Although payment of pre-petition claims generally is not permitted, the Bankruptcy Court granted the Debtors the authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtors' business and assets. As described above, among other things, the Bankruptcy Court authorized, but did not require, the Debtors to pay certain pre-petition claims relating to employee wages and benefits, critical and foreign vendors and customer programs.

The determination of how liabilities will ultimately be settled or treated cannot be made until the Bankruptcy Court confirms a Chapter 11 plan of reorganization and such plan becomes effective. Accordingly, the ultimate amount of such liabilities is not determinable at this time. GAAP requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for different amounts. The amounts currently classified as LSTC are preliminary and may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation or other events.

Liabilities subject to compromise at the end of each period consisted of the following:

	September 24, 2021	December 25, 2020
Accounts payable [1]	$ 43.5	$ 61.9
Accrued interest	35.2	35.2
Debt [2]	3,760.1	1,660.7
Medicaid lawsuit	634.1	638.9
Opioid-related litigation settlement liability [3]	1,725.0	1,600.0
Other current and non-current liabilities [4]	107.3	163.5
Pension and postretirement benefits	30.3	32.4
Total liabilities subject to compromise	$ 6,335.5	$ 4,192.6

(1) Pre-petition accounts payable balances have been repaid under effectuated trade agreements pursuant to the critical vendor motion approved by the Bankruptcy Court.

(2) Subsequent to December 25, 2020, in accordance with the agreement in principle reached with the Settling Second Lien Noteholders on September 2, 2021 and Joinder and Amendment to the RSA entered into in March 2021, $322.9 million of Second Lien Notes and $1,776.5 million of outstanding senior secured term loans, respectively, were classified as LSTC in the Company's unaudited condensed consolidated balance sheet as of September 24, 2021.

(3) In accordance with the agreement in principle reached with the Opioid Claimants on September 2, 2021, and subsequently memorialized in the Amended Plan on September 29, 2021, the Company recorded an accrual of $125.0 million related to the additional payment expected to be made on the eighth anniversary of the effective date of emergence, which has been classified as LSTC in the Company's unaudited condensed consolidated balance sheet as of September 24, 2021.

(4) The decrease in other current and non-current liabilities was primarily attributable to the Bankruptcy Court's approval of the Company's rejection of its Bedminster facility lease, which resulted in a $34.8 million adjustment to the carrying value of the respective lease liability in LSTC to reflect the estimated allowed claim amount. The remaining decrease was primarily attributable to a decrease of $15.6 million in the fair value of contingent consideration related to an asset for which the Company is no longer pursuing further development. Refer to Note 12 for further information on the valuation of contingent consideration.

Contractual interest

While the Chapter 11 Cases are pending, the Company is not accruing interest on its unsecured debt instruments as of the Petition Date on a go-forward basis as the Debtors do not anticipate making interest payments due under their respective unsecured debt instruments; however, the Debtors expect to pay all interest payments in full as they come due under their respective senior secured debt instruments. The total aggregate amount of interest payments due under the Company's unsecured debt instruments for the three and nine months ended September 24, 2021, which it did not pay was $17.7 million and $64.2 million.

Chapter 11 Claims Process

The Debtors have received over 50,000 proofs of claim since the Petition Date. The Debtors continue their review and analysis of certain claims including litigation claims, trade creditor claims, non-qualified benefit plan claims, customer deposits and advances, along with other tax and regulatory claims, and therefore, the ultimate liability of the Debtors for such claims may differ from the amount recorded in LSTC. To the extent that the Debtors believe that such claims will be allowed by the Bankruptcy Court, the Debtors will continue to record the expected allowed amounts of such claims as LSTC. The determination of the expected allowed amount of a claim is based on many factors, including whether the Debtors are party to a settlement agreement with applicable claimholders or their representatives, and is not necessarily limited to information available to the Debtors. Claims covered by a settlement agreement include the Proposed Acthar Gel-Related Settlement and Amended Opioid-Related Litigation Settlement (collectively, the "Proposed Settlements"). See *Restructuring Support Agreement and Plan of Reorganization* section within this note for more information on settlement of these claims. As the Debtors continue to resolve claims, differences between those final allowed claims and the liabilities recorded in the unaudited condensed consolidated balance sheet will be recognized as reorganization items, net in the Company's consolidated statements of operations in the period in which they are resolved. The determination of how liabilities will ultimately be resolved cannot be made until the Bankruptcy Court approves a plan of reorganization or approves orders related to settlement of specific liabilities. Accordingly, the ultimate amount or resolution of such liabilities is not determinable at this time. The resolution of such claims could result in substantial adjustments to the Company's consolidated financial statements.

Reorganization items, net

Reorganization items, net, represent amounts incurred after the Petition Date as a direct result of the Chapter 11 Cases and are comprised of bankruptcy-related professional fees and adjustments to reflect the carrying value of LSTC at their estimated allowed claim amounts, as such adjustments are approved by the Bankruptcy Court. Cash paid for reorganization items, net for the nine months ended September 24, 2021 was $209.1 million. Reorganization items, net, for the three and nine months ended September 24, 2021 included the following:

	September 24, 2021	
	Three Months Ended	Nine Months Ended
Professional fees	$ 119.4	$ 306.6
Debt valuation adjustments	6.8	23.1
Adjustments of other claims	—	(0.5)
Total reorganization items, net	$ 126.2	$ 329.2

3. Revenue from Contracts with Customers

Product Sales Revenue

See Note 13 for presentation of the Company's net sales by product family.

Reserves for variable consideration

The following table reflects activity in the Company's sales reserve accounts:

	Rebates and Chargebacks	Product Returns	Other Sales Deductions	Total
Balance as of December 27, 2019	$ 295.8	$ 28.4	$ 13.2	$ 337.4
Provisions	1,453.7	22.3	44.3	1,520.3
Provision for Medicaid lawsuit (Note 12) [1]	535.1	—	—	535.1
Payments or credits	(1,461.3)	(24.3)	(45.8)	(1,531.4)
Balance as of September 25, 2020	$ 823.3	$ 26.4	$ 11.7	$ 861.4
Balance as of December 25, 2020	$ 196.5	$ 26.6	$ 12.3	$ 235.4
Provisions	1,588.6	18.2	42.5	1,649.3
Payments or credits	(1,535.7)	(23.5)	(32.6)	(1,591.8)
Balance as of September 24, 2021	$ 249.4	$ 21.3	$ 22.2	$ 292.9

(1) Excludes the $105.1 million that is reflected as a component of operating expenses as it represents a pre-acquisition contingency related to the portion of the liability that arose from sales of Acthar Gel prior to the Company's acquisition of Questcor Pharmaceuticals Inc. ("Questcor") in August 2014. See Note 12 for further detail on the status of the Medicaid lawsuit.

Product sales transferred to customers at a point in time and over time were as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Product sales transferred at a point in time	80.3 %	79.5 %	78.7 %	78.5 %
Product sales transferred over time	19.7	20.5	21.3	21.5

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue from contracts extending greater than one year for certain of the Company's hospital products that are expected to be recognized in the future related to performance obligations that were unsatisfied or partially unsatisfied as of September 24, 2021:

Remainder of Fiscal 2021	$ 35.6
Fiscal 2022	106.4
Fiscal 2023	64.4
Thereafter	14.7

Costs to fulfill a contract

As of September 24, 2021 and December 25, 2020, the total net book value of the devices used in the Company's portfolio of drug-device combination products, which are used in satisfying future performance obligations, were $26.5 million and $25.8 million, respectively, and were classified in property, plant and equipment, net, on the unaudited condensed consolidated balance sheets. The associated depreciation expense recognized during the nine months ended September 24, 2021 and September 25, 2020 was $4.4 million and $4.0 million, respectively.

Product Royalty Revenues

The Company licenses certain rights to Amitiza® (lubiprostone) ("Amitiza") to third parties in exchange for royalties on net sales of the product. The Company receives a double-digit royalty based on a percentage of the gross profits of the licensed products sold

during the term of the agreements. The Company recognizes such royalty revenue as the related sales occur. The associated royalty revenue recognized was as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Royalty revenue	$ 27.3	$ 20.4	$ 82.2	$ 52.3

4. Restructuring and Related Charges

During fiscal 2018, the Company launched a restructuring program designed to improve its cost structure. Charges of $100.0 million to $125.0 million were provided for under the program. In addition to the aforementioned program, the Company has taken restructuring actions to generate synergies from its acquisitions.

Net restructuring and related charges by segment were as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Specialty Brands	$ 0.1	$ —	$ 0.1	$ 0.1
Specialty Generics	—	—	—	0.1
Corporate	11.6	3.2	19.4	15.6
Restructuring and related charges, net	11.7	3.2	19.5	15.8
Less: accelerated deprecation	(0.7)	—	(2.0)	—
Restructuring charges, net	$ 11.0	$ 3.2	$ 17.5	$ 15.8

Net restructuring and related charges by program were comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
2018 Program	$ 11.7	$ 3.2	$ 19.5	$ 17.8
2016 Program [1]	—	—	—	(0.1)
Acquisition Programs	—	—	—	(1.9)
Total programs	11.7	3.2	19.5	15.8
Less: non-cash charges, including accelerated depreciation	(1.7)	—	(4.3)	—
Total charges expected to be settled in cash	$ 10.0	$ 3.2	$ 15.2	$ 15.8

(1) The 2016 Program was completed during fiscal 2020.

The following table summarizes cash activity for restructuring reserves, substantially all of which related to contract termination costs, employee severance and benefits and exiting of certain facilities:

	2018 Program
Balance as of December 25, 2020	$ 1.0
Charges	15.8
Changes in estimate	(0.6)
Cash payments	(10.1)
Balance as of September 24, 2021	$ 6.1

As of September 24, 2021, net restructuring and related charges incurred cumulative to date were as follows:

	2018 Program
Specialty Brands	$ 3.1
Specialty Generics	10.1
Corporate	73.3
	$ 86.5

All of the restructuring reserves were included in accrued and other current liabilities on the Company's unaudited condensed consolidated balance sheets. Amounts paid in the future may differ from the amount currently recorded.

5. Income Taxes

As further discussed in Note 1, in light of the Company's Chapter 11 Cases initiated on October 12, 2020, the Company concluded that there is substantial doubt about its ability to continue as a going concern within one year from the date of issuance of the unaudited condensed consolidated financial statements. The Company considered this in determining that certain net deferred tax assets were no longer more likely than not realizable. As a result, as of both September 24, 2021 and December 25, 2020, all of the Company's net deferred tax assets in applicable tax jurisdictions are fully offset by a valuation allowance.

The Company recognized an income tax benefit of $32.0 million on a loss from continuing operations before income taxes of $301.0 million for the three months ended September 24, 2021, and an income tax benefit of $211.6 million on a loss from continuing operations before income taxes of $19.8 million for the three months ended September 25, 2020. This resulted in effective tax rates of 10.6% and 1,068.7% for the three months ended September 24, 2021 and September 25, 2020, respectively. The income tax benefit for the three months ended September 24, 2021 was comprised of $26.2 million of current tax benefit and $5.8 million of deferred tax benefit. The current tax benefit was predominantly related to an increase to prepaid taxes and a decrease to uncertain tax positions. The deferred tax benefit was predominantly related to intangible asset amortization partially offset by utilization of loss carryforwards in non-valuation allowance jurisdictions. The income tax benefit for the three months ended September 25, 2020 was comprised of $201.4 million of current tax benefit and $10.2 million of deferred tax benefit. The current tax benefit was primarily the result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and unrecognized tax benefits, partially offset by the fiscal 2020 reorganization of the Company's intercompany financing and associated legal entity ownership. The deferred tax benefit was predominately related to the fiscal 2020 reorganization of the Company's intercompany financing and associated legal entity ownership.

The Company recognized an income tax benefit of $81.9 million on a loss from continuing operations before income taxes of $601.3 million for the nine months ended September 24, 2021, and an income tax benefit of $69.2 million on a loss from continuing operations before income taxes of $884.7 million for the nine months ended September 25, 2020. This resulted in effective tax rates of 13.6% and 7.8% for the nine months ended September 24, 2021 and September 25, 2020, respectively. The income tax benefit for the nine months ended September 24, 2021 was comprised of $62.8 million of current tax benefit and $19.1 million of deferred tax benefit. The current tax benefit was predominantly related to an increase to prepaid taxes and a decrease to uncertain tax positions. The deferred tax benefit was predominantly related to intangible asset amortization, partially offset by utilization of loss carryforwards in non-valuation allowance jurisdictions. The income tax benefit for the nine months ended September 25, 2020 was comprised of $370.3 million of current tax benefit and $301.1 million of deferred tax expense. The current tax benefit was primarily the result of the CARES Act and unrecognized tax benefits, partially offset by the fiscal 2020 reorganization of the Company's intercompany financing and associated legal entity ownership. The deferred tax expense was predominately related to the valuation allowance recorded against the Company's net deferred tax assets and unrecognized tax benefits, partially offset by a tax benefit predominately related to the fiscal 2020 reorganization of the Company's intercompany financing and associated legal entity ownership.

The income tax benefit was $32.0 million for the three months ended September 24, 2021, compared with an income tax benefit of $211.6 million for the three months ended September 25, 2020. The $179.6 million net decrease in the tax benefit included a decrease of $236.8 million attributed to the CARES Act, partially offset by an increase of $32.0 million attributed to the fiscal 2020 reorganization of the Company’s intercompany financing and associated legal entity ownership, an increase of $12.6 million attributed to changes in the timing, amount and jurisdictional mix of income, an increase of $7.9 million attributed to uncertain tax positions and an increase of $4.7 million attributed to separation costs, reorganization items, net and restructuring charges, net.

The income tax benefit was $81.9 million for the nine months ended September 24, 2021, compared with an income tax benefit of $69.2 million for the nine months ended September 25, 2020. The $12.7 million net increase in the tax benefit included an increase of $202.7 million attributed to a valuation allowance recorded against the Company's net deferred tax assets, an increase of $56.2 million attributed to changes in the timing, amount and jurisdictional mix of income, an increase of $25.7 million predominately attributed to the fiscal 2020 reorganization of the Company’s intercompany financing and associated legal entity ownership, an increase of

$10.8 million attributed to separation costs, reorganization items, net and restructuring charges, net and an increase of $2.8 million attributed to uncertain tax positions, partially offset by a decrease of $285.5 million attributed to the CARES Act.

During the nine months ended September 24, 2021 and September 25, 2020, net cash refunds for income taxes were $160.4 million and net cash payments for income taxes were $42.9 million, respectively. Included within the net cash refunds of $160.4 million were refunds of $178.8 million received as a result of provisions in the CARES Act and net payments of $18.4 million related to operational activity.

The Company's unrecognized tax benefits, excluding interest, totaled $334.2 million and $349.0 million as of September 24, 2021 and December 25, 2020, respectively. The net decrease of $14.8 million primarily resulted from a lapse of statutes of limitations of $21.8 million and settlements of $0.2 million, partially offset by a net increase to prior period tax positions of $7.2 million. If favorably settled, $63.2 million of unrecognized tax benefits as of September 24, 2021 would benefit the effective tax rate. The total amount of accrued interest and penalties related to these obligations was $17.9 million and $16.7 million as of September 24, 2021 and December 25, 2020, respectively. Due to a lapse of the statute of limitations noted above, $5.1 million of tax and interest on unrecognized tax benefits related to the Nuclear Imaging business were eliminated, and a benefit of $5.1 million was recorded in discontinued operations within the unaudited condensed consolidated statement of operations for the nine months ended September 24, 2021.

It is reasonably possible that within the next twelve months the unrecognized tax benefits could decrease by up to $139.9 million and the amount of related interest and penalties could decrease by up to $16.4 million as a result of payments or releases due to the resolution of examinations, appeals and litigation and the expiration of various statutes of limitation.

Certain of the Company’s subsidiaries continue to be subject to examination by taxing authorities. The earliest open years subject to examination for various jurisdictions, including Ireland, Japan, Luxembourg, Switzerland and the United Kingdom are from 2013 to present and the earliest open years for the U.S federal and state jurisdictions are 2013 and 2009, respectively.

6. (Loss) Earnings per Share

(Loss) earnings per share is computed by dividing net loss by the number of weighted-average shares outstanding during the period. Dilutive securities, including participating securities, have not been included in the computation of (loss) earnings per share as the Company reported a net (loss) income from continuing operations during all periods presented below and therefore, the impact would be anti-dilutive.

The weighted-average number of shares outstanding used in the computations of both basic and diluted (loss) earnings per share were as follows (*in millions*):

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Basic and diluted	84.7	84.6	84.7	84.4

The computation of diluted weighted-average shares outstanding for the three and nine months ended September 24, 2021 excluded approximately 5.3 million shares of equity awards, and for both the three and nine months ended September 25, 2020 excluded approximately 5.8 million shares of equity awards because the effect would have been anti-dilutive.

7. Inventories

Inventories were comprised of the following at the end of each period:

	September 24, 2021	December 25, 2020
Raw materials and supplies	$ 54.6	$ 58.1
Work in process	218.8	200.7
Finished goods	94.2	86.1
	$ 367.6	$ 344.9

8. Property, Plant and Equipment

The gross carrying amount and accumulated depreciation of property, plant and equipment were comprised of the following at the end of each period:

	September 24, 2021	December 25, 2020
Property, plant and equipment, gross	$ 1,892.4	$ 1,910.9
Less: accumulated depreciation	(1,124.7)	(1,077.8)
Property, plant and equipment, net	$ 767.7	$ 833.1

Depreciation expense was as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Depreciation expense	$ 23.2	$ 25.5	$ 70.3	$ 75.7

9. Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets were comprised of the following at the end of each period:

	September 24, 2021		December 25, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable:				
Completed technology	$ 10,494.4	$ 5,016.9	$ 10,394.6	$ 4,586.6
License agreements	120.1	81.1	120.1	78.1
Trademarks	77.7	26.1	77.7	23.5
Total	$ 10,692.2	$ 5,124.1	$ 10,592.4	$ 4,688.2
Non-Amortizable:				
Trademarks	$ 35.0		$ 35.0	
In-process research and development	81.0		245.3	
Total	$ 116.0		$ 280.3	

StrataGraft®

On June 15, 2021, the Company announced that the U.S. Food and Drug Administration ("FDA") had approved the StrataGraft biologics license application ("BLA") for the treatment of adults with deep partial-thickness burns. Upon FDA approval, the Company transferred the total $99.8 million of asset value from non-amortized, indefinite-lived acquired in-process research and development ("IPR&D") product rights to amortizable, finite-lived completed technology and will begin amortization of the asset in tandem with commercial launch of the product, which is expected during the fourth quarter of fiscal 2021.

Terlipressin

During September 2020, the FDA issued a Complete Response Letter ("CRL") regarding the Company's New Drug Application ("NDA") seeking approval for the investigational agent terlipressin to treat adults with hepatorenal syndrome type 1 ("HRS-1"). The CRL stated that, based on the available data, the agency cannot approve the terlipressin NDA in its current form and requires more information to support a positive risk-benefit profile for terlipressin for patients with HRS-1.

In response to receipt of the CRL, the Company had an End of Review Meeting on October 26, 2020 and a Type A Meeting on January 29, 2021 with the FDA where both parties engaged in constructive dialogue in an effort to clarify a viable path to U.S. approval. On August 18, 2021, the Company resubmitted its NDA for terlipressin to the FDA. The Prescription Drug User Fee Act (PDUFA) date for this development product is February 18, 2022. The Company will continue to assess the impact of any changes to planned revenue or earnings on the fair value of the associated IPR&D asset of $81.0 million included within intangible assets, net on the unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020.

The Company annually tests the indefinite-lived intangible assets for impairment, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable by either a qualitative or income approach. Management relies on a number of qualitative factors when considering a potential impairment such as changes to planned revenue or earnings that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset.

MNK-6105 and MNK-6106

During the three months ended March 26, 2021, the Company recognized a full impairment on its Specialty Brands IPR&D asset related to MNK-6105 and MNK-6106 of $64.5 million. The Company has decided it will no longer pursue further development of this asset.

Intangible asset amortization expense

Intangible asset amortization expense was as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	**September 25, 2020**	**September 24, 2021**	**September 25, 2020**
Amortization expense	$ 145.3	$ 210.6	$ 435.8	$ 599.8

The estimated aggregate amortization expense on intangible assets owned by the Company and being amortized as of September 24, 2021, is expected to be as follows:

Remainder of Fiscal 2021	$ 145.3
Fiscal 2022	581.1
Fiscal 2023	581.1
Fiscal 2024	581.1
Fiscal 2025	579.6

10. Debt

The commencement of the Chapter 11 Cases constituted an event of default under certain of the Company's debt agreements. Accordingly, all debt not reclassified as LSTC with original long-term stated maturities was classified as current on the unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020. However, any efforts to enforce payment obligations under the Company's debt instruments are automatically stayed as a result of the Chapter 11 Cases and the creditors' rights in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. See Note 2 for further information.

