

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 29, 2023

or

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

For the transition period from to

Commission File Number : 001-35803

**Mallinckrodt plc**

(in examination under Part 10 of the Companies Act 2014 of Ireland)

(Exact name of registrant as specified in its charter)

Ireland

(State or other jurisdiction of incorporation or organization)

98-1088325

(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:

(Title of each class)	(Trading Symbol(s))	(Name of each exchange on which registered)
Ordinary shares, par value \$0.01 per share	MNKTQ <sup>(1)</sup>	N/A <sup>(1)</sup>

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	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>	Emerging Growth Company	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of November 3, 2023, the registrant had 13,371,707 ordinary shares outstanding at \$0.01 par value.

(1) On September 6, 2023, New York Stock Exchange ("NYSE") Regulation filed a Form 25 with the Securities and Exchange Commission ("SEC") to delist the ordinary shares of Mallinckrodt plc ("ordinary shares") from NYSE American LLC. The delisting was effective on September 16, 2023. The deregistration of the ordinary shares under Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act") will be effective 90 days, or such shorter period as the SEC may determine, after the filing date of the Form 25, at which point the ordinary shares will be deemed registered under Section 12(g) of the Exchange Act. The ordinary shares began trading in the market for unlisted securities on August 29, 2023 under the symbol "MNKTQ."

**MALLINCKRODT PLC**  
**(DEBTORS-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited, in millions, except per share data)*

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
<b>Net sales</b>	\$ 497.0	\$ 465.4
Cost of sales	346.2	449.9
<b>Gross profit</b>	150.8	15.5
Selling, general and administrative expenses	129.2	122.3
Research and development expenses	25.7	28.3
Restructuring charges, net	(0.1)	2.2
Non-restructuring impairment charges	135.9	—
Liabilities management and separation costs	142.1	6.9
<b>Operating loss</b>	(282.0)	(144.2)
Interest expense	(133.1)	(148.0)
Interest income	3.4	1.3
Other income (expense), net	9.1	(5.1)
Reorganization items, net	(1,311.5)	(14.2)
<b>Loss from continuing operations before income taxes</b>	(1,714.1)	(310.2)
Income tax expense (benefit)	10.8	(24.9)
<b>Loss from continuing operations</b>	(1,724.9)	(285.3)
Income from discontinued operations, net of income taxes	0.1	0.4
<b>Net loss</b>	\$ (1,724.8)	\$ (284.9)
<b>Basic (loss) income per share (Note 6):</b>		
Loss from continuing operations	\$ (128.61)	\$ (21.61)
Income from discontinued operations	—	0.03
Net loss	\$ (128.60)	\$ (21.58)
Basic weighted-average shares outstanding	13.4	13.2
<b>Diluted (loss) income per share (Note 6):</b>		
Loss from continuing operations	\$ (128.61)	\$ (21.61)
Income from discontinued operations	—	0.03
Net loss	\$ (128.60)	\$ (21.58)
Diluted weighted-average shares outstanding	13.4	13.2

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)**  
*(unaudited, in millions, except per share data)*

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
<b>Net sales</b>	\$ 1,396.6	\$ 550.4	\$ 874.6
Cost of sales	1,091.1	552.1	582.0
<b>Gross profit (loss)</b>	305.5	(1.7)	292.6
Selling, general and administrative expenses	369.6	143.4	266.3
Research and development expenses	83.0	34.5	65.5
Restructuring charges, net	0.9	3.3	9.6
Non-restructuring impairment charges	135.9	—	—
Liabilities management and separation costs	157.3	16.1	9.0
<b>Operating loss</b>	(441.2)	(199.0)	(57.8)
Interest expense	(457.7)	(169.1)	(108.6)
Interest income	12.8	1.4	0.6
Other (expense) income, net	(6.7)	0.8	(14.6)
Reorganization items, net	(1,321.1)	(17.7)	(630.9)
<b>Loss from continuing operations before income taxes</b>	(2,213.9)	(383.6)	(811.3)
Income tax expense (benefit)	508.1	(34.6)	(497.3)
<b>Loss from continuing operations</b>	(2,722.0)	(349.0)	(314.0)
Income from discontinued operations, net of income taxes	0.1	0.4	0.9
<b>Net loss</b>	\$ (2,721.9)	\$ (348.6)	\$ (313.1)
<b>Basic (loss) income per share (Note 6):</b>			
Loss from continuing operations	\$ (205.37)	\$ (26.44)	\$ (3.70)
Income from discontinued operations	0.01	0.03	0.01
Net loss	\$ (205.37)	\$ (26.41)	\$ (3.69)
Basic weighted-average shares outstanding	13.3	13.2	84.8
<b>Diluted (loss) income per share (Note 6):</b>			
Loss from continuing operations	\$ (205.37)	\$ (26.44)	\$ (3.70)
Income from discontinued operations	0.01	0.03	0.01
Net loss	\$ (205.37)	\$ (26.41)	\$ (3.69)
Diluted weighted-average shares outstanding	13.3	13.2	84.8