Debt was comprised of the following at the end of each period:

	September 24, 2021		December 25, 2020	
	Principal	Unamortized Discount and Debt Issuance Costs [1]	Principal	Unamortized Discount and Debt Issuance Costs [1]
Secured debt:				
Term loan due September 2024	$ 1,403.9	$ —	$ 1,505.2	$ 12.3
Term loan due February 2025	372.6	—	399.5	5.0
10.00% first lien senior notes due April 2025	495.0	6.3	495.0	7.7
10.00% second lien senior notes due April 2025	322.9	—	322.9	8.0
Revolving credit facility	900.0	0.6	900.0	1.7
Total secured debt	3,494.4	6.9	3,622.6	34.7
Unsecured debt:				
9.50% debentures due May 2022	10.4	—	10.4	—
5.75% senior notes due August 2022	610.3	—	610.3	—
8.00% debentures due March 2023	4.4	—	4.4	—
4.75% senior notes due April 2023	133.7	—	133.7	—
5.625% senior notes due October 2023	514.7	—	514.7	—
5.50% senior notes due April 2025	387.2	—	387.2	—
Total unsecured debt	1,660.7	—	1,660.7	—
Total debt, prior to reclassification to liabilities subject to compromise	5,155.1	6.9	5,283.3	34.7
Less: Current portion	(1,395.0)	(6.9)	(3,622.6)	(34.7)
Less: Amounts reclassified to liabilities subject to compromise [2]	(3,760.1)	—	(1,660.7)	—
Total long-term debt, net of current portion	$ —	$ —	$ —	$ —

(1) As a result of the Company's Chapter 11 Cases, the Company expensed $23.1 million of unamortized discount and debt issuance costs, net, recorded in reorganization items, net in the unaudited condensed consolidated statement of operations during the nine months ended September 24, 2021.

(2) In connection with the Company's Chapter 11 Cases, $3,760.1 million and $1,660.7 million outstanding secured and unsecured debt instruments have been reclassified to LSTC in the Company's unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020, respectively. Up to the date of reclassification to LSTC, the Company continued to accrue interest expense in relation to the unsecured debt instruments reclassified to LSTC. The Company continues to accrue and pay interest on the outstanding secured debt instruments classified as LSTC in conjunction with the cash collateral order. Refer to Note 2 for further information.

As of September 24, 2021, the applicable interest rate and outstanding borrowings on the Company's variable-rate debt instruments were as follows:

	Applicable interest rate	Outstanding borrowings
Term loan due September 2024 [1]	6.00 %	$ 1,403.9
Term loan due February 2025 [1]	6.25	372.6
Revolving credit facility [2]	4.38	900.0

(1) The applicable interest rate for the senior secured term loans includes the incremental 250 basis points as a result of the amendment to the cash collateral order that took effect on March 22, 2021. Refer to Note 2 for further discussion on the amendment.

(2) Includes the incremental 200 basis points related to the cash adequate protection payments. Refer to Note 2 for further information.

As of September 24, 2021, the Company was fully drawn on its $900.0 million revolving credit facility.

11. Guarantees

In disposing of assets or businesses, the Company has from time to time provided representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to 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. The Company assesses the probability of potential liabilities related to such representations, warranties and indemnities and adjusts potential liabilities as a result of changes in facts and circumstances. The Company believes, given the information currently available, that the ultimate resolutions will not have a material adverse effect on its financial condition, results of operations and cash flows.

In connection with the sale of the Specialty Chemical business (formerly known as Mallinckrodt Baker) in fiscal 2010, the Company agreed to indemnify the purchaser with respect to various matters, including certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the sale, 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 unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020 was $15.0 million and $15.4 million, respectively, of which $12.3 million and $12.7 million, respectively, 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 as of September 24, 2021 and December 25, 2020. As of September 24, 2021, the maximum future payments the Company could be required to make under these indemnification obligations were $70.2 million. The Company was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $19.0 million remained in restricted cash, included in other long-term assets on the unaudited condensed consolidated balance sheets as of both September 24, 2021 and December 25, 2020, respectively.

The Company has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended December 25, 2020.

The Company is also liable for product performance; however, the Company believes, given the information currently available, that the ultimate resolution of any such claims will not have a material adverse effect on its financial condition, results of operations and cash flows.

As of September 24, 2021, the Company had various other letters of credit, guarantees and surety bonds totaling $34.2 million and restricted cash of $40.6 million held in segregated accounts primarily to collateralize surety bonds for the Company's environmental liabilities.

12. Commitments and Contingencies

The Company is subject to various legal proceedings and claims, including government investigations, environmental matters, product liability matters, patent infringement claims, personal injury, employment disputes, contractual disputes and other commercial disputes, including those described below. Although it is not feasible to predict the outcome of these matters, the Company believes, unless otherwise indicated below, given the information currently available, that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

On October 12, 2020, the Company announced that Mallinckrodt plc and certain of its subsidiaries voluntarily initiated the Chapter 11 Cases under the Bankruptcy Code in the Bankruptcy Court. As a result of initiating the Chapter 11 Cases, all litigation and proceedings against the Company have been automatically stayed, subject to certain limited exceptions. In addition, the Bankruptcy Court issued orders enjoining certain litigation against the Company and various individuals named in certain of the litigation described below that might otherwise be subject to such an exception. For further information about the Chapter 11 Cases, refer to Note 2.

Governmental Proceedings

Opioid-Related Matters

Since 2017, multiple U.S. states, counties, a territory, other governmental persons or entities and private plaintiffs have filed lawsuits against certain entities of the Company, as well as various other manufacturers, distributors, pharmacies, pharmacy benefit managers, individual doctors and/or others, asserting claims relating to defendants' alleged sales, marketing, distribution, reimbursement, prescribing, dispensing and/or other practices with respect to prescription opioid medications, including certain of the Company's products. As of November 1, 2021, the cases the Company is aware of include, but are not limited to, approximately 2,618

cases filed by counties, cities, Native American tribes and/or other government-related persons or entities; approximately 270 cases filed by hospitals, health systems, unions, health and welfare funds or other third-party payers; approximately 124 cases filed by individuals; approximately six cases filed by schools and school boards; and 17 cases filed by the Attorneys General for New Mexico, Kentucky, Rhode Island, Georgia, Florida, Alaska, New York, Nevada, South Dakota, New Hampshire, Louisiana, Illinois, Mississippi, West Virginia, Puerto Rico, Ohio, and Idaho, with Idaho being the only state Attorney General to file in federal as opposed to state court. As of November 1, 2021, the Mallinckrodt defendants in these cases consist of Mallinckrodt plc and the following subsidiaries of Mallinckrodt plc: Mallinckrodt Enterprises LLC, Mallinckrodt LLC, SpecGx LLC, Mallinckrodt Brand Pharmaceuticals Inc., Mallinckrodt Inc., MNK 2011 Inc., and Mallinckrodt Enterprises Holdings, Inc. Certain of the lawsuits have been filed as putative class actions. On October 8, 2020, the State of Rhode Island filed a lawsuit against the Company's President and Chief Executive Officer ("CEO"), Mark C. Trudeau, asserting similar claims relating to the marketing and distribution of prescription opioid medications. Rhode Island has voluntarily agreed to a stay of the lawsuit against Mr. Trudeau.

Most pending federal lawsuits have been coordinated in a federal multi-district litigation (“MDL”) pending in the U.S. District Court for the Northern District of Ohio. The MDL court has issued a series of case management orders permitting motion practice addressing threshold legal issues in certain cases, allowing discovery, setting pre-trial deadlines and setting a trial date on October 21, 2019 for two cases originally filed in the Northern District of Ohio by Summit County and Cuyahoga County against opioid manufacturers, distributors, and pharmacies ("Track 1 Cases"). The counties claimed that opioid manufacturers' marketing activities changed the medical standard of care for treating both chronic and acute pain, which led to increases in the sales of their prescription opioid products. They also alleged that opioid manufacturers' and distributors' failure to maintain effective controls against diversion was a substantial cause of the opioid crisis. On September 30, 2019, the Company announced that Mallinckrodt plc, along with its wholly owned subsidiaries Mallinckrodt LLC and SpecGx LLC, had executed a definitive settlement agreement and release with Cuyahoga and Summit Counties in Ohio. The settlement fully resolves the Track 1 cases against all named Mallinckrodt entities that were scheduled to go to trial in October 2019 in the MDL. Under the agreement, the Company paid $24.0 million in cash on October 1, 2019. In addition, the Company will provide $6.0 million in generic products, including addiction treatment products, and will also provide a $0.5 million payment in two years in recognition of the counties' time and expenses. Further in the event of a comprehensive resolution of government-related opioid claims, the Company has agreed that the two plaintiff counties will receive the value they would have received under such a resolution, less the payments described above. All named Mallinckrodt entities were dismissed with prejudice from the lawsuit. The value of the settlement should not be extrapolated to any other opioid-related cases or claims.

Other lawsuits remain pending in various state courts. In some jurisdictions, certain of the state lawsuits have been consolidated or coordinated for pre-trial proceedings before a single court within their respective state court systems.

The lawsuits assert a variety of claims, including, but not limited to, public nuisance, negligence, civil conspiracy, fraud, violations of the Racketeer Influenced and Corrupt Organizations Act (“RICO”) or similar state laws, violations of state Controlled Substances Acts or state False Claims Acts, product liability, consumer fraud, unfair or deceptive trade practices, false advertising, insurance fraud, unjust enrichment, negligence, negligent misrepresentation, and other common law and statutory claims arising from defendants' manufacturing, distribution, marketing and promotion of opioids and seek restitution, damages, injunctive and other relief and attorneys' fees and costs. The claims generally are based on alleged misrepresentations and/or omissions in connection with the sale and marketing of prescription opioid medications and/or an alleged failure to take adequate steps to prevent diversion.

Opioid-Related Litigation Settlement. On February 25, 2020, the Company announced that it had reached an agreement in principle with a court-appointed plaintiffs' executive committee representing the interest of thousands of plaintiffs in the MDL and supported by a broad-based group of 48 state and U.S. Territory Attorneys General on the terms of a global settlement that would resolve all opioid-related claims against the Company and its subsidiaries (the "Opioid-Related Litigation Settlement"). The Opioid-Related Litigation Settlement contemplated the filing of voluntary petitions under Chapter 11 by the Specialty Generics Subsidiaries and the establishment of a trust for the benefit of plaintiffs holding opioid-related claims against the Company (the "Opioid Claimant Trust"). Furthermore, under the terms of the Opioid-Related Litigation Settlement, subject to court approval and other conditions, it was contemplated that, the Company would (1) make cash payments of $1,600.0 million in structured payments over eight years, beginning upon the Specialty Generics Subsidiaries’ emergence from the completed Chapter 11 case, the substantial majority of which would be expected to be contributed to the Opioid Claimant Trust and (2) issue warrants with an eight year term to the Opioid Claimant Trust exercisable at a strike price of $3.15 per share to purchase the Company’s ordinary shares that would represent approximately 19.99% of the Company's fully diluted outstanding shares, including after giving effect to the exercise of the warrants (the “Settlement Warrants”).

Amended Opioid-Related Litigation Settlement. In conjunction with the Company's Chapter 11 filing on October 12, 2020, the Company entered into a RSA which includes a proposed resolution of all opioid-related claims against the Company and its subsidiaries that supersedes the Opioid-Related Litigation Settlement. On September 2, 2021, the Debtors reached an agreement in principle with the Opioid Claimants, which supersedes the Amended Opioid-Related Litigation Settlement as proposed in the RSA. The agreement in principle provides that, upon the Company’s emergence from the Chapter 11 process, subject to court approval and other conditions:

- Opioid claims would be channeled to one or more trusts, which would receive $1,725.0 million in structured payments consisting of (i) a $450.0 million payment upon the Company’s emergence from Chapter 11; (ii) a $200.0 million payment

upon each of the first and second anniversaries of emergence; (iii) a $150.0 million payment upon each of the third through seventh anniversaries of emergence; and (iv) a $125.0 million payment upon the eighth anniversary of emergence with an eighteen month prepayment option at a discount for all but the first payment.

- Opioid claimants would also receive warrants for approximately 19.99% of the reorganized Company’s new outstanding shares, after giving effect to the exercise of the warrants, but subject to dilution from equity reserved under the management incentive plan, exercisable at any time on or prior to the sixth anniversary of the Company's emergence, at a strike price reflecting an aggregate equity value for the reorganized Debtors of $1,551.0 million (the "New Opioid Warrants").
- Upon commencing the Chapter 11 filing, the Company has begun to comply with an agreed-upon operating injunction with respect to the operation of its opioid business.

In accordance with the announced agreement in principle, the Company recorded an accrual for the additional structured cash payment related to this contingency of $125.0 million during the three months ended September 24, 2021. As of September 24, 2021 and December 25, 2020, the Company maintained an accrual for this contingency of $1,725.0 million and $1,600.0 million within LSTC, respectively. No value has been ascribed to the warrants as of September 24, 2021 or December 25, 2020 as the Company cannot reasonably estimate the equity value upon emergence. For further information on the terms of this proposed resolution, refer to Note 2.

Other Opioid-Related Matters. On June 1, 2020, a putative class action lawsuit was filed against Mallinckrodt plc, Mallinckrodt Canada ULC, Her Majesty the Queen in right of the Province of British Columbia ("Province") and the College of Pharmacists of British Columbia ("College") in the Supreme Court of British Columbia, captioned *Laura Shaver v. Mallinckrodt Canada ULC, et al.*, Court File No. VLC-S-S-205793. The action purports to be brought on behalf of any persons: (1) prescribed Methadose for opioid agonist treatment in British Columbia after March 1, 2014; (2) covered by Pharmacare Plan C within British Columbia who were prescribed Methadose for opioid agonist treatment after February 1, 2014; (3) who transitioned from compounded methadone to Methadose for opioid agonist treatment in British Columbia after March 1, 2014; (4) covered by Pharmacare Plan C within British Columbia who were transitioned from compounded methadone to Methadose for opioid agonist treatment after February 1, 2014; or (5) falling within such other class definition as the British Columbia Court may approve. The suit generally alleges that the Province’s decision to grant Methadose coverage under Pharmacare Plan C and remove compounded methadone from coverage under Pharmacare Plan C had adversely affected those being treated for opioid use disorder due to Methadose allegedly being a significantly less effective treatment than generic compounded methadone. The suit asserts that the Province, the College and the Mallinckrodt defendants knew (or ought to have known) about, failed to warn patients about and made false representations concerning, the efficacy of Methadose and the risks of switching from compounded methadone to Methadose. The suit seeks general, special, aggravated, punitive and exemplary damages in an unspecified amount, costs and interest and injunctive relief against the Province, the College and the Mallinckrodt defendants. Pursuant to two orders granted by the Ontario Superior Court of Justice (Commercial List) ("Canadian Court") on October 15, 2020, the Chapter 11 proceedings commenced by Mallinckrodt plc and Mallinckrodt Canada ULC pursuant to the U.S. Bankruptcy Code were recognized and given effect in Canada. Among other things, the Canadian Court has stayed all proceedings against the Mallinckrodt defendants, including the British Columbia class action proceedings. The Canadian Court granted a further order on February 25, 2021, staying the British Columbia class action proceedings against all defendants. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit.

New York State Opioid Stewardship Act. On October 24, 2018, the Company filed suit in the U.S. District Court for the Southern District of New York against the State of New York, asking the court to declare New York State's Opioid Stewardship Act (“OSA”) unconstitutional and to enjoin its enforcement. On December 19, 2018, the court declared the OSA unconstitutional and granted the Company's motion for preliminary injunctive relief. On January 17, 2019, the State of New York appealed the court's decision. On September 14, 2020, a panel of the U.S. Court of Appeals for the Second Circuit reversed in part the lower court’s judgment, finding that the lower court should have dismissed the Company’s (and other parties’) challenges to the OSA for lack of subject matter jurisdiction. Together with the other plaintiffs, the Company filed a petition for rehearing en banc to challenge the panel's decision, which was denied on December 18, 2020. On February 12, 2021, the Second Circuit granted the parties' request to stay the mandate. The parties filed a petition for certiorari with the Supreme Court on May 17, 2021. The Supreme Court denied the petition on October 4, 2021. On October 21, 2021, the District Court vacated its December 19, 2018 order, except for its invalidation of the "pass through prohibition" on the basis it violates the Commerce Clause. The invalidation of that provision remains in effect and the State of New York is permanently enjoined from enforcing it. In April 2019, the State of New York passed its 2020 budget, which amended the OSA so that if the OSA decision is reversed on appeal, the OSA would apply only to the sale or distribution of certain opioids in New York for 2017 and 2018 and, effective July 1, 2019, imposed an excise tax on certain opioids.

Acthar Gel-Related Matters

Medicaid Lawsuit. In May 2019, CMS issued a final decision directing the Company to revert to the original base date AMP used to calculate Medicaid drug rebates for Acthar Gel despite CMS having given the previous owner of the product, Questcor, written authorization in 2012 to reset the base date AMP. Upon receipt of CMS’s final decision, the Company filed suit in the D.C. District

Court against the Agency under the Administrative Procedure Act seeking to have the decision declared unlawful and set aside. In March 2020, the Company received an adverse decision from the D.C. District Court. The Company immediately sought reconsideration by the D.C. District Court, which was denied. The Company then appealed the D.C. District Court's decision to the D.C. Circuit. In June 2020, while its appeal remained pending, the Company was required to revert to the original base date AMP for Acthar in the government's price reporting system.

As a result of this contingency, the Company incurred a retrospective one-time charge of $641.1 million (the "Acthar Gel Medicaid Retrospective Rebate"), of which $536.0 million and $105.1 million was reflected as a component of net sales and operating expenses, respectively, in the consolidated statement of operations for fiscal 2020. The $105.1 million reflected as a component of operating expenses represented a pre-acquisition contingency related to the portion of the Acthar Gel Medicaid Retrospective Rebate that arose from sales of Acthar Gel prior to the Company's acquisition of Questcor in August 2014. As of September 24, 2021 and December 25, 2020, $634.1 million and $638.9 million related to the Medicaid lawsuit was recorded within LSTC, respectively.

The D.C. Circuit heard argument on the merits of the Company's appeal in September 2020, prior to the Company's filing of the Chapter 11 Cases on October 12, 2020. At the joint request of the parties, the D.C. Circuit has agreed to hold the case in abeyance pending completion of the Proposed Acthar Gel-Related Settlement, which was conditioned upon the Company entering the Chapter 11 restructuring process. Pursuant to the Proposed Acthar Gel-Related Settlement, the Company has agreed to pay $260.0 million over seven years and to reset Acthar Gel's Medicaid rebate calculation as of July 1, 2020, such that state Medicaid programs will receive 100% rebates on Acthar Gel Medicaid sales, based on current Acthar Gel pricing. Additionally, upon execution of the Proposed Acthar Gel-Related Settlement, the Company will dismiss its D.C. Circuit appeal. The Company expects that the Proposed Acthar Gel-Related Settlement will be completed over the next several months, subject to Bankruptcy Court approval.

Other Related Matters

Therakos® Subpoena. In March 2014, the U.S. Attorney's Office ("USAO") for the Eastern District of Pennsylvania ("EDPA") requested the production of documents related to an investigation of the U.S. promotion of Therakos® photopheresis ("Therakos") drug/device system UVADEX/UVAR XTS and UVADEX/CELLEX (collectively, the "Therakos System"), for indications not approved by the FDA, including treatment of patients with graft versus host disease ("GvHD") and solid organ transplant patients, including pediatric patients. The investigation also included Therakos' efforts to secure FDA approval for additional uses of, and alleged quality issues relating to, UVADEX/UVAR. In August 2015, the USAO for the EDPA sent Therakos a subsequent request for documents related to the investigation and has since made certain related requests. The Company responded to these requests. On June 28, 2021, the USAO for EDPA and the entities named as defendants in the *qui tam* complaint captioned *United States ex. rel. Michael Johnson and Frank Strobl v. Therakos, et al.*, No. 12-cv-0454-JHS, that was filed under seal in 2012 filed a stipulation of dismissal in the United States District Court for the EDPA terminating the matter.

Commercial and Securities Litigation

City of Rockford and Other Acthar Gel-Related Matters. On March 12, 2021, the plaintiffs in *City of Rockford v. Mallinckrodt ARD, Inc., et al. ("Rockford"), United Ass'n of Plumbers and Pipefitters Local 322 of Southern New Jersey v. Mallinckrodt ARD, LLC, et al. ("Local 322"), Steamfitters Local Union No. 420 v. Mallinckrodt ARD, LLC, et al. ("Steamfitters"), Int'l Union of Operating Engineers Local 542 v. Mallinckrodt ARD Inc., et al. ("Local 542")* and *Acument Global Technologies, Inc., v. Mallinckrodt ARD Inc., et al. ("Acument")* filed a motion with the Joint Panel on Multi-District Litigation ("JPML") under 28 U.S.C. § 1407 requesting that those cases and others alleging claims related to the price of Acthar Gel (including *Health Care Service Corp. v. Mallinckrodt ARD LLC, et al. ("HCSC"), City of Marietta v. Mallinckrodt ARD LLC ("Marietta"), Humana Inc. v. Mallinckrodt ARD LLC ("Humana"), MSP Recovery Claims, Series II, LLC, et al. v. Mallinckrodt ARD, Inc., et al. ("MSP")* and *U.S. ex rel. Strunck v. Mallinckrodt ARD LLC ("Strunck")*) be transferred to the Northern District of Illinois for coordinated or consolidated pretrial proceedings as a MDL (the "Section 1407 Motion"). The Company opposed the Section 1407 Motion. In April 2021, the U.S. District Courts in the Northern District of Illinois and the EDPA stayed consideration of the Company's motions to transfer *Rockford, MSP* and *Steamfitters* to the District of Delaware pending a decision by the JPML. The EDPA District Court also denied *Local 542*'s motion for reconsideration of the court's order transferring that case to the District of Delaware. On June 7, 2021, the JPML denied the Section 1407 Motion on the grounds that the timing and outcome of the bankruptcy proceedings made centralization premature.

On April 30, 2021, the Company filed several pleadings in the Chapter 11 Cases in respect of Acthar Gel-based claims, including without limitation the following: (a) objections to putative class proofs of claim filed by the City of Rockford, City of Marietta, Georgia, United Association of Plumbers and Pipefitters Local 322 of Southern New Jersey and Steamfitters Local Union No. 420; (b) objections to all purportedly Acthar Gel-related proofs of claim that state no basis for Acthar Gel-related liability against the named debtor; (c) a motion for establishment of an administrative claims bar date that would require all Acthar Gel claimants, among others,

to promptly file any requests for payment of purported administrative claims; and (d) an adversary proceeding seeking a declaratory judgment that the claims of the City of Rockford, as a governmental unit, are dischargeable in the Chapter 11 Cases.

In May 2021, Law Enforcement Health Benefits, Inc. ("LEHB") filed a putative class action complaint in the U.S. District Court for the Northern District of Illinois against the Company and certain of its officers and directors as well as third-party advisors captioned *Law Enforcement Health Benefits, Inc. v. Trudeau, et al.*, No. 3:21-cv-50215 (N.D. Ill.) ("*LEHB*"). The complaint alleges antitrust claims under Section 1 and Section 2 and numerous state laws, RICO claims under 18 U.S.C. §§ 1962(a), 1962(c) and 1962(d), fraud, conspiracy to defraud, and unjust enrichment and incorporates the allegations at issue in *Rockford* and the *Rockford*-related cases discussed above. After the complaint was filed, the Company requested that the district court stay the case in light of the Chapter 11 Cases. The motion to stay was granted. In June 2021, LEHB voluntarily dismissed without prejudice the Mallinckrodt defendant entities that are debtors in the Chapter 11 Cases. In July 2021, LEHB voluntarily dismissed without prejudice most of the Company's officers and directors as named defendants in the case. The case remains stayed. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit.

On June 16, 2021, the Bankruptcy Court held that the City of Rockford's claims are dischargeable in the Chapter 11 Cases. On June 29, 2021, the Bankruptcy Court sustained the Company's objections to the putative class proofs of claim filed by City of Rockford, City of Marietta, United Association of Plumbers and Pipefitters Local 322 of Southern New Jersey and Steamfitters Local Union No. 420.

In September 2021, the Company filed a motion in the Bankruptcy Court to assume the exclusive distribution agreement for Acthar Gel that plaintiffs in *Rockford* and the *Rockford*-related litigation matters (together, the "Ad Hoc Acthar Group") allege is anticompetitive. The Ad Hoc Acthar Group moved to dismiss the motion to assume. In October 2021, the Company filed an adversary proceeding in the Bankruptcy Court seeking a declaratory judgment that the exclusive distribution agreement for Acthar Gel is lawful.

For additional details on *Rockford*, *Local 322*, *Steamfitters*, *Local 542*, *Acument*, *Marietta*, *MSP* and *Strunck*, refer to the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended December 25, 2020.

Health Care Service Corporation Litigation. In February 2020, HCSC filed a non-class complaint against the Company in California state court alleging improper pricing, marketing and distribution of Acthar Gel, and challenging the acquisition of rights to Synacthen® Depot ("Synacthen") by the Company's predecessor-in-interest. The complaint included claims for violation of the New Jersey RICO statute and various states' antitrust laws. It also included claims for conspiracy to violate the New Jersey RICO statute, fraud, unlawful restraint of trade, unfair and deceptive trade practices, insurance fraud, tortious interference with contract and unjust enrichment. The case, which is proceeding as *Health Care Service Corp. v. Mallinckrodt ARD LLC, et al.*, alleges similar facts as those alleged in the *Humana* matter below. The Company intends to vigorously defend itself in this matter and the Company moved to dismiss the complaint in June 2020. In August 2020, the court dismissed the antitrust and tortious interference claims without prejudice, but held that HCSC could proceed to discovery on its remaining counts. The Company disagrees with the court's decision and contests liability. The Company was preparing to move to dismiss an amended complaint when the Company filed the Chapter 11 Cases. In January 2021, the Company removed this case to federal court and moved for transfer to the District of Delaware where the Company's Chapter 11 Cases are pending. HCSC moved to remand the case back to state court. On June 17, 2021, the district court in California remanded the case back to California state court. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit.

Humana Litigation. In August 2019, Humana Inc. filed a lawsuit against the Company in the U.S. District Court for the Central District of California captioned *Humana Inc. v. Mallinckrodt ARD LLC* alleging violations of federal and state antitrust laws; RICO violations under 18 U.S.C. § 1962(c); conspiracy to violate RICO under 18 U.S.C. § 1962(d); violations of state unfair competition, consumer fraud and deceptive trade practice laws; state insurance fraud; tortious interference with contract; and unjust enrichment related to the pricing and marketing of Acthar Gel and the acquisition of Synacthen by the Company's predecessor-in-interest. Humana alleges that it paid more than $700.0 million for Acthar Gel and seeks undisclosed damages from 2011 through present. The case alleges similar facts as those alleged in the *MSP* and *Rockford* matters, and includes references to allegations at issue in a pending *qui tam* action against the Company in the U.S. District Court for the EDPA. In March 2020, the court granted-in-part and denied-in-part the Company's motion to dismiss Humana's claims. The court dismissed Humana's antitrust and tortious interference claims with leave to amend. The court denied the Company's motion to dismiss Humana's RICO and other fraud-based claims. Humana filed an amended complaint in May 2020, which the Company moved to dismiss. In August 2020, the court granted-in-part and denied-in-part the Company's motion to dismiss the amended complaint. The court dismissed with prejudice Humana's claims under most state antitrust laws to the extent predicated on conduct before 2014 and Humana's tortious interference claims. The court ruled that Humana's federal antitrust, federal RICO, state insurance fraud and unjust enrichment claims may proceed. The Company disagrees with the court's decision and contest liability. The Company intends to vigorously defend itself in this matter. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit. In September 2020, the Company answered the remaining allegations and claims of the operative complaint. In October 2020, the court entered an order acknowledging the automatic stay of this litigation pursuant to §362 of the Bankruptcy Code. In January 2021, the Company moved to transfer this case to the District of Delaware where the Company's Chapter 11 Cases are pending. Humana opposed transfer. On June 28, 2021, the district court in California granted the Company's motion to transfer the case to the District of

Delaware where the Chapter 11 cases are pending. Humana, along with an assignee of claims by United Healthcare Services, Inc., Optum Rx Group Holdings and OptumRx Holdings, LLC and CVS Pharmacy, Inc. (together, the "Acthar Insurance Claimants"), has filed similar claims (including claims for administrative expense) in the Chapter 11 Cases. In August 2021, the Company filed a motion for partial summary judgement as to the Acthar Insurance Claimants' antitrust claims. In September 2021, the Bankruptcy Court denied the Company's motion for partial summary judgement in a bench ruling with a written ruling issued in October 2021.

Putative Class Action Securities Litigation (Strougo). In July 2019, a putative class action lawsuit was filed against the Company, its CEO Mark C. Trudeau, its Chief Financial Officer ("CFO") Bryan M. Reasons, its former Interim CFO George A. Kegler and its former CFO Matthew K. Harbaugh, in the U.S. District Court for the Southern District of New York, captioned *Barbara Strougo v. Mallinckrodt plc, et al*. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt's securities between February 28, 2018 and July 16, 2019. The lawsuit generally alleges that the defendants made false and/or misleading statements in violation of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder related to the Company's clinical study designed to assess the efficacy and safety of its Acthar Gel in patients with amyotrophic lateral sclerosis. The lawsuit seeks monetary damages in an unspecified amount. A lead plaintiff was designated by the court on June 25, 2020, and on July 30, 2020, the court approved the transfer of the case to the U.S. District Court for the District of New Jersey. On August 10, 2020, an amended complaint was filed by the lead plaintiff alleging an expended putative class period of May 3, 2016 through March 18, 2020 against the Company and Mark C. Trudeau, Bryan M. Reasons, George A. Kegler and Matthew K. Harbaugh, as well as newly named defendants Kathleen A. Schaefer, Angus C. Russell, Melvin D. Booth, JoAnn A. Reed, Paul R. Carter, and Mark J. Casey (collectively with Trudeau, Reasons, Kegler and Harbaugh, the "Strougo Defendants"). The amended complaint claims that the defendants made false and/or misleading statements and/or failed to disclose that: (i) the CMS had informed the Company that it was using the wrong base date AMP for calculating the Medicaid rebate the Company owed CMS for Acthar Gel each quarter since 2014; (ii) the Company's reported net income was improperly inflated in violation of GAAP; (iii) the Company's contingent liabilities associated with the rebates owed to CMS for Acthar Gel were misrepresented; (iv) the Company's fiscal year 2019 guidance for Acthar Gel net sales was false; (v) the Company failed to disclose material information regarding the cases captioned *Landolt v. Mallinckrodt ARD LLC, No. 1:18-cv-11931-PBS (D. Mass.) (Landolt)* and *U.S. ex rel. Strunck v. Mallinckrodt ARD LLC, No. 2:12-cv-0175-BMS (E.D. Pa.) (Strunck)*, or the related investigation by the DOJ and (vi) the Company failed to disclose that the clinical trials for Acthar Gel were purportedly initiated in order to make it appear that alternative revenue opportunities for Acthar Gel existed and thus offset the expected 10% decline in net sales as a result of the rebates the Company now had to pay. On October 1, 2020, the defendants filed a motion to dismiss the amended complaint. The defendants intends to vigorously defend themselves in this matter. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit. As to the Company, this litigation is subject to the automatic stay under §362 of the Bankruptcy Code, and on December 4, 2020, the Bankruptcy Court also enjoined proceedings against the Strougo Defendants. The plaintiffs subsequently appealed the Bankruptcy Court action to the U.S. District Court in Delaware through a motion for reconsideration, which was denied by that court on January 27, 2021.

Employee Stock Purchase Plan (ESPP) Securities Litigation. In July 2017, a purported purchaser of Mallinckrodt stock through Mallinckrodt's ESPPs filed a derivative and class action lawsuit in the Federal District Court in the Eastern District of Missouri, captioned *Solomon v. Mallinckrodt plc, et al.*, against the Company, its CEO, its former CFO Matthew K. Harbaugh, its Controller Kathleen A. Schaefer, and current and former directors of the Company (collectively, the "Solomon Defendants"). On September 6, 2017, plaintiff voluntarily dismissed its complaint in the Federal District Court for the Eastern District of Missouri and refiled virtually the same complaint in the D.C. District Court. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt stock between November 25, 2014, and January 18, 2017, through the ESPPs. In the alternative, the plaintiff alleges a class action for those same purchasers/acquirers of stock in the ESPPs during the same period. The complaint asserts claims under Section 11 of the Securities Act and for breach of fiduciary duty, misrepresentation, non-disclosure, mismanagement of the ESPPs' assets and breach of contract arising from substantially similar allegations as those contained in the *Patricia A. Shenk v. Mallinckrodt plc, et al ("Shenk")* class action lawsuit. Stipulated co-lead plaintiffs were approved by the court on March 1, 2018. Co-lead Plaintiffs filed an amended complaint on June 4, 2018 having a class period of July 14, 2014 to November 6, 2017. The complaint seeks damages in an unspecified amount. On July 6, 2018, this matter was stayed by agreement of the parties pending resolution of the *Shenk* class action lawsuit. The defendants intends to vigorously defend themselves in this matter. On October 13, 2020, the trial court entered an order acknowledging the automatic stay of this litigation as to the Company pursuant to §362 of the Bankruptcy Code, and on December 4, 2020, the Bankruptcy Court also enjoined the proceedings against the individual named defendants.

Generic Price Fixing Litigation

Canadian (Eaton) Litigation. In December 2020, the Company received a statement of claim filed in federal court in Toronto, Ontario, Canada, naming the Company, Mallinckrodt Canada ULC, Mallinckrodt LLC and a predecessor to MNK 2011 LLC, as well as other pharmaceutical manufacturers, as defendants in an action captioned *Kathryn Eaton v Teva Canada Limited et al*. The claim purports to be brought on behalf of all persons or entities in Canada who, from January 1, 2012 to the present, purchased generic drugs in the private sector. The allegations and requests for relief in the statement of claim, in substance, are similar to those in the *1199SEIU National Benefit Fund* litigation, and include the claim that the Company breached the Competition Act in Canada. As a

result of the Eaton action being served on the Mallinckrodt defendants, Mallinckrodt Canada ULC sought, and the Canadian Court granted, an order on April 20, 2021, among other things: (1) recognizing the Chapter 11 Cases of, and granting Canadian stays with respect to, Mallinckrodt LLC and MNK 2011 LLC; and (2) declaring that the Eaton action is stayed as against each of the Mallinckrodt defendants and the named predecessor to MNK 2011 LLC.

Rite Aid Litigation. In July 2020, a direct action complaint filed in the U.S. District Court for the EDPA named the Company and several other pharmaceutical manufacturers as new defendants in an action captioned *Rite Aid Corp. et al. v. Actavis Holdco U.S., Inc. et al.* The lawsuit purports to be brought by entities that directly purchased generic drugs from defendants or a co-conspirator. The complaint seeks monetary damages and injunctive relief for violations of Section 1 of the Sherman Antitrust Act, and is premised on facts similar to those alleged in the *State Attorneys General Litigation*. This lawsuit has been consolidated with the Generic Pricing MDL. An amended complaint was filed in December 2020.

State Attorneys General Litigation. In June 2020, the Company, along with more than 20 other pharmaceutical manufacturers, was named as a defendant in a lawsuit brought by Attorneys General for 51 States, Territories, and the District of Columbia. The lawsuit, filed in the U.S. District Court for the District of Connecticut, alleges that manufacturers of generic drugs conspired to fix prices for certain generic drugs by communicating in advance of price increases and agreeing to certain market share allocations amongst competitors to thwart competition. The lawsuit alleges that prices for the generic drugs at issue were inflated as a result of the alleged conspiracies, causing harm to the U.S. healthcare system. The complaint seeks monetary damages and injunctive relief for violations of Section 1 of the Sherman Antitrust Act and various state antitrust, consumer protection, and unjust enrichment claims. This lawsuit has been consolidated with the Generic Pricing MDL and was selected as a bellwether case in May 2021. The Company disagrees with the Attorneys Generals' characterization of the facts and applicable law.

Generic Pharmaceutical Antitrust MDL. In August 2016, a multidistrict litigation was established in the EDPA relating to allegations of antitrust violations with respect to generic pharmaceutical pricing (the "Generic Pricing MDL"). Plaintiffs in the Generic Pricing MDL, captioned *In re: Generic Pharmaceuticals Pricing Antitrust Litigation*, allege a conspiracy of price-fixing and customer allocation among generic drug manufacturers beginning in or around July 2009. Since its establishment, the Generic Pricing MDL has expanded to encompass dozens of pharmaceutical companies and more than 200 generic pharmaceutical drugs. Plaintiffs in the Generic Pricing MDL have proceeded with discovery collectively and recently issued subpoenas to former Company employees. The Company intends to vigorously defend itself in this matter. At this stage, the Company is not able to reasonably estimate the expected amount or range of cost or any loss associated with this lawsuit.

Internal Revenue Code Section 453A Interest

As a result of historical internal installment sales, the Company has reported IRC §453A interest on its tax returns on the basis of its interpretation of the IRC. Alternative interpretations of these provisions could result in additional interest payable. Due to the inherent uncertainty in these interpretations, the Company has deferred the recognition of the benefit associated with the Company's interpretation and maintains a corresponding liability of $12.4 million and $28.2 million as of September 24, 2021 and December 25, 2020, respectively. The decrease of $15.8 million was recognized as a benefit to interest expense during the nine months ended September 24, 2021 due to lapses of certain statute of limitations. Further favorable resolution of this uncertainty would likely result in a reversal of this liability and a benefit being recorded to interest expense within the unaudited condensed consolidated statements of operations.

Other Matters

The Company's legal proceedings and claims are further described within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended December 25, 2020.

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, using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level fair value 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 the end of each period:

	September 24, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 37.9	$ 23.7	$ 14.2	$ —
Equity securities	37.3	37.3	—	—
	$ 75.2	$ 61.0	$ 14.2	$ —
Liabilities:				
Deferred compensation liabilities	$ 35.9	$ —	$ 35.9	$ —
Contingent consideration and acquired contingent liabilities	27.1	—	—	27.1
	$ 63.0	$ —	$ 35.9	$ 27.1

	December 25, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 33.0	$ 23.5	$ 9.5	$ —
Equity securities	31.1	31.1	—	—
	$ 64.1	$ 54.6	$ 9.5	$ —
Liabilities:				
Deferred compensation liabilities	$ 38.0	$ —	$ 38.0	$ —
Contingent consideration and acquired contingent liabilities	34.7	—	—	34.7
	$ 72.7	$ —	$ 38.0	$ 34.7

Debt and equity securities held in rabbi trusts. Debt securities held in rabbi trusts 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 rabbi trusts primarily consist of U.S. common stocks, which are valued using quoted market prices reported on nationally recognized securities exchanges.

Equity securities. Equity securities consist of shares in Silence Therapeutics plc ("Silence"), for which quoted prices are available in an active market; therefore, the investment is classified as level 1 and is valued based on quoted market prices reported on an internationally recognized securities exchange.

Deferred compensation liabilities. The Company 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 recordkeeping accounts generally correspond to the funds offered in the Company's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Contingent consideration liabilities. As part of the acquisition of Stratatech Corporation ("Stratatech"), the Company provided contingent consideration to the prior shareholders of Stratatech, primarily in the form of regulatory filing and approval milestones associated with the deep partial-thickness and full-thickness indications associated with StrataGraft. For each indication, the Company is responsible for a payment upon acceptance of the Company's submission and another upon approval by the FDA. The Company assesses the likelihood and timing of making such payments at each balance sheet date. The fair value of the contingent payments was measured based on the net present value of a probability-weighted assessment. The Company determined the fair value of the contingent consideration associated with the acquisition of Stratatech to be $27.1 million and $19.1 million as of September 24, 2021 and December 25, 2020, respectively.

As part of the acquisition of Ocera, the Company provided contingent consideration to the prior shareholders of Ocera in the form of both patient enrollment clinical study milestones and sales-based milestones associated with MNK-6105 and MNK-6106. During the three months ended March 26, 2021, the Company determined it will no longer pursue further development of this asset. The Company determined the fair value of the contingent consideration based on an option pricing model to be zero and $15.6 million as of September 24, 2021 and December 25, 2020, respectively.

Contingent consideration liabilities were classified as LSTC in the unaudited condensed consolidated balance sheet as of September 24, 2021. The following table summarizes the activity for contingent consideration:

Balance as of December 25, 2020	$ 34.7
Fair value adjustments	(7.6)
Balance as of September 24, 2021	$ 27.1

Financial Instruments Not Measured at Fair Value

The following methods and assumptions were used by the Company in estimating fair values for financial instruments not measured at fair value as of September 24, 2021 and December 25, 2020:

- The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and the majority of other current assets and liabilities approximate fair value because of their short-term nature. The Company classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity of three months or less, as cash and cash equivalents (level 1). The fair value of restricted cash was equivalent to its carrying value of $59.6 million and $56.4 million as of September 24, 2021 and December 25, 2020 (level 1), respectively. As of September 24, 2021, $23.3 million and $36.3 million of the restricted cash balance was included in prepaid and other current assets and other assets, respectively, on the unaudited condensed consolidated balance sheet. As of December 25, 2020, $20.2 million and $36.2 million of the restricted cash balance was included in prepaid and other current assets and other assets, respectively, on the consolidated balance sheet.
- The Company's life insurance contracts are carried at cash surrender value, which is based on the present value of future cash flows under the terms of the contracts (level 3). Significant assumptions used in determining the cash surrender value include the amount and timing of future cash flows, interest rates and mortality charges. The fair value of these contracts approximates the carrying value of $51.0 million and $52.3 million as of September 24, 2021 and December 25, 2020, respectively. These contracts are included in other assets on the unaudited condensed consolidated balance sheets.
- The carrying value of the Company's revolving credit facility approximates the fair value due to the short-term nature of this instrument, and is therefore classified as level 1. The Company's 4.875%, 5.75%, 4.75%, 5.625%, 5.50% and 10.00% first and second lien senior notes are classified as level 1, as quoted prices are available in an active market for these notes. Since the quoted market prices for the Company's term loans and 9.50% and 8.00% debentures are not available in an active market, they are classified as level 2 for purposes of developing an estimate of fair value. The following table presents the carrying values and estimated fair values of the Company's debt as of the end of each period:

	September 24, 2021		December 25, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Level 1:				
5.75% senior notes due August 2022	$ 610.3	$ 353.1	$ 610.3	$ 191.2
4.75% senior notes due April 2023	133.7	49.7	133.7	11.1
5.625% senior notes due October 2023	514.7	302.9	514.7	158.9
5.50% senior notes due April 2025	387.2	226.9	387.2	115.4
10.00% first lien senior notes due April 2025	495.0	539.5	495.0	528.4
10.00% second lien senior notes due April 2025	322.9	322.1	322.9	279.0
Revolving credit facility	900.0	900.0	900.0	900.0
Level 2:				
9.50% debentures due May 2022	10.4	7.7	10.4	4.2
8.00% debentures due March 2023	4.4	3.2	4.4	1.3
Term loan due September 2024	1,403.9	1,351.5	1,505.2	1,386.9
Term loan due February 2025	372.6	357.7	399.5	367.9
Total Debt	$ 5,155.1	$ 4,414.3	$ 5,283.3	$ 3,944.3

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 generally does not require collateral from customers. A portion of the Company's accounts receivable outside the U.S. includes 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.