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS**  
*(unaudited, in millions)*

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
<b>Net loss</b>	\$ (1,724.8)	\$ (284.9)
<b>Other comprehensive (loss) income, net of tax:</b>		
Currency translation adjustments	(3.8)	(4.4)
Derivatives, net of tax	3.0	—
Benefit plans, net of tax	(0.3)	(0.3)
<b>Total other comprehensive loss, net of tax</b>	(1.1)	(4.7)
<b>Comprehensive loss</b>	<u>\$ (1,725.9)</u>	<u>\$ (289.6)</u>

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
<b>Net loss</b>	\$ (2,721.9)	\$ (348.6)	\$ (313.1)
<b>Other comprehensive (loss) income, net of tax:</b>			
Currency translation adjustments	(5.6)	(6.1)	(1.5)
Derivatives, net of tax	8.8	—	—
Benefit plans, net of tax	(0.5)	(0.3)	—
<b>Total other comprehensive income (loss), net of tax</b>	2.7	(6.4)	(1.5)
<b>Comprehensive loss</b>	<u>\$ (2,719.2)</u>	<u>\$ (355.0)</u>	<u>\$ (314.6)</u>

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(unaudited, in millions, except share data)*

	Successor	
	September 29, 2023	December 30, 2022
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 389.8	\$ 409.5
Accounts receivable, less allowance for doubtful accounts of \$4.8 and \$4.4	426.9	405.3
Inventories	834.2	947.6
Prepaid expenses and other current assets	136.6	273.4
<b>Total current assets</b>	<b>1,787.5</b>	<b>2,035.8</b>
Property, plant and equipment, net	459.8	457.6
Intangible assets, net	2,319.8	2,843.8
Deferred income taxes	—	475.5
Other assets	227.7	201.1
<b>Total Assets</b>	<b>\$ 4,794.8</b>	<b>\$ 6,013.8</b>
<b>Liabilities and Shareholders' (Deficit) Equity</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 377.4	\$ 44.1
Accounts payable	78.2	114.0
Accrued payroll and payroll-related costs	65.1	49.5
Accrued interest	34.6	29.0
Acthar Gel-Related Settlement	—	16.5
Opioid-Related Litigation Settlement liability	—	200.0
Accrued and other current liabilities	243.7	290.7
<b>Total current liabilities</b>	<b>799.0</b>	<b>743.8</b>
Long-term debt	—	3,027.7
Acthar Gel-Related Settlement	—	75.0
Opioid-Related Litigation Settlement liability	—	379.9
Pension and postretirement benefits	40.4	41.0
Environmental liabilities	34.8	35.8
Other income tax liabilities	19.2	18.2
Other liabilities	67.4	78.7
Liabilities subject to compromise	4,932.1	—
<b>Total Liabilities</b>	<b>5,892.9</b>	<b>4,400.1</b>
Shareholders' (Deficit) Equity:		
Successor preferred shares, \$0.01 par value, 500,000,000 authorized; none issued and outstanding	—	—
Successor ordinary A shares, €1.00 par value, 40,000 authorized; none issued and outstanding	—	—
Successor ordinary shares, \$0.01 par value, 500,000,000 authorized; 13,478,506 and 13,170,932 issued; 13,357,313 and 13,170,932 outstanding	0.1	0.1
Successor ordinary shares held in treasury at cost, 121,193 and zero	(0.1)	—
Additional paid-in capital	2,198.5	2,191.0
Accumulated other comprehensive income	13.5	10.8
Retained deficit	(3,310.1)	(588.2)
<b>Total Shareholders' (Deficit) Equity</b>	<b>(1,098.1)</b>	<b>1,613.7</b>
<b>Total Liabilities and Shareholders' (Deficit) Equity</b>	<b>\$ 4,794.8</b>	<b>\$ 6,013.8</b>