The following table shows net sales attributable to distributors that accounted for 10.0% or more of the Company's total segment net sales. which excludes the one-time charge incurred during the three and nine months ended September 25, 2020 related to the Medicaid lawsuit:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
CuraScript, Inc.	27.0 %	28.1 %	25.2 %	27.7 %

The following table shows accounts receivable attributable to distributors that accounted for 10.0% or more of the Company's gross accounts receivable at the end of each period:

	September 24, 2021	December 25, 2020
AmerisourceBergen Corporation	37.1 %	33.6 %
McKesson Corporation	16.2	18.2

The following table shows net sales attributable to products that accounted for 10.0% or more of the Company's total segment net sales, which excludes the one-time charge incurred during the three and nine months ended September 25, 2020 related to the Medicaid lawsuit:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Acthar Gel	28.3 %	27.9 %	26.3 %	27.9 %
INOmax	19.4	20.3	21.0	21.2
Ofirmev	*	12.7	*	10.5
Therakos	12.3	*	12.3	*

*Net sales attributable to these products were less than 10.0% of total net sales during the respective periods presented above.

14. Segment Data

The Company operates in two reportable segments, which are further described below:

- *Specialty Brands* includes innovative specialty pharmaceutical brands; and
- *Specialty Generics* includes niche specialty generic drugs and APIs.

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 net sales and operating income because management and the chief operating decision maker evaluate the operating results of the segments excluding such items. These items may include, but are not limited to, depreciation and amortization, share-based compensation, net restructuring charges, non-restructuring impairment charges, separation costs, research and development ("R&D") upfront payments, changes related to the Amended Proposed Opioid-Related Litigation Settlement and the Acthar Gel Medicaid Retrospective Rebate incurred as a result of the Medicaid lawsuit. Although these amounts are excluded from segment net sales and operating income, as applicable, they are included in reported consolidated net sales and operating income (loss) and are reflected in the reconciliations presented below.

Selected information by reportable segment was as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Net sales:				
Specialty Brands	$ 359.7	$ 539.6	$ 1,149.6	$ 1,553.0
Specialty Generics	147.5	159.4	462.0	512.7
Segment net sales	507.2	699.0	1,611.6	2,065.7
Medicaid lawsuit (Note 12)	—	(0.7)	—	(535.1)
Net sales	$ 507.2	$ 698.3	$ 1,611.6	$ 1,530.6
Operating income (loss):				
Specialty Brands	$ 189.9	$ 291.8	$ 588.6	$ 765.0
Specialty Generics	15.2	43.1	73.8	155.5
Segment operating income	205.1	334.9	662.4	920.5
Unallocated amounts:				
Corporate and unallocated expenses [1]	(20.8)	(42.1)	(69.1)	(152.3)
Depreciation and amortization	(168.4)	(236.1)	(506.1)	(675.5)
Share-based compensation	(2.4)	(4.3)	(8.4)	(17.6)
Restructuring charges, net	(11.0)	(3.2)	(17.5)	(15.8)
Non-restructuring impairment charges	—	—	(64.5)	(63.5)
Separation costs [2]	(0.1)	(33.0)	(1.0)	(75.0)
R&D upfront payment [3]	—	—	—	(5.0)
Opioid-related litigation settlement (loss) gain (Note 12)	(125.0)	25.8	(125.0)	34.1
Medicaid lawsuit (Note 12)	—	(0.5)	—	(640.2)
Operating (loss) income	$ (122.6)	$ 41.5	$ (129.2)	$ (690.3)

(1) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to the Company's reportable segments.

(2) Represents costs included in SG&A expenses, primarily related to professional fees and costs incurred in preparation for the Chapter 11 proceedings. As of the Petition Date, professional fees directly related to the Chapter 11 proceedings that were previously reflected as separation costs are being classified on a go-forward basis as reorganization items, net.

(3) Represents R&D expense incurred related to an upfront payment made to acquire product rights in Japan for terlipressin.

Net sales by product family within the Company's reportable segments were as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Acthar Gel	$ 143.4	$ 195.3	$ 423.9	$ 576.6
INOmax	98.4	141.9	338.3	438.5
Ofirmev	4.7	88.7	24.0	216.0
Therakos	62.5	62.6	197.8	174.1
Amitiza [1]	49.6	47.7	155.8	138.2
Other	1.1	3.4	9.8	9.6
Specialty Brands	359.7	539.6	1,149.6	1,553.0
Hydrocodone (API) and hydrocodone-containing tablets	16.9	20.0	60.7	71.9
Oxycodone (API) and oxycodone-containing tablets	15.2	16.1	49.5	48.0
Acetaminophen (API)	49.6	54.9	146.8	154.5
Other controlled substances	60.8	62.4	187.9	223.8
Other	5.0	6.0	17.1	14.5
Specialty Generics	147.5	159.4	462.0	512.7
Segment net sales	507.2	699.0	1,611.6	2,065.7
Medicaid lawsuit (Note 12)	—	(0.7)	—	(535.1)
Net sales	$ 507.2	$ 698.3	$ 1,611.6	$ 1,530.6

(1) Amitiza consists of both product net sales and royalties. Refer to Note 2 for further details on Amitiza's revenues.

15. Subsequent Events

Bankruptcy Proceedings

Certain bankruptcy proceeding matters occurred during the nine months ended September 24, 2021 or prior, but had subsequent updates through the issuance of this report. See further discussion in Note 2.

Commitments and Contingencies

Certain litigation matters occurred during the nine months ended September 24, 2021 or prior, but had subsequent updates through the issuance of this report. See further discussion in Note 12.

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 unaudited condensed consolidated financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q. 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 in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 25, 2020, filed with the United States ("U.S.") Securities and Exchange Commission ("SEC") on March 10, 2021 and within Part II, Item 1A of this Quarterly Report on Form 10-Q.

We own or have rights to use the trademarks and trade names that we use in conjunction with the operation of our business. One of the more important trademarks that we own or have rights to use that appears in this Quarterly Report on Form 10-Q is "Mallinckrodt," which is a registered trademark or the subject of pending trademark applications in the U.S. and other jurisdictions. Solely for convenience, we only use the ™ or ® symbols the first time any trademark or trade name is mentioned in the following discussion. Such references are not intended to indicate in any way that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks and trade names. Each trademark or trade name of any other company appearing in the following discussion is, to our knowledge, owned by such other company.

Overview

We are a global business consisting of multiple wholly owned subsidiaries that develop, manufacture, market and distribute specialty pharmaceutical products and therapies. Areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; analgesics and gastrointestinal products.

We operate our business in two reportable segments, which are further described below:

- *Specialty Brands* includes innovative specialty pharmaceutical brands; and
- *Specialty Generics* includes niche specialty generic drugs and active pharmaceutical ingredients ("API(s)").

For further information on our business and products, refer to our Annual Report on Form 10-K for the fiscal year ended December 25, 2020, filed with the U.S. SEC on March 10, 2021.

Significant Events

Voluntary Petitions for Reorganization

On October 12, 2020 (the "Petition Date"), we voluntarily initiated Chapter 11 proceedings (the "Chapter 11 Cases") under chapter 11 of title 11 ("Chapter 11") of the United States Code (the "Bankruptcy Code") in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to modify our capital structure, including restructuring portions of our debt, and resolve otherwise unmanageable potential legal liabilities. We are continuing to operate and supply customers and patients with products as normal.

We intend to use the Chapter 11 process to provide a fair, orderly, efficient and legally binding mechanism to implement a restructuring support agreement ("RSA") pursuant to which, among other things, the parties thereto have agreed to support:

- A financial restructuring that would, among other things, reduce our total debt by approximately $1,300.0 million, improving our financial position and better positioning us for long-term growth;
- A proposed resolution of all opioid-related claims against us (the "Amended Proposed Opioid-Related Litigation Settlement"); and
- A proposed resolution of various Acthar® Gel ("Acthar Gel")-related matters, including the Medicaid lawsuit, an associated False Claims Act ("FCA") lawsuit and an FCA lawsuit relating to Acthar Gel's previous owner's interactions with an independent charitable foundation (the "Acthar Gel-Related Settlement").

Taken together, these actions are intended to enable us to move forward with our vision to become an innovation-driven biopharmaceutical company meeting the needs of underserved patients with severe and critical conditions.

For further information, refer to Note 2 of the notes to the unaudited condensed consolidated financial statements.

Reorganization items, net

Reorganization items, net, represent amounts incurred after the Petition Date as a direct result of the Chapter 11 Cases and are comprised of bankruptcy-related professional fees and adjustments to reflect the carrying value of liabilities subject to compromise ("LSTC") at their estimated allowed claim amounts, as such adjustments are approved by the Bankruptcy Court. During the three and nine months ended September 24, 2021, we incurred $126.2 million and $329.2 million of reorganization items, net, respectively.

During the three and nine months ended September 25, 2020, we incurred $13.4 million and $53.1 million in opioid defense costs, respectively, and $33.0 million and $75.0 million in separation costs, respectively, which were both included within selling general and administrative ("SG&A") expenses. As of the Petition Date, the majority of these costs are being classified on a go-forward basis as reorganization items, net, as they directly relate to the Chapter 11 proceedings.

StrataGraft®

On June 15, 2021, we announced that the U.S. Food and Drug Administration ("FDA") had approved the StrataGraft biologics license application ("BLA") for the treatment of adults with deep partial-thickness burns and we expect commercial launch to commence during the fourth quarter of fiscal 2021.

Terlipressin

During September 2020, the FDA issued a Complete Response Letter ("CRL") regarding our New Drug Application ("NDA") seeking approval for the investigational agent terlipressin to treat adults with hepatorenal syndrome type 1 ("HRS-1"). The CRL stated that, based on the available data, the agency cannot approve the terlipressin NDA in its current form and requires more information to support a positive risk-benefit profile for terlipressin for patients with HRS-1.

In response to receipt of the CRL, we had an End of Review Meeting on October 26, 2020 and a Type A Meeting on January 29, 2021 with the FDA where both parties engaged in constructive dialogue in an effort to clarify a viable path to U.S. approval. On August 18, 2021, we resubmitted our NDA for terlipressin to the FDA. The Prescription Drug User Fee Act (PDUFA) date for this development product is February 18, 2022. We will continue to assess the impact of any changes to planned revenue or earnings on the fair value of the associated in-process research and development ("IPR&D") asset of $81.0 million included within intangible assets, net on the unaudited condensed consolidated balance sheets as of September 24, 2021 and December 25, 2020.

MNK-6105 and MNK-6106

During the three months ended March 26, 2021, the Company recognized a full impairment on its Specialty Brands IPR&D asset related to MNK-6105 and MNK-6106 of $64.5 million. The Company has decided it will no longer pursue further development of this asset.

Business Factors Influencing the Results of Operations

COVID-19 Business Update

The novel coronavirus ("COVID-19") pandemic has presented a substantial public health and economic challenge around the world. As we navigate the unprecedented challenges created by the COVID-19 pandemic, we remain committed to supporting our employees, customers, patients and the broader communities in which we operate.

Since the onset of the COVID-19 pandemic, we have continued to manufacture, supply and deliver our products largely without interruption. At present, we do not anticipate significant COVID-19-related manufacturing or supply chain disruptions, and we continue to evaluate our end-to-end supply chain and assess opportunities to refine our processes going forward.

We expect the coming months to continue to be challenging due to the impact of COVID-19. Our business performance was significantly impacted by COVID-19 during fiscal 2020 and the nine months ended September 24, 2021. The ultimate business impact going forward will largely be determined by the ongoing return to work guidance issued by international, national, and local governments and health officials and organizations. We are monitoring the demand for our products, including the duration and degree to which we may see declines in customer orders or delays in starting new patients on a product, such as Acthar Gel, due to the limited ability of our sales representatives to meet with physicians and patients to visit their doctors and pharmacists to receive prescriptions for certain of our products. In regards to Acthar Gel, we continue to see a reduction in new patients, which may continue to impact results in fiscal 2021. Furthermore, while we are supporting the continuation of ongoing patients in our clinical trials, as much as possible, we expect that COVID-19 precautions may directly or indirectly impact the timeline for some of our clinical trials.

Given the rapid and evolving nature of the COVID-19 virus, the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be predicted. For additional information on the various risks posed by the COVID-19 pandemic, please read Part I, Item 1A. Risk Factors included within our Annual Report filed on Form 10-K for the fiscal year ended December 25, 2020.

Specialty Brands

Net sales of Ofirmev® for the three months ended September 24, 2021 decreased $84.0 million, or 94.7%, to $4.7 million driven primarily by the entrance of generic competition during fiscal 2021.

Net sales of Acthar Gel for the three months ended September 24, 2021 decreased $51.9 million, or 26.6%, to $143.4 million driven primarily by the marketplace impact of the COVID-19 pandemic and continued payer scrutiny on overall specialty pharmaceutical spending. We anticipate that competition will likely intensify in relation to our Acthar Gel product following ANI Pharmaceuticals Inc's. ("ANI") expected commercial launch of their purified cortrophin gel product during the first quarter of 2022, which could have an adverse effect on our financial condition, results of operations and cash flows. ANI's purified cortrophin gel product was recently approved by the FDA for the treatment of certain chronic autoimmune disorders, including acute exacerbations of multiple sclerosis and rheumatoid arthritis, in addition to excess urinary protein due to nephrotic syndrome. We continue our efforts to extend the value of the Acthar Gel product through product enhancements including the ongoing development of the Acthar Gel self-injection device, which will create an easier and more patient-friendly application for single unit dosage indications, as well as through additional studies.

Net sales of INOmax® for the three months ended September 24, 2021 decreased $43.5 million, or 30.7%, to $98.4 million driven primarily by increased competition following the launch of a competitive nitric oxide product before the expiration of the last of the listed patents on May 3, 2036 (November 3, 2026 including pediatric exclusivity), which could continue to adversely affect our ability to successfully maximize the value of INOmax and have an adverse effect on our financial condition, results of operations and cash flows. We continue to develop and pursue patent protection of next generation nitric oxide delivery systems and additional uses of nitric oxide. We further intend to vigorously enforce our intellectual property rights relating to our nitric oxide products against any additional parties that may seek to market a generic version of our INOmax product and/or next generation delivery systems.

Specialty Generics

Net sales from the Specialty Generics segment decreased $11.9 million, or 7.5%, to $147.5 million for the three months ended September 24, 2021, compared to $159.4 million for the three months ended September 25, 2020 primarily driven by a decrease in acetaminophen and hydrocodone-related products net sales of $5.3 million and $3.1 million, respectively.

Results of Operations

This report contains certain financial measures, including net sales, gross profit, gross profit margin, SG&A expenses as a percentage of net sales and research and development ("R&D") expenses as a percentage of net sales, which exclude the one-time charge related to the Medicaid lawsuit that is included as a component of net sales for the three and nine months ended September 25, 2020.

We have provided these measures because they are used by management to evaluate our operating performance. In addition, we believe that they will be used by certain investors to measure Mallinckrodt's operating results. Management believes that presenting these measures 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. These measures should be considered supplemental to and not a substitute for financial information prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP").

Because these measures exclude the effect of items that will increase or decrease our reported results of operations, management strongly encourages investors to review our unaudited condensed consolidated financial statements and this report in its entirety. A reconciliation of certain of these financial measures to the most directly comparable GAAP financial measures is included herein.

Three Months Ended September 24, 2021 Compared with Three Months Ended September 25, 2020

Net Sales

Net sales by geographic area were as follows *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 459.8	$ 632.3	(27.3)%
Europe, Middle East and Africa	40.2	53.3	(24.6)
Other geographic areas	7.2	13.4	(46.3)
Geographic area net sales	507.2	699.0	(27.4)
Medicaid lawsuit	—	(0.7)	*
Net sales	$ 507.2	$ 698.3	(27.4)%

*Not meaningful

Net sales for the three months ended September 24, 2021 decreased $191.1 million, or 27.4%, to $507.2 million, compared with $698.3 million for the three months ended September 25, 2020. This decrease was primarily driven by a decrease in our Specialty Brands segment including a significant decrease in net sales of Ofirmev, Acthar Gel and INOmax, as previously mentioned. For further information on changes in our net sales, refer to "Segment Results" within this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operating (Loss) Income

Gross profit. Gross profit for the three months ended September 24, 2021 decreased $107.3 million, or 36.3%, to $188.0 million, compared with $295.3 million for the three months ended September 25, 2020. Gross profit margin was 37.1% for the three months ended September 24, 2021, compared with 42.3% for the three months ended September 25, 2020. These decreases were primarily driven by the $191.1 million decrease in net sales and a change in product mix.

Selling, general and administrative expenses. SG&A expenses for the three months ended September 24, 2021 were $127.3 million, compared with $220.8 million for the three months ended September 25, 2020, a decrease of $93.5 million, or 42.3%. As a percentage of net sales, SG&A expenses were 25.1% and 31.6% for the three months ended September 24, 2021 and September 25, 2020, respectively. These decreases were primarily driven by the bankruptcy-related professional fees being classified as reorganization items, net, subsequent to the Petition Date. Comparatively, during the three months ended September 25, 2020, we incurred $13.4 million and $33.0 million in opioid defense costs and separation costs, respectively, that were reflected in SG&A. These decreases were also driven by cost containment initiatives and lower employee compensation costs, coupled with a $2.1 million decrease in the fair value of our contingent consideration liabilities during three months ended September 24, 2021, compared to a $8.1 million increase during the three months ended September 25, 2020.

Research and development expenses. R&D expenses decreased $18.2 million, or 27.8%, to $47.3 million for the three months ended September 24, 2021, compared with $65.5 million for the three months ended September 25, 2020. The decrease was driven by the completion of certain development programs during fiscal 2020. We continue to focus current R&D activities on performing clinical studies and publishing clinical and non-clinical experiences and evidence that support health economic activities and patient

outcomes. As a percentage of net sales, R&D expenses were 9.3% and 9.4% for the three months ended September 24, 2021 and September 25, 2020, respectively.

Restructuring charges, net. During the three months ended September 24, 2021 and September 25, 2020, we incurred $11.0 million and $3.2 million of restructuring charges, net, respectively, primarily related to employee severance and benefits.

Gains on divestiture. During the three months ended September 25, 2020, we incurred a gain of $9.7 million primarily driven by a gain of $10.0 million related to the achievement of a milestone related to the sale of a portion of our Hemostasis business in fiscal 2018 to Baxter International, Inc. ("Baxter").

Opioid-related litigation settlement. During the three months ended September 24, 2021, we recorded a charge of $125.0 million as a result of an additional payment expected to be made on the eighth anniversary of the effective date of the Amended Proposed Opioid-Related Litigation Settlement, in accordance with the agreement in principle reached on September 2, 2021. For further information, refer to Note 2 of the notes to the unaudited condensed consolidated financial statements. During the three months ended September 25, 2020, we recorded a non-cash gain of $25.8 million as a result of the change in the settlement warrants' fair value driven by the decreased value of our share price. Consistent with the determination at December 25, 2020, the settlement warrants continue to have no value as of September 24, 2021 given we cannot reasonably estimate the equity value at emergence. For further information, refer to Note 12 of the notes to the unaudited condensed consolidated financial statements.

Non-Operating Items

Interest expense and interest income. During the three months ended September 24, 2021 and September 25, 2020, net interest expense was $48.7 million and $61.3 million, respectively. The $13.5 million decrease in interest expense was primarily attributable to a $23.1 million decrease resulting from the cessation of interest accruals as of the Petition Date on outstanding unsecured pre-petition debt classified as LSTC in connection with the Chapter 11 Cases, partially offset by $15.8 million of expense related to adequate protection payments. Additionally, the three months ended September 24, 2021 and September 25, 2020 included the recognition of a $9.6 million and $8.4 million benefit to interest expense, respectively, due to a lapse of certain statute of limitations. Interest income decreased to zero for the three months ended September 24, 2021, compared with $0.9 million for the three months ended September 25, 2020.

Other (expense) income, net. During the three months ended September 24, 2021, we recorded other expense, net, of $3.5 million, compared with zero for the three months ended September 25, 2020. The three months ended September 24, 2021 included an $8.3 million unrealized loss on equity securities, inclusive of foreign currency loss, related to our investment in Silence Therapeutics plc ("Silence"), compared to a $0.1 million unrealized loss during the three months ended September 25, 2020. The three months ended September 24, 2021 also included a $5.0 million one-time milestone receivable.

Reorganization items, net. During the three months ended September 24, 2021, we recorded $126.2 million of reorganization items, net driven by advisor and legal fees directly related to our Chapter 11 proceedings. These charges included $119.4 million of advisor and legal fees directly related to the Chapter 11 Cases and $6.8 million of deferred financing fee write-offs related to the 10.00% second lien senior secured notes due 2025 ("Second Lien Notes") in order to reflect the carrying value within LSTC on the unaudited condensed consolidated balance sheet as of September 24, 2021 at the estimated allowed claim amount.

Income tax benefit. We recognized an income tax benefit of $32.0 million on a loss from continuing operations before income taxes of $301.0 million for the three months ended September 24, 2021, and an income tax benefit of $211.6 million on a loss from continuing operations before income taxes of $19.8 million for the three months ended September 25, 2020. This resulted in effective tax rates of 10.6% and 1,068.7% for the three months ended September 24, 2021 and September 25, 2020, respectively. The income tax benefit for the three months ended September 24, 2021 was comprised of $26.2 million of current tax benefit and $5.8 million of deferred tax benefit. The current tax benefit was predominantly related to an increase to prepaid taxes and a decrease to uncertain tax positions. The deferred tax benefit was predominantly related to intangible asset amortization partially offset by utilization of loss carryforwards in non-valuation allowance jurisdictions. The income tax benefit for the three months ended September 25, 2020 was comprised of $201.4 million of current tax benefit and $10.2 million of deferred tax benefit. The current tax benefit was primarily the result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and unrecognized tax benefits, partially offset by the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership. The deferred tax benefit was predominately related to the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership.

The income tax benefit was $32.0 million for the three months ended September 24, 2021, compared with an income tax benefit of $211.6 million for the three months ended September 25, 2020. The $179.6 million net decrease in the tax benefit included a decrease of $236.8 million attributed to the CARES Act, partially offset by an increase of $32.0 million attributed to the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership, an increase of $12.6 million attributed to changes in the timing, amount and jurisdictional mix of income, an increase of $7.9 million attributed to uncertain tax positions and an increase of $4.7 million attributed to separation costs, reorganization items, net and restructuring charges, net.

Income (loss) from discontinued operations, net of income taxes. We recorded income from discontinued operations of $5.3 million during the three months ended September 24, 2021 and a loss from discontinued operations of $0.2 million during the three months ended September 25, 2020, respectively. The income during the three months ended September 24, 2021 primarily related to the recognition of a tax benefit related to a release of tax and interest on unrecognized tax benefits due to a lapse of certain statute of limitations related to the Nuclear Imaging business. The remaining activity in both periods related to various post-sale adjustments associated with our previous divestitures.

Nine Months Ended September 24, 2021 Compared with Nine Months Ended September 25, 2020

Net Sales

Net sales by geographic area were as follows (dollars in millions):

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 1,466.0	$ 1,836.0	(20.2)%
Europe, Middle East and Africa	120.7	185.0	(34.8)
Other geographic areas	24.9	44.7	(44.3)
Geographic area net sales	1,611.6	2,065.7	(22.0)
Medicaid lawsuit (Note 12)	—	(535.1)	*
Net sales	$ 1,611.6	$ 1,530.6	5.3

*Not meaningful

Net sales for the nine months ended September 24, 2021 increased $81.0 million, or 5.3%, to $1,611.6 million, compared with $1,530.6 million for the nine months ended September 25, 2020. This increase was primarily driven by a retrospective one-time charge of $535.1 million reflected as a component of net sales related to the Medicaid lawsuit during the nine months ended September 25, 2020. For further information on the Medicaid lawsuit, refer to Note 12 of the notes to the unaudited condensed consolidated financial statements.

Net sales (excluding the one-time charge related to the Medicaid lawsuit) for the nine months ended September 24, 2021 decreased $454.1 million, or 22.0%, to $1,611.6 million, compared with $2,065.7 million for the nine months ended September 25, 2020. This decrease was primarily driven by a decrease in our Specialty Brands segment including a significant decrease in net sales of Ofirmev, Acthar Gel and INOmax. For further information on changes in our net sales, refer to "Segment Results" within this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operating Loss

Gross profit. Gross profit for the nine months ended September 24, 2021 increased $294.3 million, or 82.0%, to $653.2 million, compared with $358.9 million for the nine months ended September 25, 2020. Gross profit margin was 40.5% for the nine months ended September 24, 2021, compared to 23.4% for the nine months ended September 25, 2020. These increases were primarily driven by the retrospective one-time charge of $535.1 million reflected as a component of net sales related to the Medicaid lawsuit during the nine months ended September 25, 2020.

Gross profit (excluding the one-time charge related to the Medicaid lawsuit, as discussed above) for the nine months ended September 24, 2021 decreased $240.8 million, or 26.9%, to $653.2 million, compared with $894.0 million for the nine months ended September 25, 2020, due in part to the $454.1 million decrease in net sales and a change in product mix. Gross profit margin was 40.5% for the nine months ended September 24, 2021, compared to 43.3% for the nine months ended September 25, 2020 when excluding the one-time charge related to the Medicaid lawsuit. The decrease in gross profit margin was primarily attributable to the decrease in net sales, as well as a change in product mix.

Selling, general and administrative expenses. SG&A expenses for the nine months ended September 24, 2021 were $408.3 million, compared with $683.2 million for the nine months ended September 25, 2020, a decrease of $274.9 million, or 40.2%. As a percentage of net sales, SG&A expenses were 25.3% for the nine months ended September 24, 2021, compared to 44.6%, or 33.1% when excluding the one-time charge related to the Medicaid lawsuit, for the nine months ended September 25, 2020. These decreases were primarily driven by the bankruptcy-related professional fees being classified as reorganization items, net, subsequent to the Petition Date. Comparatively, during the nine months ended September 25, 2020, we incurred $53.1 million and $75.0 million in opioid defense costs and separation costs, respectively, that were reflected in SG&A. These decreases were also driven by cost containment initiatives and lower employee compensation costs, coupled with a $7.6 million decrease in the fair value of our

contingent consideration liabilities during nine months ended September 24, 2021, compared to a $2.4 million increase during the three months ended September 25, 2020.

Research and development expenses. R&D expenses decreased $59.5 million, or 26.4%, to $166.3 million for the nine months ended September 24, 2021, compared with $225.8 million for the nine months ended September 25, 2020. The decrease was driven by the completion of certain development programs during fiscal 2020. We continue to focus current R&D activities on performing clinical studies and publishing clinical and non-clinical experiences and evidence that support health economic activities and patient outcomes. As a percentage of net sales, R&D expenses were 10.3% for the nine months ended September 24, 2021, compared to 14.8%, or 10.9% when excluding the one-time charge related to the Medicaid lawsuit, for the nine months ended September 25, 2020.

Restructuring charges, net. During the nine months ended September 24, 2021 and September 25, 2020, we incurred $17.5 million and $15.8 million of restructuring charges, net, respectively, primarily related to employee severance and benefits.

Non-restructuring impairment charges. During the nine months ended September 24, 2021 we recognized a full impairment on our Specialty Brands IPR&D asset related to MNK-6105 and MNK-6106 of $64.5 million. We decided we will no longer pursue further development of this asset. During the nine months ended September 25, 2020, we recognized a partial impairment charge on our Ofirmev intangible asset of $63.5 million due to the revision of its useful life to end December 2020, commensurate with the final period of market exclusivity.

(Gains) and losses on divestiture. During the nine months ended September 24, 2021 and September 25, 2020, we incurred a loss of $0.8 million and a gain of $10.1 million, respectively. The nine months ended September 25, 2020 included a gain of $10.0 million related to the achievement of a milestone related to the sale of a portion of our Hemostasis business in fiscal 2018 to Baxter.

Opioid-related litigation settlement. During the nine months ended September 24, 2021, we recorded a charge of $125.0 million as a result of an additional payment expected to be made on the eighth anniversary of the effective date of the Amended Proposed Opioid-Related Litigation Settlement, in accordance with the agreement in principle reached on September 2, 2021. For further information, refer to Note 2 of the notes to the unaudited condensed consolidated financial statements. During the nine months ended September 25, 2020, we recorded a non-cash gain of $34.1 million as a result of the change in the settlement warrants' fair value. Consistent with the determination at December 25, 2020, the New Opioid Warrants continue to have no value as of September 24, 2021 given we cannot reasonably estimate the equity value at emergence. For further information, refer to Note 12 of the notes to the unaudited condensed consolidated financial statements.

Medicaid lawsuit. During the nine months ended September 25, 2020, we incurred a retrospective one-time charge of $105.1 million, which represents a pre-acquisition contingency related to the portion of the liability that arose from sales of Acthar Gel prior to our acquisition of Questcor Pharmaceuticals Inc. ("Questcor") in August 2014. For further information, refer to Note 12 of the notes to the unaudited condensed consolidated financial statements.

Non-Operating Items

Interest expense and interest income. During the nine months ended September 24, 2021 and September 25, 2020, net interest expense was $158.8 million and $195.5 million, respectively. The $40.2 million decrease in interest expense was primarily attributable to a $69.6 million decrease resulting from the cessation of interest accruals as of the Petition Date on outstanding unsecured pre-petition debt classified as LSTC in connection with the Chapter 11 Cases coupled with a lower average outstanding debt balance, partially offset by $46.1 million of expense related to adequate protection payments. Additionally, the nine months ended September 24, 2021 and September 25, 2020 included the recognition of a $15.8 million and $19.2 million benefit to interest expense, respectively, due to a lapse of certain statute of limitations. The Company recognized interest income of $1.9 million and $5.4 million during the nine months ended September 24, 2021 and September 25, 2020, respectively. The decrease in interest income was primarily driven by lower interest rates during the nine months ended September 24, 2021 and interest earned on our preferred equity certificates that were received as contingent consideration related to the sale of the Nuclear Imaging business during the nine months ended September 25, 2020.

Other income, net. During the nine months ended September 24, 2021 and September 25, 2020, we recorded other income, net, of $15.9 million and $1.1 million, respectively. The nine months ended September 24, 2021 included a $6.2 million unrealized gain on equity securities, inclusive of foreign currency gain, related to our investment in Silence, compared to $1.8 million for the nine months ended September 25, 2020. The nine months ended September 24, 2021 also included $9.0 million related to one-time milestone receivables.

Reorganization items, net. During the nine months ended September 24, 2021, we recorded $329.2 million of reorganization items, net in conjunction with our Chapter 11 proceedings. These charges included $306.6 million of advisor and legal fees directly related to the Chapter 11 Cases and $23.1 million of deferred financing fee write-offs related to the senior secured term loan due September 2024 (the "2017 Term Loan") and senior secured term loan due February 2025 (the "2018 Term Loan") and Second Lien Notes in order to reflect their respective carrying values within LSTC on the unaudited condensed consolidated balance sheet as of September 24, 2021 at their estimated allowed claim amounts.

Income tax benefit. We recognized an income tax benefit of $81.9 million on a loss from continuing operations before income taxes of $601.3 million for the nine months ended September 24, 2021, and an income tax benefit of $69.2 million on a loss from continuing operations before income taxes of $884.7 million for the nine months ended September 25, 2020. This resulted in effective tax rates of 13.6% and 7.8% for the nine months ended September 24, 2021 and September 25, 2020, respectively. The income tax benefit for the nine months ended September 24, 2021 was comprised of $62.8 million of current tax benefit and $19.1 million of deferred tax benefit. The current tax benefit was predominantly related to an increase to prepaid taxes and a decrease to uncertain tax positions. The deferred tax benefit was predominantly related to intangible asset amortization, partially offset by utilization of loss carryforwards in non-valuation allowance jurisdictions. The income tax benefit for the nine months ended September 25, 2020 was comprised of $370.3 million of current tax benefit and $301.1 million of deferred tax expense. The current tax benefit was primarily the result of the CARES Act and unrecognized tax benefits, partially offset by the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership. The deferred tax expense was predominately related to the valuation allowance recorded against our net deferred tax assets and unrecognized tax benefits, partially offset by a tax benefit predominately related to the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership.

The income tax benefit was $81.9 million for the nine months ended September 24, 2021, compared with an income tax benefit of $69.2 million for the nine months ended September 25, 2020. The $12.7 million net increase in the tax benefit included an increase of $202.7 million attributed to a valuation allowance recorded against our net deferred tax assets, an increase of $56.2 million attributed to changes in the timing, amount and jurisdictional mix of income, an increase of $25.7 million predominately attributed to the fiscal 2020 reorganization of our intercompany financing and associated legal entity ownership, an increase of $10.8 million attributed to separation costs, reorganization items, net and restructuring charges, net and an increase of $2.8 million attributed to uncertain tax positions, partially offset by a decrease of $285.5 million attributed to the CARES Act.

Income from discontinued operations, net of income taxes. We recorded income from discontinued operations of $6.0 million and $23.8 million during the nine months ended September 24, 2021 and September 25, 2020, respectively. The income during both periods were primarily related to the recognition of tax benefits related to releases of tax and interest on unrecognized tax benefits due to lapses of certain statute of limitations related to the Nuclear Imaging business.

Segment Results

Management measures and evaluates our 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 net sales and operating income because management and the chief operating decision maker evaluate the operating results of the segments excluding such items. These items include, but are not limited to, depreciation and amortization, share-based compensation, net restructuring charges, non-restructuring impairment charges, separation costs, R&D upfront payment, changes related to the Opioid-Related Litigation Settlement and the Acthar Gel Medicaid Retrospective Rebate (as defined within Note 12 of the notes to the unaudited condensed consolidated financial statements) incurred as a result of the Medicaid lawsuit. Although these amounts are excluded from segment net sales and segment operating income, as applicable, they are included in reported consolidated net sales and operating (loss) income and in the reconciliations presented below. Selected information by business segment is as follows:

Three Months Ended September 24, 2021 Compared with Three Months Ended September 25, 2020

Net Sales

Net sales by segment are shown in the following table *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Specialty Brands	$ 359.7	$ 539.6	(33.3)%
Specialty Generics	147.5	159.4	(7.5)
Segment net sales	507.2	699.0	(27.4)
Medicaid lawsuit (Note 12)	—	(0.7)	*
Net sales	$ 507.2	$ 698.3	(27.4)

*Not meaningful

Specialty Brands. Net sales for the three months ended September 24, 2021 decreased $179.9 million to $359.7 million, compared with $539.6 million for the three months ended September 25, 2020. The decrease in net sales was primarily driven by an $84.0 million, or 94.7%, decrease in Ofirmev driven by the loss of exclusivity at the end of fiscal 2020 and the entrance of generic competition during fiscal 2021, a $51.9 million, or 26.6%, decrease in Acthar Gel net sales driven by the marketplace impact of the COVID-19 pandemic and continued payer scrutiny on overall specialty pharmaceutical spending and a $43.5 million, or 30.7%, decrease in INOmax driven by increased competition, as previously discussed.

Net sales for Specialty Brands by geography were as follows *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 337.5	$ 504.7	(33.1)%
Europe, Middle East and Africa	18.4	24.9	(26.1)
Other	3.8	10.0	(62.0)
Net sales	$ 359.7	$ 539.6	(33.3)

Net sales for Specialty Brands by key products were as follows *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Acthar Gel	$ 143.4	$ 195.3	(26.6)%
INOmax	98.4	141.9	(30.7)
Ofirmev	4.7	88.7	(94.7)
Therakos	62.5	62.6	(0.2)
Amitiza	49.6	47.7	4.0
Other	1.1	3.4	(67.6)
Specialty Brands	$ 359.7	$ 539.6	(33.3)

Specialty Generics. Net sales for the three months ended September 24, 2021 decreased $11.9 million, or 7.5%, to $147.5 million, compared with $159.4 million for the three months ended September 25, 2020. The decrease in net sales was due to a decrease in acetaminophen and hydrocodone-related products net sales of $5.3 million and $3.1 million, respectively.

Net sales for Specialty Generics by geography were as follows *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 122.3	$ 127.6	(4.2)%
Europe, Middle East and Africa	21.8	28.4	(23.2)
Other	3.4	3.4	—
Net sales	$ 147.5	$ 159.4	(7.5)

Net sales for Specialty Generics by key products were as follows *(dollars in millions)*:

	Three Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Hydrocodone (API) and hydrocodone-containing tablets	$ 16.9	$ 20.0	(15.5)%
Oxycodone (API) and oxycodone-containing tablets	15.2	16.1	(5.6)
Acetaminophen (API)	49.6	54.9	(9.7)
Other controlled substances	60.8	62.4	(2.6)
Other	5.0	6.0	(16.7)
Specialty Generics	$ 147.5	$ 159.4	(7.5)

Operating (Loss) Income

Operating income by segment and as a percentage of segment net sales for the three months ended September 24, 2021 and September 25, 2020 is shown in the following table *(dollars in millions)*:

	Three Months Ended			
	September 24, 2021		September 25, 2020	
Specialty Brands	$ 189.9	52.8 %	$ 291.8	54.1 %
Specialty Generics	15.2	10.3	43.1	27.0
Segment operating income	205.1	40.4	334.9	47.9
Unallocated amounts:				
Corporate and unallocated expenses [1]	(20.8)		(42.1)	
Depreciation and amortization	(168.4)		(236.1)	
Share-based compensation	(2.4)		(4.3)	
Restructuring charges, net	(11.0)		(3.2)	
Separation costs [2]	(0.1)		(33.0)	
Opioid-related litigation settlement (loss) gain (Note 12)	(125.0)		25.8	
Medicaid lawsuit (Note 12)	—		(0.5)	
Total operating (loss) income	$ (122.6)		$ 41.5	

(1) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to the Company's reportable segments.

(2) Represents costs included in SG&A expenses, primarily related to professional fees and costs incurred in preparation for the Chapter 11 proceedings. As of the Petition Date, professional fees directly related to the Chapter 11 proceedings that were previously reflected as separation costs are being classified on a go-forward basis as reorganization items, net.

Specialty Brands. Operating income for the three months ended September 24, 2021 decreased $101.9 million, to $189.9 million, compared with $291.8 million for the three months ended September 25, 2020. Operating margin decreased to 52.8% for the three months ended September 24, 2021, compared with 54.1% for the three months ended September 25, 2020. The decrease in operating income and margin was primarily driven by a $144.4 million decrease to gross profit as a result of the decrease in net sales and a change in product mix as discussed above, partially offset by a decrease of $26.2 million, or 24.2%, in SG&A expenses, compared with the three months ended September 25, 2020. The decrease in SG&A was primarily driven by the bankruptcy-related legal fees being classified as reorganization items, net, subsequent to the Petition Date, in addition to cost containment initiatives and lower employee compensation costs. Additionally, R&D expenses decreased $16.4 million, or 30.2%, compared with the three months ended September 25, 2020, as previously discussed above.

Specialty Generics. Operating income for the three months ended September 24, 2021 decreased $27.9 million, to $15.2 million, compared with $43.1 million for the three months ended September 25, 2020. Operating margin decreased to 10.3% for the three months ended September 24, 2021, compared with 27.0% for the three months ended September 25, 2020. The decrease in operating income and margin was primarily attributable to a $30.2 million decrease in gross profit, primarily driven by an increased competitive environment with respect to Other controlled substances, partially offset by decreases in R&D and SG&A expenses.

Corporate and unallocated expenses. Corporate and unallocated expenses were $20.8 million and $42.1 million for the three months ended September 24, 2021 and September 25, 2020, respectively. This decrease was primarily driven by the bankruptcy-related professional fees being classified as reorganization items, net, subsequent to the Petition Date, in addition to cost containment initiatives and lower employee compensation costs. Comparatively, during the three months ended September 25, 2020, we incurred $13.4 million of opioid defense costs that were reflected in SG&A. The decrease was partially offset by the change in the fair value of our contingent consideration liabilities with a $2.1 million gain during three months ended September 24, 2021, compared to a $8.1 million charge during the three months ended September 25, 2020.

Nine Months Ended September 24, 2021 Compared with Nine Months Ended September 25, 2020

Net Sales

Net sales by segment are shown in the following table *(dollars in millions)*:

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Specialty Brands	$ 1,149.6	$ 1,553.0	(26.0)%
Specialty Generics	462.0	512.7	(9.9)
Segment net sales	1,611.6	2,065.7	(22.0)
Medicaid lawsuit (Note 12)	—	(535.1)	*
Net sales	$ 1,611.6	$ 1,530.6	5.3

*Not meaningful

Specialty Brands. Net sales for the nine months ended September 24, 2021 decreased $403.4 million to $1,149.6 million, compared with $1,553.0 million for the nine months ended September 25, 2020. The decrease in net sales was primarily driven by a $192.0 million, or 88.9%, decrease in Ofirmev driven by the loss of exclusivity at the end of fiscal 2020 and the entrance of generic competition during the nine months ended September 24, 2021. The decrease in net sales was also impacted by a $152.7 million, or 26.5%, decrease in Acthar Gel net sales driven by the marketplace impact of the COVID-19 pandemic and continued payer scrutiny on overall specialty pharmaceutical spending and a $100.2 million, or 22.9%, decrease in INOmax due to increased competition. These decreases were partially offset by a $23.7 million, or 13.6%, increase in Therakos net sales driven by increased demand as the product begun to see a recovery from the impact of the COVID-19 pandemic during the first half of fiscal 2021 and a $17.6 million, or 12.7%, increase in Amitiza, primarily as a result of the royalty from Par Pharmaceutical, Inc., et al. (collectively Par) beginning in fiscal 2021.

Net sales for Specialty Brands by geography were as follows *(dollars in millions)*:

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 1,078.8	$ 1,421.6	(24.1)%
Europe, Middle East and Africa	55.7	97.2	(42.7)
Other	15.1	34.2	(55.8)
Net sales	$ 1,149.6	$ 1,553.0	(26.0)

Net sales for Specialty Brands by key products were as follows *(dollars in millions)*:

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Acthar Gel	$ 423.9	$ 576.6	(26.5)%
INOmax	338.3	438.5	(22.9)
Ofirmev	24.0	216.0	(88.9)
Therakos	197.8	174.1	13.6
Amitiza	155.8	138.2	12.7
Other	9.8	9.6	2.1
Specialty Brands	$ 1,149.6	$ 1,553.0	(26.0)

Specialty Generics. Net sales for the nine months ended September 24, 2021 decreased $50.7 million, or 9.9%, to $462.0 million, compared with $512.7 million for the nine months ended September 25, 2020. The decrease in net sales was primarily driven by a decrease in Other controlled substances of $35.9 million, driven by an increased competitive environment, in addition to decreases in hydrocodone-related products and acetaminophen of $11.2 million and $7.7 million, respectively.