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited, in millions)*

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (2,721.9)	\$ (348.6)	\$ (313.1)
Adjustments to reconcile net cash from operating activities:			
Depreciation and amortization	423.2	196.9	321.8
Share-based compensation	7.7	0.5	1.7
Deferred income taxes	475.5	(10.8)	(473.0)
Non-cash impairment charges	135.9	—	—
Reorganization items, net	1,294.1	—	425.4
Non-cash accretion expense	176.7	72.3	—
Other non-cash items	11.6	5.7	35.3
Changes in assets and liabilities:			
Accounts receivable, net	(23.8)	9.2	49.8
Inventories	99.1	150.9	(33.2)
Accounts payable	(31.2)	(11.6)	(3.6)
Income taxes	168.7	(27.8)	(26.9)
Opioid-Related Litigation Settlement liability	(250.0)	—	—
Payments of claims	—	—	(629.0)
Other	(63.3)	(17.4)	2.5
Net cash from operating activities	(297.7)	19.3	(642.3)
<b>Cash Flows From Investing Activities:</b>			
Capital expenditures	(41.9)	(15.6)	(33.4)
Proceeds from divestitures, net of cash	—	65.0	—
Other	1.1	0.2	0.4
Net cash from investing activities	(40.8)	49.6	(33.0)
<b>Cash Flows From Financing Activities:</b>			
Issuance of external debt	380.0	—	650.0
Repayment of external debt	(52.0)	(17.3)	(904.6)
Debt financing costs	(2.4)	—	(24.1)
Other	(0.1)	—	—
Net cash from financing activities	325.5	(17.3)	(278.7)
Effect of currency rate changes on cash	(1.7)	(3.7)	(3.9)
<b>Net change in cash, cash equivalents and restricted cash</b>	(14.7)	47.9	(957.9)
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	466.7	447.3	1,405.2
<b>Cash, cash equivalents and restricted cash at end of period</b>	\$ 452.0	\$ 495.2	\$ 447.3
Cash and cash equivalents at end of period	\$ 389.8	\$ 391.2	\$ 297.9
Restricted cash included in prepaid expenses and other current assets at end of period	22.9	67.5	113.0
Restricted cash included in other long-term assets at end of period	39.3	36.5	36.4
<b>Cash, cash equivalents and restricted cash at end of period</b>	\$ 452.0	\$ 495.2	\$ 447.3

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY**  
*(unaudited, in millions)*

	Ordinary Shares		Treasury Shares		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' (Deficit) Equity
	Number	Par Value	Number	Amount				
<b>Balance as of December 31, 2021 (Predecessor)</b>	94.3	\$ 18.9	9.6	\$ (1,616.1)	\$ 5,597.8	\$ (3,678.9)	\$ (8.3)	\$ 313.4
Net loss	—	—	—	—	—	(119.6)	—	(119.6)
Share-based compensation	—	—	—	—	1.2	—	—	1.2
<b>Balance as of April 1, 2022 (Predecessor)</b>	94.3	\$ 18.9	9.6	\$ (1,616.1)	\$ 5,599.0	\$ (3,798.5)	\$ (8.3)	\$ 195.0
Net loss	—	—	—	—	—	(193.5)	—	(193.5)
Other comprehensive loss	—	—	—	—	—	—	(1.5)	(1.5)
Share-based compensation	—	—	—	—	0.5	—	—	0.5
Cancellation of Predecessor equity	(94.3)	(18.9)	(9.6)	1,616.1	(5,599.5)	3,992.0	9.8	(0.5)
Issuance of Successor common stock	13.2	0.1	—	—	2,189.6	—	—	2,189.7
Issuance of Successor Opioid Warrants	—	—	—	—	13.9	—	—	13.9
<b>Balance as of June 16, 2022 (Successor)</b>	13.2	\$ 0.1	—	\$ —	\$ 2,203.5	\$ —	\$ —	\$ 2,203.6
Net loss	—	—	—	—	—	(63.7)	—	(63.7)
Other comprehensive loss	—	—	—	—	—	—	(1.7)	(1.7)
<b>Balance as of July 1, 2022 (Successor)</b>	13.2	\$ 0.1	—	\$ —	\$ 2,203.5	\$ (63.7)	\$ (1.7)	\$ 2,138.2
Net loss	—	—	—	—	—	(284.9)	—	(284.9)
Other comprehensive loss	—	—	—	—	—	—	(4.7)	(4.7)
Share-based compensation	—	—	—	—	0.5	—	—	0.5
<b>Balance as of September 30, 2022 (Successor)</b>	13.2	\$ 0.1	—	\$ —	\$ 2,204.0	\$ (348.6)	\$ (6.4)	\$ 1,849.1
<b>Balance as of December 30, 2022 (Successor)</b>	13.2	\$ 0.1	—	\$ —	\$ 2,191.0	\$ (588.2)	\$ 10.8	\$ 1,613.7
Net loss	—	—	—	—	—	(249.3)	—	(249.3)
Other comprehensive loss	—	—	—	—	—	—	(2.6)	(2.6)
Share-based compensation	—	—	—	—	2.6	—	—	2.6
<b>Balance as of March 31, 2023 (Successor)</b>	13.2	\$ 0.1	—	\$ —	\$ 2,193.6	\$ (837.5)	\$ 8.2	\$ 1,364.4
Net loss	—	—	—	—	—	(747.8)	—	(747.8)
Other comprehensive income	—	—	—	—	—	—	6.4	6.4
Vesting of restricted shares	0.2	—	0.1	(0.1)	—	—	—	(0.1)
Share-based compensation	—	—	—	—	2.5	—	—	2.5
<b>Balance as of June 30, 2023 (Successor)</b>	13.4	\$ 0.1	0.1	\$ (0.1)	\$ 2,196.1	\$ (1,585.3)	\$ 14.6	\$ 625.4
Net loss	—	—	—	—	—	(1,724.8)	—	(1,724.8)
Other comprehensive loss	—	—	—	—	—	—	(1.1)	(1.1)
Vesting of restricted shares	0.1	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	2.4	—	—	2.4
<b>Balance as of September 29, 2023 (Successor)</b>	13.5	\$ 0.1	0.1	\$ (0.1)	\$ 2,198.5	\$ (3,310.1)	\$ 13.5	\$ (1,098.1)