Net sales for Specialty Generics by geography were as follows *(dollars in millions)*:

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
U.S.	$ 387.2	$ 414.4	(6.6)%
Europe, Middle East and Africa	65.0	87.8	(26.0)
Other	9.8	10.5	(6.7)
Net sales	$ 462.0	$ 512.7	(9.9)

Net sales for Specialty Generics by key products were as follows *(dollars in millions)*:

	Nine Months Ended		
	September 24, 2021	September 25, 2020	Percentage Change
Hydrocodone (API) and hydrocodone-containing tablets	$ 60.7	$ 71.9	(15.6)%
Oxycodone (API) and oxycodone-containing tablets	49.5	48.0	3.1
Acetaminophen (API)	146.8	154.5	(5.0)
Other controlled substances	187.9	223.8	(16.0)
Other	17.1	14.5	17.9
Specialty Generics	$ 462.0	$ 512.7	(9.9)

Operating Loss

Operating income by segment and as a percentage of segment net sales were as follows (dollars in millions):

	Nine Months Ended			
	September 24, 2021		September 25, 2020	
Specialty Brands	$ 588.6	51.2 %	$ 765.0	49.3 %
Specialty Generics	73.8	16.0	155.5	30.3
Segment operating income	662.4	41.1	920.5	44.6
Unallocated amounts:				
Corporate and unallocated expenses [1]	(69.1)		(152.3)	
Depreciation and amortization	(506.1)		(675.5)	
Share-based compensation	(8.4)		(17.6)	
Restructuring charges, net	(17.5)		(15.8)	
Non-restructuring impairment charges	(64.5)		(63.5)	
Separation costs [2]	(1.0)		(75.0)	
R&D upfront payment [3]	—		(5.0)	
Opioid-related litigation settlement (loss) gain (Note 12)	(125.0)		34.1	
Medicaid lawsuit (Note 12)	—		(640.2)	
Total operating loss	$ (129.2)		$ (690.3)	

(1) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to our reportable segments.

(2) Represents costs included in SG&A expenses, primarily related to professional fees and costs incurred in preparation for the Chapter 11 proceedings. As of the Petition Date, professional fees directly related to the Chapter 11 proceedings that were previously reflected as separation costs are being classified on a go-forward basis as reorganization items, net.

(3) Represents R&D expense incurred related to an upfront payment made to acquire product rights in Japan for terlipressin.

Specialty Brands. Operating income for the nine months ended September 24, 2021 decreased $176.4 million to $588.6 million, compared with $765.0 million for the nine months ended September 25, 2020. Operating margin increased to 51.2% for the nine months ended September 24, 2021 from 49.3% for the nine months ended September 25, 2020. The decrease in operating income was primarily driven by the $403.4 million, or 26.0%, decrease in net sales and a change in product mix over the same period, which resulted in a $331.3 million decrease in gross profit. Partially offsetting the decrease in operating income and serving to increase operating margin was a $97.2 million, or 27.0%, decrease in SG&A expenses primarily driven by the bankruptcy-related legal fees being classified as reorganization items, net, subsequent to the Petition Date, in addition to cost containment initiatives and lower employee compensation costs and a $57.6 million, or 30.3%, decrease in R&D expenses.

Specialty Generics. Operating income for the nine months ended September 24, 2021 decreased $81.7 million to $73.8 million, compared with $155.5 million for the nine months ended September 25, 2020. Operating margin decreased to 16.0% for the nine months ended September 24, 2021, compared with 30.3% for the nine months ended September 25, 2020. The decrease in operating income and operating margin was primarily attributable to a $76.7 million decrease in gross profit, primarily driven by an increased competitive environment with respect to Other controlled substances, coupled with an increase in R&D expense of $5.2 million.

Corporate and unallocated expenses. Corporate and unallocated expenses were $69.1 million and $152.3 million for the nine months ended September 24, 2021 and September 25, 2020, respectively. This decrease was primarily driven by the bankruptcy-related professional fees being classified as reorganization items, net, subsequent to the Petition Date, in addition to cost containment initiatives and lower employee compensation costs. Comparatively, during the nine months ended September 25, 2020, we incurred $53.1 million of opioid defense costs that were reflected in SG&A. The decrease also included the change in the fair value of our contingent consideration liabilities with a $7.6 million gain during nine months ended September 24, 2021, compared to a $2.4 million charge during the nine months ended September 25, 2020.

Liquidity and Capital Resources

Significant factors driving our liquidity position include cash flows generated from operating activities, financing transactions, capital expenditures, cash paid in connection with acquisitions and licensing agreements and cash received as a result of our divestitures. We have historically generated and expect to continue to generate positive cash flows from operations. Our ability to fund our capital needs is impacted by our ongoing ability to generate cash from operations and access to capital markets.

On October 12, 2020, we voluntarily initiated the Chapter 11 Cases in the Bankruptcy Court to modify our capital structure, including restructuring portions of our debt, and resolve potential legal liabilities, including but not limited to those in connection with the Amended Proposed Opioid-Related Litigation Settlement and the Proposed Acthar Gel-Related Settlement. We intend to use the

Chapter 11 process to provide a fair, orderly, efficient and legally binding mechanism to implement a plan of reorganization, that provides for a financial restructuring designed to strengthen our balance sheet and reduce our total debt by approximately $1,300.0 million, improving our financial position and allowing us to continue driving our strategic priorities and investing in the business to develop and commercialize therapies to improve health outcomes.

The accompanying unaudited condensed consolidated financial statements have been prepared assuming we will continue as a going concern. The transactions contemplated by the plan of reorganization are subject to approval by the Bankruptcy Court, among other conditions. Accordingly, no assurance can be given that the transactions described therein will be consummated. As a result, we have concluded that management's plans at this stage do not alleviate substantial doubt about our ability to continue as a going concern. Consequently, our future cash from operations and access to capital markets may not provide adequate resources to fund our working capital needs, capital expenditures and strategic investments for the foreseeable future.

Under our credit agreement, we are required to prepay our term loans in an amount equal to a specified percentage of excess cash flow. After receiving Bankruptcy Court approval, we made a mandatory prepayment in an amount equal to $114.0 million during the nine months ended September 24, 2021.

A summary of our cash flows from operating, investing and financing activities is provided in the following table *(dollars in millions)*:

	Nine Months Ended	
	September 24, 2021	**September 25, 2020**
Net cash from:		
Operating activities	$ 406.4	$ 294.7
Investing activities	(22.1)	(36.4)
Financing activities	(128.2)	(180.6)
Effect of currency exchange rate changes on cash and cash equivalents	(0.9)	0.2
Net increase in cash and cash equivalents	$ 255.2	$ 77.9

Operating Activities

Net cash provided by operating activities of $406.4 million for the nine months ended September 24, 2021 was attributable to a net loss of $513.4 million, adjusted for non-cash items of $577.2 million, driven by depreciation and amortization of $506.1 million and a non-cash impairment charge of $64.5 million. This net loss was also offset by cash provided from a net investment in working capital of $342.6 million, which was primarily driven by an increase to the opioid-related litigation settlement liability of $125.0 million, a $105.7 million decrease in accounts receivable primarily due to lower net sales, a $92.5 million decrease in net tax receivables driven by the receipt of CARES Act income tax refunds, partially offset by an increase in prepaid income taxes, and a $40.4 million net cash inflow related to other assets and liabilities primarily driven by an increase in accrued professional fees. These inflows were partially offset by a $30.9 million increase in inventory.

Net cash provided by operating activities of $294.7 million for the nine months ended September 25, 2020 was primarily attributable to a net loss of $791.7 million, adjusted for non-cash items of $1,028.9 million driven by depreciation and amortization of $675.5 million and a $304.0 reduction in our deferred income tax assets and a non-cash impairment charge of $63.5 million. This net loss was offset by cash provided from net investment in working capital of $57.5 million, which was primarily driven by the recognition of the $640.2 million retrospective one-time charge related to the Medicaid lawsuit. Also included within this change in working capital was an $61.1 million decrease in accounts receivable, offset by a $431.2 million increase in net receivables related to income taxes driven by tax benefits from the CARES Act, a $116.3 million net cash outflow related to other assets and liabilities primarily driven by decreases in accrued payroll and accrued restructuring, a $52.4 million decrease in accounts payable and a $43.9 million increase in inventory.

Investing Activities

Net cash used in investing activities was $22.1 million for the nine months ended September 24, 2021, compared with $36.4 million for the nine months ended September 25, 2020. The $14.3 million decrease was primarily attributable to $16.5 million in proceeds received during the nine months ended September 24, 2021 related to the sale of a portion of our Hemostasis business in fiscal 2018 and a $3.2 million decrease in capital expenditures, partially offset by a $6.4 million cash receipt during the nine months ended September 25, 2020 related to certain rabbi trust settlements. Under our term loan credit agreement, the proceeds from the sale of assets and businesses must be either reinvested into capital expenditures or business development activities within one year of the respective transaction or we are required to make repayments on our term loan. For further information, refer to "Debt and Capitalization" within this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Financing Activities

Net cash used in financing activities was $128.2 million for the nine months ended September 24, 2021, compared with $180.6 million for the nine months ended September 25, 2020. The $52.4 million decrease was primarily impacted by payments of contingent consideration related to the acquisitions of Questcor and Stratatech Corporation during the nine months ended September 25, 2020 of $25.0 million and $20.0 million, respectively, $9.3 million in debt issuance costs incurred during the nine months ended September 25, 2020 and a $6.4 million decrease in debt repayments.

Debt and Capitalization

As of September 24, 2021, the total debt principal was $5,155.1 million, of which $3,760.1 million was classified within LSTC on the unaudited condensed consolidated balance sheet. The total debt principal as of September 24, 2021 was comprised of the following:

Variable-rate instruments:		
Term loan due September 2024	$	1,403.9
Term loan due February 2025		372.6
Revolving credit facility		900.0
Fixed-rate instruments		2,478.6
Debt principal	$	5,155.1

The variable-rate term loan interest rates are based on the London Inter-bank Offered Rate ("LIBOR"), subject to a minimum LIBOR level of 0.75% with interest payments generally expected to be payable every 90 days, and requires quarterly principal payments equal to 0.25% of the principal amount. As of September 24, 2021, our fixed-rate instruments have a weighted-average interest rate of 7.15% and pay interest at various dates throughout the fiscal year. As of September 24, 2021, we were fully drawn on our $900.0 million revolving credit facility.

In November 2015, our Board of Directors authorized us to reduce our outstanding debt at our discretion. As conditions warrant, and subject to limitations under Chapter 11, we may repurchase debt securities issued by us, in the open market, in privately negotiated transactions, by tender offer or otherwise.

The commencement of the Chapter 11 Cases on October 12, 2020 constituted an event of default under certain of our debt agreements. As of September 24, 2021, other than any defaults relating to the Chapter 11 Cases, we were in full compliance with the provisions and covenants associated with our debt agreements. Accordingly, all long-term debt was classified as current on the unaudited condensed consolidated balance sheet as of September 24, 2021. However, any efforts to enforce payment obligations under the debt instruments are automatically stayed as a result of the Chapter 11 Cases. See Note 2 and Note 10 of the notes to the unaudited condensed consolidated financial statements for further information.

Commitments and Contingencies

Legal Proceedings

See Note 12 of the notes to the unaudited condensed consolidated financial statements for a description of the legal proceedings and claims as of September 24, 2021.

Guarantees

In disposing of assets or businesses, we have historically provided 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. We assess the probability of potential liabilities related to such representations, warranties and indemnities and adjust potential liabilities as a result of changes in facts and circumstances. We believe, given the information currently available, that their ultimate resolutions will not have a material adverse effect on our financial condition, results of operations and cash flows. These representations, warranties and indemnities are discussed in Note 11 of the notes to the unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements

As of September 24, 2021, we had various letters of credit, guarantees and surety bonds totaling $34.2 million. There has been no change in our off-balance sheet arrangements during the nine months ended September 24, 2021.

Critical Accounting Policies and Estimates

The preparation of our unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities.

We believe that our accounting policies for revenue recognition, intangible assets, acquisitions, contingencies and income taxes are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. During the nine months ended September 24, 2021, there were no significant changes to these policies or in the underlying accounting assumptions and estimates used in the above critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 25, 2020.

Forward-Looking Statements

We have made forward-looking statements in this Quarterly Report on Form 10-Q that are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include, but are not limited to, information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "project," "anticipate," "estimate," "predict," "potential," "continue," "may," "could," "should" or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements.

The risk factors included within Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 25, 2020 and within Part II, Item 1A of this Quarterly Report on Form 10-Q could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

These forward-looking statements are made as of the filing date of this Quarterly Report on Form 10-Q. We expressly disclaim any obligation to update these forward-looking statements other than as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our operations include activities in the U.S. and countries outside of the U.S. These operations expose us to a variety of market risks, including the effects of changes in interest rates and currency exchange rates. We monitor and manage these financial exposures as an integral part of our overall risk management program. We do not utilize derivative instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our variable-rate debt instruments, which bear interest based on LIBOR plus margin. As of September 24, 2021, our outstanding debt included $1,776.5 million variable-rate debt on our senior secured term loans and $900.0 million outstanding borrowings on our senior secured revolving credit facility. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, quarterly interest expense would increase by approximately $6.7 million.

The remaining outstanding debt as of September 24, 2021 is fixed-rate debt. Changes in market interest rates generally affect the fair value of fixed-rate debt, but do not impact earnings or cash flows.

Currency Risk

Certain net sales and costs of our international operations are denominated in the local currency of the respective countries. As such, profits from these subsidiaries may be impacted by fluctuations in the value of these local currencies relative to the U.S. dollar.

We also have significant intercompany financing arrangements that may result in gains and losses in our results of operations. In an effort to mitigate the impact of currency exchange rate effects we may hedge certain operational and intercompany transactions; however, our hedging strategies may not fully offset gains and losses recognized in our results of operations.

The unaudited condensed consolidated statement of operations is exposed to currency risk from intercompany financing arrangements, which primarily consist of intercompany debt and intercompany cash pooling, where the denominated currency of the transaction differs from the functional currency of one or more of our subsidiaries. We performed a sensitivity analysis for these arrangements as of September 24, 2021 that measured the potential unfavorable impact to income from continuing operations before income taxes from a hypothetical 10.0% adverse movement in foreign exchange rates relative to the U.S. dollar, with all other variables held constant. The aggregate potential unfavorable impact from a hypothetical 10.0% adverse change in foreign exchange rates was $0.7 million aggregate potential as of September 24, 2021. This hypothetical loss does not reflect any hypothetical benefits that would be derived from hedging activities, including cash holdings in similar foreign currencies that we have historically utilized to mitigate our exposure to movements in foreign exchange rates.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), is recorded, processed, summarized and reported within the specified time periods, and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO concluded that, as of that date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 24, 2021 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 12 of the notes to the unaudited condensed consolidated financial statements for further description of the litigation, legal and administrative proceedings as of September 24, 2021.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 25, 2020, filed with the SEC on March 10, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Securities

The following table summarizes the repurchase activity of our ordinary shares during the three months ended September 24, 2021. The repurchase activity presented below is limited to deemed repurchases in connection with the vesting of restricted share units under employee benefit plans to satisfy minimum statutory tax withholding obligations as there were no market repurchases during the three months ended September 24, 2021.

On March 1, 2017, the Company's Board of Directors authorized a $1.0 billion share repurchase program (the "March 2017 Program") which commenced upon the completion of the March 2016 Program. The March 2017 Program has no expiration date.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under Plans or Programs (in millions)
June 26, 2021 to July 23, 2021	1,006	$ 0.35	—	$ 564.2
July 24, 2021 to August 27, 2021	2,013	0.25	—	564.2
August 28, 2021 to September 24, 2021	690	0.21	—	564.2
June 26, 2021 to September 24, 2021	**3,709**	**0.27**		

Item 6. Exhibits.

Exhibit Number	Exhibit
10.1	Mallinckrodt Pharmaceuticals Severance Plans for U.S. Officers and Executives, Amended September 8, 2021.
10.2	Form of First Amendment to Employment Agreement by and between ST Shared Services LLC and Executive Officers.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File (Form 10-Q for the quarterly period ended September 24, 2021 filed in XBRL). The financial information contained in the XBRL-related documents is "unaudited" and "unreviewed." The instance document does not appear in the interactive file because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File (embedded within the inline XBRL document).

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, thereunto duly authorized.

MALLINCKRODT PLC

By: /s/ Bryan M. Reasons

Bryan M. Reasons
Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: November 2, 2021

MALLINCKRODT PHARMACEUTICALS
SEVERANCE PLAN FOR U.S. OFFICERS AND EXECUTIVES

Amended September 8, 2021

TABLE OF CONTENTS

ARTICLE I

PURPOSE, INTENT AND TERM OF PLAN

Section 1.01 Purpose and Intent of the Plan. The purpose of the Plan is to make available to Eligible Employees certain compensation and benefits in the event that such employee's employment with the Company or a Subsidiary is terminated under the circumstances, and subject to the conditions, described herein. The Plan is not intended to be an "employee pension benefit plan" or "pension plan" within the meaning of Section 3(2) of ERISA. Rather, the Plan is intended to be a "welfare benefit plan" within the meaning of Section 3(1) of ERISA and to meet the requirements of a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b). Accordingly, the Plan's benefits are not deferred compensation, and no employee shall have a vested right to benefits provided by the Plan. The terms of the Plan are intended to, and shall be interpreted so as to, comply in all respects with the provisions of Code Section 409A and the regulations and rulings promulgated thereunder.

Section 1.02 Term of the Plan. The Plan shall be effective as of the Effective Date and shall supersede any prior plan, program or policy under which the Company or any Subsidiary provided severance benefits before the Effective Date. The Plan shall continue until terminated pursuant to the provisions set forth herein.

Section 1.03 Adoption of the Plan and Restatement. The Plan was originally adopted effective April 1, 2013. With respect to an Eligible Employees of the Company or any Subsidiary who incurs a Separation from Service on or after the Effective Date, the terms of this restated Plan document shall apply.

ARTICLE II

DEFINITIONS

Section 2.01 "Alternative Position" shall mean a position with the Company or any Subsidiary that:

(a) is not more than 50 miles each way from the location in which the Eligible Employee worked, and in the position such employee held, immediately before experiencing any job-related change (this mileage limitation shall apply only to jobs substantially performed in a single, fixed Company or Subsidiary operated and maintained location and shall not apply to any job that requires extensive travel or that is performed offsite regularly); and

(b) provides the Eligible Employee with pay and benefits (not including perquisites or long-term incentive compensation) that are, in the aggregate, comparable to the pay and benefits of the position such employee held immediately before experiencing any job-related change.

The Plan Administrator has the exclusive discretionary authority to determine whether a position is an Alternative Position.

Section 2.02 "Average Annual Bonus" shall mean the average of the actual bonuses paid (excluding any amounts paid pursuant to any Key Employee Incentive Program that were attributable to the component of the award intended to replace a Participant's previously approved target long-term equity incentive opportunity) to the respective Participant pursuant to The Mallinckrodt Annual Incentive Plan, the Global Bonus Plan, and/or any Key Employee Incentive Program (except as expressly excluded above) that during the three Company fiscal years that immediately precede the Participant's Separation from Service Date. If the Participant was not employed by the Company or a Subsidiary for a period during which such Participant was paid three full annual bonuses prior to the Participant's Termination Date, the Average Annual Bonus shall be calculated by dividing the total of the actual bonuses paid (subject to the exclusions noted above) to the Participant by the number of full months worked by the Participant during the years for which such actual bonuses were paid, and multiplied by twelve.

Section 2.03 "Base Salary" shall mean an amount equal to the Participant's annual base salary, excluding bonus and incentive compensation, in effect as of the Participant's Termination Date, divided by twelve (12). For Participants who are eligible for the Mallinckrodt Sales Incentive Compensation Plan ("SICP") as of the Termination Date, Base Salary shall mean an amount equal to the Participant's annual base salary plus eighty five percent (85%) of Participant's target annual incentive compensation under the SICP (exclusive of any compensation earned for special awards or one-time bonuses), divided by twelve (12). Except as specifically described in this Section 2.03, Base Salary shall not include any compensation other than the Participant's annual base salary.

Section 2.04 "Board" shall mean the Board of Directors of Mallinckrodt plc.

Section 2.05 "Cause" shall mean an Employee's (i) substantial failure or refusal to perform duties and responsibilities of his or her job at a satisfactory level as required by the Company or Subsidiary, other than due to Permanent Disability, (ii) a material violation of any fiduciary duty or duty of loyalty owed to the Company or Subsidiary, (iii) conviction of a misdemeanor (other than a traffic offense) or felony, (iv) fraud, embezzlement or theft, (v) violation of a material Company or Subsidiary rule or policy, (vi) unauthorized disclosure of any trade secret or confidential information of the Company or Subsidiary or (vii) other egregious conduct, that has or could have a serious and detrimental impact on the Company or Subsidiary and its employees. The Plan Administrator, in its sole and absolute discretion, shall determine whether Cause exists.