See Notes to Condensed Consolidated Financial Statements.

**MALLINCKRODT PLC**  
**(DEBTOR-IN-POSSESSION)**  
**(IN EXAMINATION UNDER PART 10 OF THE COMPANIES ACT 2014 OF IRELAND)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited, dollars in millions, except share data, per share data and where indicated)*

**1. Background and Basis of Presentation**

***Background***

Mallinckrodt plc (in examination under Part 10 of the Companies Act 2014 of Ireland) 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, hepatology, nephrology, pulmonology, ophthalmology and oncology; immunotherapy and neonatal respiratory critical care therapies; analgesics; cultured skin substitutes 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 <sup>TM</sup> or <sup>®</sup> 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. In the opinion of management, all adjustments necessary for a fair statement of results of operations, cash flows and financial position have been made. 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.

The fiscal year-end balance sheet data was derived from audited consolidated financial statements, but does 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 30, 2022 filed with the SEC on March 3, 2023 ("Annual Report on Form 10-K").

***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 August 28, 2023, Mallinckrodt plc and certain of its subsidiaries voluntarily initiated proceedings ("2023 Chapter 11 Cases") under the chapter 11 of title 11 ("Chapter 11") of the United States Code ("Bankruptcy Code") in the U.S. Bankruptcy Court for the District of Delaware ("Bankruptcy Court") with a prepackaged Chapter 11 plan of reorganization (as may be amended or supplemented from time to time in accordance with its terms, including the Amended 2023 Plan (as defined in Note 2), the "2023 Plan") as contemplated by the restructuring support agreement ("RSA") dated as of August 23, 2023, by and among the Company, certain of its subsidiaries, certain creditors and the Opioid Master Disbursement Trust II ("Trust"). As contemplated by the 2023 Plan

and the RSA, on September 20, 2023, the directors of Mallinckrodt plc initiated examinership proceedings with respect to Mallinckrodt plc ("Irish Examinership Proceedings") by presenting a petition ("Examinership Petition") to the High Court of Ireland pursuant to Section 510(1)(b) of the Companies Act 2014 of Ireland seeking the appointment of an examiner to Mallinckrodt plc ("Examiner"). The references to the 2023 Chapter 11 Cases included within this Quarterly Report on Form 10-Q shall include, where applicable, the Irish Examinership Proceedings.

See Note 2 for further information on the 2023 Chapter 11 Cases, the RSA, the 2023 Plan and the Irish Examinership Proceedings.

Substantial doubt about the Company's ability to continue as a going concern exists in light of its 2023 Chapter 11 Cases. The Company's ability to continue as a going concern is contingent upon, among other things, its ability to implement the 2023 Plan and the 2023 Scheme of Arrangement (as defined below), emerge from the 2023 Chapter 11 Cases and generate sufficient liquidity following the reorganization to meet its obligations, most notably its restructured debt obligations, and operating needs.

Although management believes that the reorganization of the Company through the 2023 Chapter 11 Cases will appropriately position the Company upon emergence, the commencement of the 2023 Chapter 11 Cases 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 2023 Chapter 11 Cases. There are a number of risks and uncertainties associated with the 2023 Chapter 11 Cases, including, among others that: (a) the 2023 Plan may never 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 2023 Chapter 11 Cases may be converted into cases under chapter 7 of the Bankruptcy Code.

Although the Bankruptcy Court has entered an order ("Confirmation Order") confirming the Amended 2023 Plan proposed by the 2023 Debtors (as defined in Note 2), consummation of the 2023 Plan and the transactions contemplated thereby and emergence from the 2023 Chapter 11 Cases remains subject to the satisfaction of various conditions, including that the High Court of Ireland will make an order in the Irish Examinership Proceedings pursuant to Section 541 of the Companies Act 2014 of Ireland confirming the scheme of arrangement between Mallinckrodt, its shareholders and certain of its creditors that is currently being formulated by the Examiner based on and consistent in all respects with the 2023 Plan ("2023 Scheme of Arrangement"), and that the 2023 Scheme of Arrangement will become effective in accordance with its terms (or will become effective concurrently with the effectiveness of the 2023 Plan). Accordingly, no assurance can be given that the 2023 Plan or the transactions contemplated thereby will be consummated or that the Company will successfully emerge from the 2023 Chapter 11 Cases. 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 2023 Debtors 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 2023 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 2023 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 2023 Chapter 11 Cases, see Note 2.

### ***Previous Chapter 11 Cases***

On October 12, 2020, Mallinckrodt plc and substantially all of its U.S. subsidiaries, including certain subsidiaries of Mallinckrodt plc operating the Specialty Generics business and the Specialty Brands business, and certain of its international subsidiaries (collectively, the "2020 Debtors") voluntarily initiated proceedings ("2020 Chapter 11 Cases") under Chapter 11 the Bankruptcy Code. On March 2, 2022, the Bankruptcy Court entered an order confirming the fourth amended plan of reorganization (with technical modifications) ("2020 Plan"). Subsequent to the filing of the 2020 Chapter 11 Cases, Chapter 11 proceedings commenced by a limited subset of the 2020 Debtors were recognized and given effect in Canada, and separately the High Court of Ireland made an order confirming a scheme of arrangement on April 27, 2022, which was based on and consistent in all respects with the 2020 Plan ("2020 Scheme of Arrangement"). On June 8, 2022, the Bankruptcy Court entered an order approving a minor modification to the 2020 Plan. The 2020 Plan became effective on June 16, 2022 ("Effective Date of the 2020 Chapter 11 Cases"), and on such date the Company emerged from the Chapter 11 and the 2020 Scheme of Arrangement became effective concurrently.

Upon emergence from the 2020 Chapter 11 Cases, the Company adopted fresh-start accounting in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 852 - *Reorganizations*, and became a new entity for financial reporting purposes as of the Effective Date of the 2020 Chapter 11 Cases. References to "Successor" relate to the financial position as of June 16, 2022 and results of operations of the reorganized Company subsequent to June 16, 2022, while references to "Predecessor" relate to the financial position prior to June 16, 2022 and results of operations of the Company prior

to, and including, June 16, 2022. All emergence-related transactions of the Predecessor were recorded as of June 16, 2022. Accordingly, the unaudited condensed consolidated financial statements for the Successor are not comparable to the unaudited condensed consolidated financial statements for the Predecessor.

### **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 29, 2023 (Successor) refers to the thirteen and thirty-nine week period ended September 29, 2023 (Successor). The three months ended September 30, 2022 (Successor) and the period June 17, 2022 through September 30, 2022 (Successor) reflect the Successor periods, while the period January 1, 2022 through, and including, June 16, 2022 reflects the Predecessor period.