Section 2.06 "Claim" shall refer to a written claim for Severance Benefits filed with the Plan Administrator pursuant to Article IX.

Section 2.07 "Claimant" shall mean an Eligible Employee who has experienced a termination of employment (or the beneficiary of such an Eligible Employee) and has asserted a right to Severance Benefits under the Plan.

Section 2.08 "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the regulations promulgated thereunder.

Section 2.09 "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Section 2.10 "Committee" shall mean the Human Resources and Compensation Committee of the Board or such other committee appointed by the Board to assist the Company in making determinations required under the Plan in accordance with its terms. The Committee may delegate its authority under the Plan to an individual or another committee.

Section 2.11 "Company" shall mean MEH, Inc., a Nevada corporation, and any entity that succeeds to the business or assumes the obligations of MEH, Inc. with respect to the Plan.

Section 2.12 "Effective Date" shall mean July 20, 2020.

Section 2.13 "Eligible Employee" shall mean an Employee who is an Officer or is classified in job bands 0, 1 or 2 and who is not covered under any other severance plan, program, benefit, agreement or arrangement sponsored by the Company or any Subsidiary. If there is any question as to whether an Employee is an Eligible Employee or the level of severance benefits to which an Eligible Employee is entitled, the Plan Administrator shall make the determination in its sole discretion.

Section 2.14 "Employee" shall mean an individual who is a common law employee of the Company or a Subsidiary; provided, however, that "Employee" shall mean an individual considered by the Company or a Subsidiary to be a common law employee on the Company's or Subsidiary's United States payroll as evidenced by payroll records; and, in either case, shall not include any person providing services to the Company or any Subsidiary through a temporary service or on a leased basis or who is hired by the Company or any Subsidiary as an independent contractor, consultant, or otherwise as a person who is not an employee for purposes of withholding United States federal income or employment taxes, as evidenced by payroll records or a written agreement with the individual, regardless of any contrary governmental agency determination or judicial holding relating to such status or tax withholding. Notwithstanding the above, in the event that Code Section 409A applies to any payments made hereunder, subsection (d) of the definition of "Subsidiary" shall apply solely with respect to any payments that are subject to Code Section 409A.

Section 2.15 "Employer" shall mean the Company or, if applicable, the Subsidiary that employs the Eligible Employee.

Section 2.16 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

Section 2.17 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

Section 2.18 "Involuntary Termination" shall mean an Employer-initiated Separation from Service of a Participant for any reason other than Cause, Permanent Disability or death, as provided under and subject to the conditions of Article III.

Section 2.19 "Key Employee" shall mean an Eligible Employee who is a "specified employee" under Code Section 409A, as determined by the Company or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Company or its delegate in accordance with the provisions of Code Section 409A and the regulations promulgated thereunder.

Section 2.20 "Named Appeals Fiduciary" shall mean the person or persons named as such in accordance with the provisions of Section 9.04.

Section 2.21 "Officer" shall mean any individual who is an officer, as such term is defined pursuant to Rule 16a-1(f) as promulgated under the Exchange Act, of Mallinckrodt plc. For purposes of this definition, Officer shall also mean any officer of any subsidiary of Mallinckrodt plc who performs policy making functions, within the context of Rule 16a-1(f).

Section 2.22 "Participant" shall mean any Eligible Employee who meets the requirements of Article III and thereby becomes eligible for Severance Benefits.

Section 2.23 "Permanent Disability" shall mean that an Employee has a permanent and total incapacity from engaging in any employment for the Employer for physical or mental reasons. A "Permanent Disability" shall be deemed to exist if the Employee meets the requirements for disability benefits under (a) the Employer's long-term disability plan or (b) the Social Security law then in effect.

Section 2.24 "Plan" means the Mallinckrodt Pharmaceuticals Severance Plan for U.S. Officers and Executives as set forth herein, and as the same may from time to time be amended.

Section 2.25 "Plan Administrator" shall mean the individual(s) appointed by the Committee to administer the terms of the Plan as set forth herein and if no individual is appointed by the Committee to serve as the Plan Administrator, the Plan Administrator shall be the Chief Human Resources Officer of Mallinckrodt plc; provided, however, that subject to and contingent upon the Separation and effective upon the Separation, if no individual is appointed by the Committee to serve as the Plan Administrator, the Plan Administrator shall be the Chief Human Resources Officer of Mallinckrodt plc. Notwithstanding the preceding sentence, in the event the Plan Administrator is entitled to Severance Benefits under the Plan, the Committee or its delegate (who shall not be the Plan Administrator) shall act as the Plan Administrator for purposes of administering the terms of the Plan with respect to the Plan Administrator. The Plan Administrator may delegate all or any portion of its authority under the Plan to any other person(s).

Section 2.26 "Postponement Period" shall mean, for a Key Employee, the period of six (6) months after such Key Employee's Separation from Service Date (or such other period as may be required by Code Section 409A).

Section 2.27 "Release" shall mean a written agreement, in substance and form suitable to the Company, by which a Participant agrees to waive and release the Company and any and all Subsidiaries from all legal claims the Participant may have against the Company and any and all Subsidiaries in exchange for Severance Benefits. The Release shall include the Participant's written agreement to confidentiality, non-solicitation, non-disparagement and, where applicable, non-competition provisions. To be effective, the Release must be signed and returned to the Company within the timeframe set forth in the Release, but no later than sixty (60) days following the Participant's Separation from Service Date, and it may not be revoked during any applicable revocation period that may be permitted by the Release or applicable law. Releases are not required to be identical amongst Participants.

Section 2.28 "Salary Continuation Benefits" shall mean the payments described in Sections 4.01(b), 4.01(c)(ii) and 4.01(d).

Section 2.29 "Separation from Service" shall mean "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and the applicable regulations and rulings promulgated thereunder.

Section 2.30 "Separation from Service Date" shall mean, with respect to a Participant, the date on which such Participant experiences a Separation from Service.

Section 2.31 "Severance Benefits" shall mean the payments and other benefits that a Participant is eligible to receive pursuant to Article IV of the Plan.

Section 2.32 "Severance Multiplier" shall mean the number of months for which a portion of the Severance Benefit providing salary replacement benefits is calculated, as set forth in the Appendix.

Section 2.33 "Subsidiary" shall mean (a) a subsidiary company (wherever incorporated) of Mallinckrodt plc, as defined by Section 7 of the Companies Act 2014 of Ireland; (b) any separately organized business unit, whether or not incorporated, of Mallinckrodt plc; (c) any employer that is required to be aggregated with the Company pursuant to Code Section 414 and the regulations promulgated thereunder; and (d) any service recipient or employer that is within a controlled group of corporations as defined in Code Sections 1563(a)(1), (2) and (3) where the phrase "at least 50%" is substituted in each place "at least 80%" appears and any service recipient or employer within trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. Section 1.414(c)-2 where the phrase "at least 50%" is substituted in each place "at least 80%" appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. Sections 1.409A-1(b)(5)(iii)(E) and 1.409A-1(h)(3)), the phrase "at least 20%" shall be substituted in each place "at least 80%" appears as described above with respect to both a controlled group of corporations and trades or business

under common control. For purposes of the Plan, Subsidiary shall include, but not be limited to, Mallinckrodt Enterprises LLC and ST Shared Services LLC.

Section 2.34 "Termination Date" shall mean the date on which the active employment of the Participant by the Employer ceases by reason of an Involuntary Termination.

Section 2.35 "Voluntary Termination" shall mean any Separation from Service due to a termination of employment that is not initiated by the Employer.

ARTICLE III

PARTICIPATION AND ELIGIBILITY FOR BENEFITS

Section 3.01 Participation. Each Eligible Employee in the Plan who experiences an Involuntary Termination and who satisfies all of the conditions of Section 3.02 shall be eligible to receive Severance Benefits. An Eligible Employee shall not be eligible to receive any other benefits from the Company or any Subsidiary on account of an Involuntary Termination, unless otherwise provided in the Plan.

Section 3.02 Conditions.

(a) Eligibility for any Severance Benefits is expressly conditioned upon the Eligible Employee's execution of the Release within the timeframe set forth in the Release, but no later than sixty (60) days following such employee's Separation from Service Date, including the Eligible Employee's written acceptance of, and written agreement to comply with, the confidentiality, non-solicitation, non-disparagement and non-competition provisions set forth in the Release. To the extent permitted in Section 4.04, eligibility for any Severance Benefits also is expressly conditioned upon the Eligible Employee's written agreement that authorizes the deduction of amounts owed to the Employer prior to the payment of any Severance Benefits (or in accordance with any other schedule as the Plan Administrator may, in its sole discretion, determine to be appropriate). If the Plan Administrator determines, in its sole discretion, that the Participant has not fully complied with any of the terms of the Release, the Plan Administrator may, to the extent consistent with the terms of any Release, deny Severance Benefits not yet in pay status or discontinue the payment of the Participant's Severance Benefits and may require the Participant, by providing written notice of such repayment obligation to the Participant, to repay any portion of the Severance Benefits already received under the Plan. If the Plan Administrator notifies a Participant that repayment of all or any portion of the Severance Benefits received under the Plan is required, such amounts shall be repaid within thirty (30) calendar days after the date the written notice is sent. Any remedy under this Section 3.02(a) shall be in addition to, and not in place of, any other remedy, including injunctive relief, that the Company may have.

(b) An Eligible Employee will not be eligible to receive Severance Benefits under any of the following circumstances:

(i) A Voluntary Termination by the Eligible Employee (unless the selection criteria for an Employer-established exit program permit the Eligible Employee to terminate employment voluntarily in exchange for participation in such program, the Employer provides the Eligible Employee with written acceptance of his or her request to participate in that program and the Eligible Employee satisfies all relevant conditions for participation in such program);

(ii) The Eligible Employee resigns during any time period when the Employer otherwise would retain the Eligible Employee's services;

(iii) The Eligible Employee's employment is terminated for Cause;

(iv) The Eligible Employee's employment terminates due to the Eligible Employee's death or Permanent Disability;

(v) The Eligible Employee does not return to work within the time frame required following an approved leave of absence;

(vi) The Eligible Employee does not satisfy the conditions for Severance Benefits set forth in Section 3.02(a);

(vii) The Eligible Employee continues in employment with the Employer in any position or has the opportunity to continue in employment in the same or in an Alternative Position with the Company or any Subsidiary;

(viii) The Eligible Employee's employment with the Employer terminates as a result of a sale of stock or assets of the Employer, merger, consolidation, joint venture or a sale, divestiture or outsourcing of a business unit or function, or other transaction, and the Eligible Employee accepts employment, or has the opportunity to continue employment (without regard to whether the offer of employment is for an

Alternative Position), with the purchaser, joint venture or other acquiring or outsourcing entity or a related entity of either the Employer or the acquiring entity. The payment of Severance Benefits in the circumstances described in this subsection 3.02(b)(viii) would result in a windfall to the Eligible Employee, which is not the intention of the Plan; or

(ix) The Eligible Employee fails to timely execute, or executes but timely revokes acceptance of, the Release.

(c) The Plan Administrator has the sole discretion to determine an Eligible Employee's eligibility to receive Severance Benefits.

(d) An Eligible Employee who returns from approved military leave and meets the following three conditions will be eligible for Severance Benefits: (i) the Eligible Employee is eligible for reemployment under the provisions of the Uniformed Services Employment and Reemployment Rights Act; (ii) the Eligible Employee's pre-military leave job is eliminated; and (iii) the Employer's circumstances are changed so as to make reemployment in another position impossible or unreasonable, or re-employment would create an undue hardship for the Employer. The Severance Benefits provided to a Participant returning from military leave will be calculated as if the Participant had remained continuously employed from the date on which military leave commenced. An Eligible Employee who returns from approved military leave also must satisfy any other relevant conditions for payment set forth in this Article III, including execution of the Release.

ARTICLE IV

DETERMINATION OF SEVERANCE BENEFITS

Section 4.01 Amount of Severance Benefits Upon Involuntary Termination. The Severance Benefits to be provided to a Participant shall be as follows:

(a) Notice Pay. Each Eligible Employee who is eligible for Severance Benefits shall receive Notice Pay (or pay in lieu of notice, as applicable) without regard to whether the Eligible Employee receives Severance Benefits. Unless otherwise provided herein, Notice Pay means the continued payment of a pro-rata portion of the Eligible Employee's annual base salary (excluding bonus and incentive compensation and incentive compensation under the SICP) during the thirty (30) calendar-day period which begins the day immediately after the date the Employer informs the Eligible Employee of his or her Involuntary Termination ("Notice Period"). If the Employer determines that an Eligible Employee's Termination Date shall be before the expiration of such employee's Notice Period, the Employer shall provide to the Eligible Employee pay in lieu of notice, which shall equal the pro-rata portion of the Eligible Employee's annual base salary (excluding bonus and incentive compensation and Sales-Based Compensation) applicable to the period beginning on the day after the employee's Termination Date and ending on the last day of the Notice Period. Pay in lieu of notice shall be paid to the Eligible Employee in a single lump sum payment (net of deductions and tax withholdings, as applicable) no later than the second regular Employer pay period that occurs after the Eligible Employee's Termination Date. Notice Pay (or pay in lieu of notice, as applicable) shall be in addition to, and shall not be offset against, any Severance Benefits an Eligible Employee may receive pursuant to the Plan. However, Notice Pay shall run concurrently with, and not in addition to, any notice period required under local, state or federal law. An Eligible Employee who fails to timely execute, or who executes but timely revokes acceptance of, the Release shall not be entitled to Severance Benefits hereunder and shall only be eligible to receive Notice Pay (or pay in lieu of notice, as applicable). Unless otherwise permitted by the applicable plan document or as specifically required by applicable law, an Eligible Employee with a Termination Date that occurs before expiration of the applicable Notice Period shall not be eligible to apply for short- or long-term disability or workers' compensation benefits in connection with any injury that occurs or disability that arises after such employee's Termination Date.

(b) Base Salary Payment. A Participant shall receive a single lump sum payment equal to his or her Base Salary multiplied by the Severance Multiplier, as set forth in the Appendix, net of deductions and tax withholdings, as applicable. Such cash payment shall be made no earlier than the end of the applicable revocation period described in the definition of Release and no later than the March 15th of the calendar year following the calendar year in which the Participant's Separation from Service Date occurs. If the Participant was not employed with the Company or any Subsidiary for at least one full year prior to the Termination Date, Participant's Severance Multiplier shall be reduced by 50%.

(c) Bonus.

(i) Participants may be eligible for a cash payment under applicable annual bonus plans equal to such Participant's pro-rated annual bonus for the plan period in which the Participant's Separation from Service Date occurs, subject to the discretion of the Company and to the extent provided in the applicable plan. Participants who are not Officers shall receive the pro-rated bonus at target percentage and the bonus will be paid no earlier than the end of the applicable revocation period.

(ii) If Participant was employed by the Company or any Subsidiary for at least one full year prior to the Termination Date, the Participant shall also receive a single lump sum payment that is equal to the amount set forth in the Annual Bonus Severance Payment Schedule in the Appendix (the "Annual Bonus Severance Payment"), net of deductions and tax withholdings, as applicable. The Annual Bonus Severance Payment shall be paid in cash to the Participant no earlier than the end of the applicable revocation period described in the definition of Release and no later than the March 15th of the calendar year following the calendar year in which the Participant's Separation from Service Date occurs.

(d) Medical, Dental and Health Care Reimbursement Account Benefits. The Participant (and his/her spouse, domestic partner or child(ren), as applicable) shall be eligible for continued coverage under the

Company's medical and dental plans as required by and pursuant to COBRA. The Company shall provide COBRA coverage only if such coverage is timely elected by the Participant or other qualified beneficiary (as defined by COBRA). In addition, if the Participant is enrolled in medical, dental and/or coverage as of the Termination Date, the Participant shall receive a single lump sum payment equal to the Employer COBRA Premium multiplied by the Severance Multiplier (which shall not exceed 18 for purposes of this subsection), net of deductions and tax withholdings, as applicable, regardless of whether the Participant timely elects COBRA coverage. The Employer COBRA Premium shall be an amount equal to the difference between (1) the monthly applicable COBRA premium in effect on the Separation from Service Date for the medical, dental, vision and EAP plan options in which the Participant (and his/her spouse, domestic partner or child(ren), as applicable) is enrolled on such date, and (2) the monthly premium paid for such coverage(s) by the Participant as of the Separation from Service Date. Such cash payment shall be made no earlier than the end of the applicable revocation period described in the definition of Release and no later than the March 15th of the calendar year following the calendar year in which the Participant's Separation from Service Date occurs. COBRA coverage will cease upon the earlier of (i) the expiration of the maximum period required under COBRA; (ii) the Participant's failure to pay the required premium within the applicable time period; (iii) the Participant's termination of COBRA coverage; or (iv) the occurrence of an event that, pursuant to COBRA, permits the earlier termination of COBRA coverage.

(e) Equity Awards. Except as otherwise provided in Section 4.01(e)(i) through (iii) below, all equity awards of Mallinckrodt plc ordinary shares that are held by the Participant as of his or her Separation from Service Date shall be treated in accordance with the terms and conditions of the applicable plan and award agreement under which such awards were granted.

(i) Stock Options. All stock options held by the Participant as of such Participant's Separation from Service Date which would have vested and become exercisable during the twelve (12) month period occurring immediately after the Participant's Separation from Service Date shall accelerate and become immediately vested and exercisable on such Participant's Separation from Service Date, unless the applicable option agreement provides for more favorable vesting treatment. All outstanding stock options held by the Participant that are vested and exercisable as of the Participant's Separation from Service Date (including options that vest and become exercisable pursuant to the provisions of this Section 4.01(e)(i) or Section 4.01(e)(iii) below in the case of Normal Retirement) shall be exercisable for the greater of (A) the period set forth in applicable option agreement, or (B) twelve (12) months after the Participant's Separation from Service Date. In no event, however, shall an option be exercisable beyond its original expiration date. If the Participant dies, the terms and conditions of the applicable option agreement shall govern.

(ii) Restricted Stock, Restricted Units and Performance Units. All unvested restricted stock and restricted units held by the Participant as of such Participant's Separation from Service Date which would have vested during the twelve (12) month period occurring immediately after the Participant's Separation from Service Date shall accelerate and become immediately vested on such Participant's Separation from Service Date, unless the applicable equity agreement provides for more favorable vesting treatment. All other unvested restricted stock and restricted units held by a Participant as of such Participant's Separation from Service Date shall be forfeited as of the Participant's Separation from Service Date. All unvested performance units held by the Participant as of such Participant's Separation from Service Date which would have vested during the twelve (12) month period occurring immediately after the Participant's Separation from Service Date shall vest at the completion of the performance period, and shall be awarded based on certified performance results. All other performance units held by a Participant as of such Participant's Separation from Service Date shall be forfeited as of the Participant's Separation from Service Date.

(iii) Early Retirement and Normal Retirement Eligible Participants. Notwithstanding the provisions of Section 4.01(e)(i) and (ii), if a Participant who signs a Release and receives Severance Benefits hereunder would satisfy the requirements for Early Retirement or Normal Retirement (as such terms are defined in the applicable award agreement) set forth in a non-qualified stock option, restricted unit or performance unit award agreement over Mallinckrodt plc ordinary shares at any time during the period following the Participant's Separation from Service Date represented by the Severance Multiplier solely by reason of attaining the requisite age set forth in the applicable award agreement during such period, then all such non-qualified stock option, restricted unit and performance unit awards shall vest in accordance with the terms and conditions of the applicable award agreement by treating such Participant as if such Participant had satisfied the age and service

requirement for Early Retirement or Normal Retirement, as applicable, under the applicable award agreement on the Participant's Separation from Service Date; provided, however that, solely with respect to non-qualified stock options, if Section 4.01(e)(i) provides more favorable treatment than this Section 4.01(e)(iii) (as would be the case if Early Retirement treatment applied), the more favorable provision shall apply. If the Participant dies, the terms and conditions of the applicable award agreement shall govern.

(f) Outplacement Services. The Employer may, in its sole and absolute discretion, pay the cost of outplacement services for the Participant at the outplacement agency that the Employer regularly uses for such purpose; *provided*, *however*, that the period of outplacement shall not exceed twelve (12) months after the Participant's Separation from Service Date or, if earlier, the date of the Participant's death.

Section 4.02 Voluntary Termination; Termination for Death or Permanent Disability. If the Eligible Employee's employment terminates on account of (a) the Eligible Employee's Voluntary Termination, (b) death or (c) Permanent Disability, then the Eligible Employee shall not be entitled to receive Severance Benefits under this Plan and shall be entitled only to those benefits (if any) as may be available under the Company's benefit plans and policies in effect at the time of such termination of employment.

Section 4.03 Termination for Cause. If any Eligible Employee's employment terminates on account of termination by the Employer for Cause, the Eligible Employee shall not be entitled to receive Severance Benefits under this Plan and shall be entitled only to those benefits that are required to be provided to the Eligible Employee by applicable law. Notwithstanding any other provision of the Plan to the contrary, if the Plan Administrator in its sole discretion determines, at any point during the period following the Separation from Service Date equal to the Severance Multiplier, that a Participant engaged in conduct that constitutes Cause, any Severance Benefits payable to the Participant shall cease immediately, and the Participant shall be required to return to the Employer any Severance Benefits that were provided to the Participant before such determination. The Employer may withhold providing Severance Benefits pending resolution of an inquiry that could lead to a finding that an Eligible Employee engaged in conduct that constitutes Cause. Any such Severance Benefit that is withheld and subsequently is determined to be due shall be provided to the Participant within ninety (90) days after the date of the final and binding resolution.