## **2. Bankruptcy Proceedings**

### **Voluntary Filing Under Chapter 11 and Examinership Proceedings**

As contemplated by the RSA, and with the authorization of the Company's board of directors, on August 28, 2023 ("Petition Date"), the Company and certain of its subsidiaries voluntarily initiated the 2023 Chapter 11 Cases under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court with the 2023 Plan. The entities that filed the 2023 Chapter 11 Cases include Mallinckrodt plc, substantially all of its U.S. subsidiaries, including the Specialty Generics business and Specialty Brands business, and certain of its international subsidiaries (collectively, the "2023 Debtors").

It is a condition precedent to the consummation of the 2023 Plan that the High Court of Ireland shall make an order pursuant to Section 541 of the Companies Act 2014 of Ireland confirming the 2023 Scheme of Arrangement, and that the 2023 Scheme of Arrangement shall become effective in accordance with its terms (or shall become effective concurrently with the effectiveness of the 2023 Plan). As contemplated by the 2023 Plan, and in furtherance of the satisfaction of such condition precedent, on September 20, 2023 the directors of Mallinckrodt plc initiated the Irish Examinership Proceedings. On the same date, following an ex parte application made by the directors of Mallinckrodt plc, the High Court of Ireland made an order appointing the Examiner on an interim basis, which appointment was subsequently confirmed by an Order of the High Court of Ireland on October 2, 2023. Refer to Note 15 for further information on the Irish Examinership Proceedings.

During the continuance of the Irish Examinership Proceedings, Mallinckrodt will be under the protection of the High Court of Ireland. During the period of court protection, no proceedings can be commenced in Ireland to wind up Mallinckrodt, and no action can be taken by creditors to enforce security or take possession of any assets of Mallinckrodt, without the consent of the Examiner. The period of court protection will subsist for an initial 70 days, which can, in certain circumstances, be extended by order of the High Court of Ireland for a further 30 days.

Information about the 2023 Chapter 11 Cases, including the case docket, may be found free of charge at <https://restructuring.ra.kroll.com/mallinckrodt2023/>.

The 2023 Chapter 11 Cases are being jointly administered under the caption *In re Mallinckrodt plc*, Case No. 23-11258. During the pendency of the 2023 Chapter 11 Cases, the 2023 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 2023 Debtors are authorized to continue to operate as ongoing business, and may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. The 2023 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 2023 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. Refer to Note 15 "*Confirmation of Plan of Reorganization*" for a summary of the anticipated distributions to the 2023 Debtors' creditors and interest holders under the 2023 Plan.

Under the Bankruptcy Code, the 2023 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 2023 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 2023 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 2023 Debtors have under the Bankruptcy Code.

### ***Restructuring Support Agreement***

On August 23, 2023, the 2023 Debtors entered into the RSA with creditors holding approximately 72% of the aggregate principal amount of the 2023 Debtors' first lien funded debt and approximately 71% of the aggregate principal amount of the 2023 Debtors' second lien funded debt and the Trust (collectively, the "Supporting Parties"), which has subsequently received support from creditors holding approximately 90% of each of the 2023 Debtors' first and second lien funded debt.

The RSA reflects an agreement by the Supporting Parties to support the 2023 Plan through the 2023 Chapter 11 Cases, which provides for the following:

- A new post-petition senior secured debtor-in-possession multi-draw, fully-backstopped priming term loan financing facility providing new funds in the amount of \$250.0 million, which will be, either repaid in cash at emergence (to the extent cash on hand at emergence is above a specified threshold as further described in the 2023 Plan) or converted into first-out takeback debt;
- A post-petition receivables financing facility of up to \$200.0 million, which will be repaid in cash in the ordinary course or at emergence;
- The reduction of first lien term debt from \$2,861.8 million to \$1,650.0 million, which will be in the form of takeback debt distributed to post-petition term lenders and pre-petition first lien creditors;
- The pre-petition first lien creditors will also receive 92.3% of the 2023 Debtors' reorganized equity (subject to dilution by any management incentive plan that may be adopted in connection with emergence ("MIP") and the contingent value rights ("CVRs"), as defined below, if equity settled), plus cash (to the extent cash on hand at emergence is above a specified threshold as further described in the 2023 Plan) and second-out takeback debt;
- The elimination of pre-petition second lien debt in its entirety, with pre-petition second lien creditors receiving 7.7% of the 2023 Debtors' reorganized equity (subject to dilution by the MIP and the CVRs if equity settled);
- The permanent elimination of the 2023 Debtors' remaining opioid-related litigation settlement payment obligations (including the \$200.0 million installment payment originally due on June 16, 2023) subject to the Company (a) making a \$250.0 million payment to the Trust prior to the commencement of the 2023 Chapter 11 Cases (which was made on August 24, 2023) and (b) entering into an agreement ("CVR Agreement") for 4-year CVRs to receive a payment (in cash or, at the Company's option subject to certain conditions, shares of the Company's reorganized equity) equal to the value of 5% of the Company's total outstanding equity (subject to certain dilution) less the exercise price, which will be based on a total enterprise value of \$3.776 billion less funded debt at emergence plus any excess cash at emergence after the emergence-date cash sweep contemplated by the RSA;
- The 2023 Debtors' non-monetary obligations to the Trust will generally be preserved, including the compliance-related operating injunction;
- All other claims against the 2023 Debtors (with the exception of subordinated securities claims) will be treated as unimpaired, including the Debtors' settlement under the 2020 Plan with governmental entities regarding Acthar<sup>®</sup> Gel, and the associated Corporate Integrity Agreement, and also trade liabilities; and
- The cancellation of Mallinckrodt ordinary shares for no consideration.