Section 4.04 Reduction of Severance Benefits. With respect to amounts paid under the Plan that are not subject to Code Section 409A and the regulations promulgated thereunder, the Plan Administrator reserves the right to make deductions in accordance with applicable law for any monies owed to the Employer by the Eligible Employee or for the value of any Employer property that the Eligible Employee improperly retains and fails to return to the Employer. With respect to amounts paid under the Plan that are subject to Code Section 409A and the regulations promulgated thereunder, the Plan Administrator reserves the right to make deductions in accordance with applicable law for any monies owed to the Company and/or the Employer by the Eligible Employee or the value of Employer property that the Eligible Employee has retained; provided, however, that such deductions cannot exceed $5,000 in the aggregate in any Employer fiscal year.

ARTICLE V

METHOD AND DURATION OF SEVERANCE BENEFIT PAYMENTS

Section 5.01 Method of Payment. Subject to Section 5.03, the Severance Benefits to which a Participant is entitled, as determined pursuant to Section 4.01, shall be paid by the Employer in accordance with the provisions of Section 4.01; provided, however, that the pro-rated annual bonus payable to the Participant pursuant to Section 4.01(c)(i) shall be paid at such time and in such manner as set forth in the applicable annual incentive bonus plan and that COBRA coverage under Section 4.01(d) shall be provided or paid in accordance with the provisions of that subsection. In no event will interest be credited on the unpaid balance for which a Participant may become eligible. Payment shall be mailed to the last address provided by the Participant to the Employer or made by such other reasonable method as determined by the Plan Administrator. All payments of Severance Benefits are subject to applicable federal, state and local taxes and withholdings. In the event of a Participant's death prior to the completion of all payments to which a Participant is entitled, the remaining payments shall be paid to the Participant's estate in a single, lump-sum payment within sixty (60) days following the date the Company receives notice of the Participant's death.

Section 5.02 Other Arrangements. The Severance Benefits under this Plan are not additive or cumulative to severance or termination benefits that a Participant might also be entitled to receive under the terms of a written employment agreement, a severance agreement or any other arrangement with the Employer. Notwithstanding any other provision of this Plan, any Eligible Employee who is a party to an employment agreement with the Employer pursuant to which such Eligible Employee is entitled to severance benefits shall be ineligible to participate in the Plan. With respect to those Eligible Employees who are eligible for severance or other payments resulting from a termination of employment under a plan or arrangement other than this Plan, as a condition of receiving Severance Benefits under this Plan, the Plan Administrator, in its sole discretion, must determine that the Eligible Employee is eligible under this Plan and the Eligible Employee must expressly agree that this Plan supersedes all prior agreements, and sets forth the full and complete benefits to which the Eligible Employee is entitled upon an Involuntary Termination.

Section 5.03 Code Section 409A

(a) Notwithstanding any other provision of the Plan to the contrary, if required by Code Section 409A, no Salary Continuation Benefits shall be paid to a Participant who is a Key Employee during the Postponement Period. If the previous sentence applies, then the payment of Salary Continuation Benefits shall commence after expiration of the applicable Postponement Period and any amounts that would have been paid during the Postponement Period but for the previous sentence shall be paid in a single, lump-sum within thirty (30) days after the end of such Postponement Period. If the Participant dies during the Postponement Period, however, amounts withheld pursuant to this Section 5.03(a) shall be paid to the Participant's estate no later than the earlier of sixty (60) days after the date the Company receives notice of the Participant's death or thirty (30) days after the end of the Postponement Period.

(b) This Plan is intended to provide certain benefits that meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under Code Section 409A and the regulations promulgated thereunder. Notwithstanding any other provision of the Plan to the contrary, if required by Code Section 409A, payments may be made under this Plan only upon an event and in a manner permitted by Code Section 409A. For purposes of Code Section 409A, each individual payment that constitutes part of the Salary Continuation Benefits shall be treated as a separate payment from any other such payment. All reimbursements and in-kind benefits provided under the Plan shall be made or provided in accordance with the requirements of Code Section 409A including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in the Plan, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement, or in-kind benefits is not subject to liquidation or exchange for another benefit. In no event may a Participant designate the year of payment for any amounts payable under the Plan.

Section 5.04 Termination of Eligibility for Benefits.

(a) All Eligible Employees shall cease to be eligible to participate in the Plan, and all Severance Benefits payable to a Participant shall cease upon the occurrence of the earlier of:

(i) Subject to Article VII, termination or modification of the Plan; or

(ii) Completion of the provision of Severance Benefits to the Participant.

(b) Notwithstanding any other provision of the Plan to the contrary, the Company shall have the right to cease all Severance Benefits (except as otherwise required by law) and to recover any payments previously made to the Participant if:

(i) the Participant, at any time, breaches the Participant's undertakings under the terms of the Plan;

(ii) the Participant fails to comply with the terms of the Release the Participant executed to obtain Severance Benefits or fails to comply with any confidentiality, non-solicitation, non-disparagement or non-competition covenant applicable to the Participant; or

(iii) the Company becomes aware of any circumstances that would have justified termination of the Participant's employment for Cause.

ARTICLE VI

THE PLAN ADMINISTRATOR

Section 6.01 Authority and Duties. It shall be the duty of the Plan Administrator, on the basis of information supplied to it by the Employer, to administer the Plan. The Plan Administrator shall have the full and absolute power, authority and discretion to construe, interpret and administer the Plan, to make factual determinations, to correct deficiencies therein and to supply omissions. All decisions, actions and interpretations of the Plan Administrator shall be final, binding and conclusive upon all parties, subject only to the Claims Procedure as defined in Article IX, and may not be overturned unless found by a court to be arbitrary and capricious. The Plan Administrator may adopt such rules and regulations and may make such decisions as it deems necessary or desirable for the proper administration of the Plan.

Section 6.02 Compensation of the Plan Administrator. The Plan Administrator shall receive no compensation for services as such. However, all reasonable expenses of the Plan Administrator shall be paid or reimbursed by the Company upon proper documentation. The Plan Administrator shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Plan Administrator's duties pursuant to Section 143 of the Articles of Association of Mallinckrodt plc, as the same may from time to time be amended, or otherwise pursuant to such other policy or agreement as may apply to the Plan Administrator.

Section 6.03 Records, Reporting and Disclosure. The Plan Administrator or its delegate shall keep a copy of all records relating to the payment of Severance Benefits to Participants and former Participants and all other records necessary for the proper operation of the Plan. All Plan records shall be made available to the Committee, the Company and to each Participant for examination during business hours, except that a Participant shall be entitled to examine only such records as pertain exclusively to the examining Participant and to the Plan. The Plan Administrator shall prepare and shall file as required by law or regulation all reports, forms, documents and other items required by ERISA, the Code and every other relevant statute, each as amended, and all regulations promulgated thereunder (except that the Company, as payor of the Severance Benefits, shall prepare and distribute to the proper recipients all forms relating to withholding of income or wage taxes, Social Security taxes and other amounts that may be similarly reportable).

ARTICLE VII

AMENDMENT, TERMINATION AND DURATION

Section 7.01 Amendment, Suspension and Termination. Except as otherwise provided in this Section 7.01, the Board, by action of the Committee, shall have the right, at any time and from time to time, to amend, suspend or terminate the Plan in whole or in part, for any reason or without reason, and without either the consent of or the prior notification to any Participant, by a formal written action. No such amendment shall give the Company the right to recover any amount paid to a Participant prior to the date of such amendment or to cause the cessation of Severance Benefits already approved for a Participant who has executed the Release (and has not revoked his or her agreement to the Release). Any amendment or termination of the Plan must comply with all applicable legal requirements including, without limitation, compliance with Code Section 409A and the regulations and rulings promulgated thereunder, securities, tax, or other laws, rules, regulations or regulatory interpretation thereof, applicable to the Plan.

Notwithstanding the foregoing, this Plan may not be terminated, suspended or be amended in any material respect during the period beginning 60 days prior to a Change in Control and ending two years after a Change in Control. For purposes of this Section 7.01, Change in Control means the first to occur of any of the following events: (i) any "person" (as defined in Section 13(d) and 14(d) of the Exchange Act, excluding for this purpose, (A) the Company or any Subsidiary or (B) any employee benefit plan of the Company or any Subsidiary (or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan that acquires beneficial ownership of voting securities of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing more than 30 percent of the combined voting power of the Company's then outstanding securities; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; (ii) persons who, as of the Effective Date, constitute the Board (the "Incumbent Directors") cease for any reason (including without limitation, as a result of a tender offer, proxy contest, merger or similar transaction) to constitute at least a majority thereof, provided that any person becoming a Director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person's election or nomination for election was approved by a vote of at least 50 percent of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened proxy contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a "person" (as defined in Section 13(d) and 14(d) of the Exchange Act) other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director, (iii) consummation of a reorganization, merger or consolidation or sale or other disposition of at least 80 percent of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own directly or indirectly more than 50 percent of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the company resulting from such Business Combination (including, without limitation, a company which, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company; or (iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Section 7.02 Duration. The Plan shall continue in full force and effect until its termination; provided, however, that after the Plan's termination, if Participants who experienced an Involuntary Termination before the Plan terminates are receiving Severance Benefits, the Plan shall remain in effect until all of the obligations of the Company are satisfied with respect to such Participants.

ARTICLE VIII

DUTIES OF THE COMPANY AND THE COMMITTEE

Section 8.01 Records. The Company or Subsidiary, as applicable, shall supply to the Committee all records and information necessary to the performance of the Committee's duties.

Section 8.02 Payment. The provision of Severance Benefits to Participants shall be made from the Company's or any Subsidiary's general assets, in accordance with the terms of the Plan.

Section 8.03 Discretion. Any decisions, actions or interpretations to be made under the Plan by the Board, the Committee or the Plan Administrator, acting on behalf of either, shall be made in each of their respective sole discretion, not in any fiduciary capacity and need not be uniformly applied to similarly situated individuals and such decisions, actions or interpretations shall be final, binding and conclusive upon all parties. As a condition of participating in the Plan, the Eligible Employee acknowledges that all decisions and determinations of the Board, the Committee and the Plan Administrator shall be final and binding on the Eligible Employee, the Eligible Employee's beneficiaries and any other person having or claiming an interest under the Plan on behalf of an Eligible Employee.

ARTICLE IX

CLAIMS PROCEDURES

Section 9.01 Claim. If a person asserts a right to, but does not receive, a benefit under the Plan, such person or such person's authorized representative shall, within thirty (30) days following the person's Termination Date, file with the Plan Administrator a written claim for such benefit. Claims not timely filed shall be barred. A Participant under this Plan may contest only the administration of the Severance Benefits awarded. To request such review, a Participant shall complete and file with the Plan Administrator a written request for review in the manner specified by the Plan Administrator. Except as set forth herein, no appeal is permissible as to a person's eligibility for or amount of the Severance Benefits, which decisions are made solely within the discretion of the Plan Administrator. No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures described in this Article IX are exhausted and a final determination is made by the Plan Administrator and/or the Named Appeals Fiduciary. If an Eligible Employee or Participant or other interested person challenges a decision by the Plan Administrator and/or Named Appeals Fiduciary, a review by the court of law will be limited to the facts, evidence and issues presented to the Plan Administrator during the claims procedures set forth in this Article IX. Facts and evidence that become known to the terminated Eligible Employee or Participant or other interested person after such person has exhausted the claims procedures set forth in this Article IX must be brought to the attention of the Plan Administrator for reconsideration by the Plan Administrator. Any issue that is not raised with the Plan Administrator and/or Named Appeals Fiduciary will be deemed waived.

Section 9.02 Initial Claim. Before the date on which payment of Severance Benefits commences, each Claim must be supported by such information as the Plan Administrator deems relevant and appropriate. In the event that any Claim relating to the administration of Severance Benefits is denied in whole or in part, the Claimant whose claim has been so denied shall be notified of such denial in writing by the Plan Administrator within ninety (90) days after the receipt of the claim for benefits. This period may be extended an additional ninety (90) days if the Plan Administrator determines such extension is necessary and the Plan Administrator provides notice of extension to the Claimant before the end of the initial ninety (90) day period. The notice advising of the denial shall: (a) specify the reason or reasons for denial; (b) refer specifically to the Plan provisions on which the determination was based; (c) describe any additional material or information necessary for the Claimant to perfect the claim (explaining why such material or information is needed); and (d) describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review. If it is determined that payment is to be made, any such payment shall be made within ninety (90) days after the date by which notification is required.

Section 9.03 Appeals of Denied Administrative Claims. All appeals shall be made by the following procedure:

(a) A Claimant whose Claim has been denied shall file with the Plan Administrator a notice of appeal of the denial. Such notice shall be filed within sixty (60) calendar days after notification by the Plan Administrator of the denial of a Claim, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) The Named Appeals Fiduciary shall consider the merits of the Claimant's written presentations, the merits of any facts or evidence in support of the denial of benefits and such other facts and circumstances as the Named Appeals Fiduciary shall deem relevant.

(c) The Named Appeals Fiduciary shall render a determination upon the appealed claim, and the determination shall be accompanied by a written statement as to the reasons therefore. The determination shall be provided to the Claimant within sixty (60) days after the Plan Administrator receives the Claimant's request for review, unless the Named Appeals Fiduciary determines that special circumstances require an extension of time for processing the claim. In such case, the Named Appeals Fiduciary shall notify the Claimant of the need for an extension of time to render its decision prior to the end of the initial sixty (60) day period, and the Named Appeals Fiduciary shall have an additional sixty (60) day period to make its determination. The determination so rendered shall be binding upon all parties. If the determination is adverse to the Claimant, the notice shall: (a) provide the reason or reasons for denial; (b) make specific reference to the Plan provision's on which the determination was

based; (c) include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to a the Claimant's claim for benefits; and (d) state that the Claimant has the right to bring an action under ERISA Section 502(a). If the final determination is that payment shall be made, then any such payment shall be made within ninety (90) days after the date by which notification of the final determination is required.

Section 9.04 Appointment of the Named Appeals Fiduciary. The Named Appeals Fiduciary shall be the person or persons named as such by the Committee, or, if no such person or persons be named, then the Committee shall be the Named Appeals Fiduciary. Named Appeals Fiduciaries, named as such by the Committee, may at any time be removed by the Committee. All such removals may be with or without cause and shall be effective on the date stated in the notice of removal. The Named Appeals Fiduciary shall be a "Named Fiduciary" within the meaning of ERISA, and unless appointed to other fiduciary responsibilities, shall have no authority, responsibility or liability with respect to any matter other than the proper discharge of the functions of the Named Appeals Fiduciary as set forth herein.

ARTICLE X

MISCELLANEOUS

Section 10.01 Non-Alienation of Benefits. None of the payments, benefits or rights of any Participant shall be subject to any claim of any creditor of any Participant, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment (if permitted under applicable law), trustee's process or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, plead, encumber or assign any of the benefits or payments that he may expect to receive, contingently or otherwise, under this Plan.

Section 10.02 Notices. All notices and other communications required hereunder shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service. In the case of the Participant, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to the Plan Administrator, as follows: Chief Human Resources Officer, Mallinckrodt Pharmaceuticals, 675 McDonnell Boulevard, Hazelwood, MO 63042, with a copy to the Company's general counsel, as follows: General Counsel, Mallinckrodt Pharmaceuticals, 1425 US-206, Bedminster, NJ 07921.

Section 10.03 Successors. Any successor to the Company shall assume the obligations under this Plan and expressly agree to perform the obligations under this Plan.

Section 10.04 Other Payments. Except as otherwise provided in this Plan, no Participant shall be entitled to any cash payments or other benefits under any of the Company's then-current severance pay policies or plans for a termination that is covered by this Plan.

Section 10.05 No Mitigation. Except as otherwise provided in Section 4.04, a Participant shall not be required to mitigate the amount of any Severance Benefits provided for in this Plan by seeking other employment or otherwise, nor shall the amount of any Severance Benefits provided for herein be reduced by any compensation earned by other employment or otherwise, except if the Participant is re-employed by the Company or any Subsidiary as an Employee, in which case Severance Benefits shall cease on the date of the Participant's re-employment.

Section 10.06 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee or any person whosoever, the right to be retained in the service of the Company or any Subsidiary, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

Section 10.07 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

Section 10.08 Heirs, Assigns, and Personal Representatives. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future.

Section 10.09 Headings, Captions and Titles. The titles of the Articles and Sections and the headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan or considered in any respect to affect or modify its provisions, and shall not be employed in the construction of the Plan. Such words in this Plan as "herein," "hereinafter," "hereof" and "hereunder" refer to this instrument as a whole and not merely to the subdivision in which said words appear.

Section 10.10 Gender and Number. Where the context admits: words in any gender shall include any other gender and, except where otherwise clearly indicated by context, the singular shall include the plural, and vice-versa.

Section 10.11 Unfunded Plan. The Plan shall not be funded. No Participant shall have any right to, or interest in, any assets of the Company that may be applied by the Company to the payment of Severance Benefits.

Section 10.12 Payments to Incompetent Persons. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, the Committee and all other parties with respect thereto.

Section 10.13 Lost Payees. A Severance Benefit shall be deemed forfeited if the Committee is unable to locate a Participant to whom Severance Benefits are due. Such Severance Benefits may be reinstated if application is made by the Participant for the forfeited Severance Benefits while this Plan is in operation.

Section 10.14 Controlling Law. This Plan shall be construed and enforced according to the laws of the State of Missouri to the extent not superseded by federal law, which shall otherwise control.

Appendix

SEVERANCE MULTIPLIER AND ANNUAL BONUS SEVERANCE PAYMENT SCHEDULE

Severance Multiplier Schedule

President and Chief Executive Officer (Career Band 0)	24 months
Executive Vice Presidents (Career Band 1)	18 months
Any other Eligible Employees (Titles of Senior Vice President and Vice President) (Career Band 2)	12 months

Annual Bonus Severance Payment Schedule

President and Chief Executive Officer (Career Band 0)	2x Average Annual Bonus
Executive Vice Presidents (Career Band 1)	1.5x Average Annual Bonus
Any other Eligible Employees (Titles of Senior Vice President and Vice President) (Career Band 2)	1x Average Annual Bonus

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment (this "Amendment") is made as of [_____], 2021 (the "Amendment Effective Date") by and between ST Shared Services LLC ("STSS"), Mallinckrodt plc ("Mallinckrodt") and [**EXECUTIVE**] ("Executive"), dated as of [_____], 2020 (the "Agreement"). Capitalized terms used herein not otherwise defined shall have the meanings ascribed to them in the Agreement.

WHEREAS, the parties desire to amend the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties intending to be legally bound hereby agree as follows:

1. Section 4(a)(ii) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(ii) Severance Payment. Executive shall receive a single lump sum payment equal to the product of (A) the sum of his or her Annual Base Salary and Average Annual Bonus (as defined below) multiplied by [two (2)] [one and a half (1.5)] , net of deductions and tax withholdings, as applicable (the "Severance Payment"). The Severance Payment shall be made on the Company's first regular payroll date following the Release Effective Date (as defined below). If Executive was not employed with the Company for at least one full year prior to the Date of Termination, Executive's Severance Payment shall be reduced by 50%. For purposes of this Agreement, Executive's "Average Annual Bonus" means the average of the actual bonuses paid (excluding any amounts paid pursuant to any Key Employee Incentive Program attributable to the component of the award intended to replace Executive's previously approved target long-term equity incentive opportunity) to Executive pursuant to The Mallinckrodt Annual Incentive Plan, the Global Bonus Plan, and/or any Key Employee Incentive Program (except as expressly excluded above) during the three Company fiscal years that immediately precede Executive's Date of Termination. If Executive has not been employed by the Company for a period during which such Executive was paid three full annual bonuses prior to the Date of Termination, the Average Annual Bonus shall be calculated by dividing the total of the actual bonuses paid (subject to the exclusions noted above) to the Executive by the number of full months worked by Executive during the years for which such actual bonuses were paid, and multiplied by twelve."

2. Except as expressly amended herein, all terms, covenants and provisions of the Agreement are ratified, reaffirmed and shall remain in full force and effect. All references therein to the Agreement shall hereafter refer to the Agreement as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Agreement.

3. This Amendment may be executed in two counterparts, each of which shall be effective as of the Amendment Effective Date, and which shall constitute one and the same instrument. Each such counterpart shall be deemed an original, and it shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

[*Remainder of page intentionally blank.*]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Amendment Effective Date.

[**EXECUTIVE**]

ST SHARED SERVICES LLC
By
Name:
Title:

MALLINCKRODT PLC
By
Name:
Title:

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark C. Trudeau, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mallinckrodt plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ Mark C. Trudeau
Mark C. Trudeau
President and Chief Executive Officer and Director (principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan M. Reasons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mallinckrodt plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ Bryan M. Reasons
Bryan M. Reasons
Executive Vice President and Chief Financial Officer (principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officers of Mallinckrodt plc ("the Company") hereby certify to their knowledge that the Company's quarterly report on Form 10-Q for the period ended September 24, 2021 ("the Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mark C. Trudeau

Mark C. Trudeau

President and Chief Executive Officer and Director (principal executive officer)

November 2, 2021

By: /s/ Bryan M. Reasons

Bryan M. Reasons

Executive Vice President and Chief Financial Officer (principal financial officer)

November 2, 2021