Pursuant to the RSA, each of the 2023 Debtors and the Supporting Parties made certain customary commitments to each other in connection with the pursuit of the transactions contemplated by the term sheets attached thereto. The 2023 Debtors agreed to, among other things, use commercially reasonable efforts to make all requisite filings with the Bankruptcy Court, continue to involve and update the Supporting Parties' representatives in the bankruptcy process and satisfy certain other covenants. The Supporting Parties committed to support and vote for the 2023 Plan and agreed to use commercially reasonable efforts to take, or refrain from taking, certain actions in furtherance of such support, including an agreement that the forbearance period under the previously disclosed forbearance agreements entered into on August 15, 2023 with requisite majorities of the Company's term lenders and noteholders will continue until termination of the RSA. Similarly, the 2023 Debtors' prior obligation to pay the Trust the \$200.0 million installment payment originally due on June 16, 2023 pursuant to the opioid deferred cash payments agreement, dated as of June 16, 2022, by and among the Company and the Trust ("Opioid Deferred Cash Payments Agreement") ceased to be outstanding upon effectiveness of the RSA and all remaining opioid-related litigation settlement payment obligations were replaced with the \$250.0 million payment that was made to the Trust prior to the commencement of the 2023 Chapter 11 Cases and the agreement to issue the CVRs described above.

The RSA contains milestones for the progress of the 2023 Chapter 11 Cases in the Bankruptcy Court, which include the dates by which the 2023 Debtors are required to, among other things, obtain certain orders of the Bankruptcy Court and consummate the 2023 Debtors' restructuring. Among other dates set forth in the RSA, the RSA contemplates that the Bankruptcy Court shall have entered an

order confirming the 2023 Plan no later than 50 days after the Petition Date (which occurred on October 10, 2023) and that the 2023 Debtors shall have emerged from bankruptcy no later than 90 days after the Petition Date.

Each of the parties to the RSA may terminate the RSA (and thereby their support for the 2023 Plan) under certain limited circumstances. Any 2023 Debtor may terminate the RSA upon, among other circumstances: (i) its board of directors reasonably determining in good faith, after consultation with legal counsel, that performance under the RSA would be inconsistent with its fiduciary duties or duties as directors under applicable law; and (ii) certain actions by the Bankruptcy Court, including dismissing the 2023 Chapter 11 Cases or converting the 2023 Chapter 11 Cases into cases under chapter 7 of the Bankruptcy Code.

The Supporting Parties also have specified termination rights, including, among other circumstances, termination rights that arise if any of the milestones have not been achieved, extended or waived. The Supporting Parties' termination rights may be exercised by the requisite thresholds of the applicable Supporting Parties specified in the RSA. Termination by one of these creditor groups will result in the termination of the RSA as to such terminating group only, with the RSA remaining in effect with respect to the 2023 Debtors and the non-terminating groups.

The transactions contemplated by the RSA remain subject to certain conditions, including the completion of the Irish Examinership Proceedings. Accordingly, no assurance can be given that the transactions described therein will be consummated.

### ***First Day Motions***

On August 30, 2023, the 2023 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 their business operations during the 2023 Chapter 11 Cases, including the continued payment of employee wages and benefits without interruption, payment of trade vendors, continuation of customer programs, continuation of use of existing cash management programs and authorization of the Company's \$250.0 million post-petition, super-priority debtor-in-possession financing facility. The First Day Motions were subsequently approved by the Bankruptcy Court on a final basis at hearings.

### ***Confirmed Plan of Reorganization***

On September 22, 2023, in accordance with the RSA and the 2023 Plan, the Company filed a supplement to the 2023 Plan with the Bankruptcy Court, which includes, among other things, (a) a term sheet setting forth certain preliminary terms in respect of the corporate governance and related matters of the Company, as reorganized pursuant to and under the 2023 Plan ("Governance Term Sheet"), (b) certain governing documents for certain of the Company's subsidiaries, (c) certain key terms in respect of the takeback debt related to the exit financing to be entered into by the Company, as reorganized pursuant to and under the 2023 Plan ("Exit Financing Documentation"), and (d) a draft of the CVR Agreement. After receiving information regarding the potential syndicated financing contemplated by the RSA, members of the ad hoc first lien term loan group and the members of the ad hoc crossover group did not consent to the 2023 Debtors' pursuit of the syndicated exit financing, and therefore the Company expects to issue takeback debt at emergence. The form of constitution to be adopted by the Company, as reorganized pursuant to and under the 2023 Plan, reflecting the applicable terms of the Governance Term Sheet, forms part of the 2023 Scheme of Arrangement (as defined below). As of November 7, 2023, the Company has not finalized the terms with respect to the remaining terms of the Governance Term Sheet, the Exit Financing Documentation or the CVR Agreement, and such documents remain under negotiation by the applicable parties to the RSA and will be filed with the Bankruptcy Court in a subsequent 2023 Plan supplement once available.

On September 29, 2023, the 2023 Debtors filed the First Amended Prepackaged Joint Chapter 11 Plan of Reorganization of Mallinckrodt Plc and Its Debtor Affiliates (as may be amended or supplemented from time to time in accordance with its terms, the "Amended 2023 Plan") in the 2023 Chapter 11 Cases in the Bankruptcy Court. Refer to Note 15 for details on the subsequent confirmation of the Amended 2023 Plan.

### ***Event of default***

The commencement of the 2023 Chapter 11 Cases 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 provide that, as a result of the commencement of the 2023 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 sheet as of September 29, 2023 (Successor). However, any efforts to enforce payment obligations under the debt instruments are automatically stayed as a result of the 2023 Chapter 11 Cases and the creditors' rights in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. The commencement of the 2023 Chapter 11 Cases would constitute an event of default under the receivables financing facility due December 2023 ("ABL Credit Agreement") but for certain amendments thereto, entered into prior to the date hereof (as further described in Note 10).

## **Financial Reporting in Reorganization**

Effective on the Petition Date, the Company began to apply FASB 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 2023 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 2023 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 2023 Chapter 11 Cases, the Company has 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 2023 Debtors in existence before the Petition Date are stayed while the 2023 Debtors continue business operations as debtors-in-possession. These claims are reflected as LSTC in the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor). 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 2023 Chapter 11 Cases. However, the assets and liabilities, operating results and cash flows of the non-debtor entities included in the unaudited condensed consolidated financial statements are insignificant. Therefore, the unaudited condensed consolidated financial statements presented herein materially represent the unaudited condensed combined financial statements of the 2023 Debtor entities for all periods presented and unaudited condensed combined financial statements of the 2023 Debtors are not separately presented in the notes to the unaudited condensed combined financial statements.

Non-debtor entity intercompany balances from/due to the 2023 Debtors as of September 29, 2023 (Successor) was as follows:

Intercompany receivables	\$	25.9
Intercompany payables		190.7

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 2023 Chapter 11 Cases was approved by the Bankruptcy Court on a final basis as part of certain First Day Motions.

The Company is currently assessing whether or not it qualifies for fresh-start accounting upon emergence from the 2023 Chapter 11 Cases. 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 sheet as of September 29, 2023 (Successor).

## **Notice of Delisting**

On September 6, 2023, New York Stock Exchange ("NYSE") Regulation filed a Form 25 with the SEC to delist the Company's ordinary shares from NYSE American LLC. The delisting was effective on September 16, 2023. The deregistration of the ordinary shares under Section 12(b) of the Securities Exchange Act of 1934 ("Exchange Act") will be effective 90 days, or such shorter period as the SEC may determine, after the filing date of the Form 25, at which point the ordinary shares will be deemed registered under Section 12(g) of the Exchange Act. The Company's ordinary shares began trading in the market for unlisted securities on August 29, 2023 under the symbol "MNKTQ."

## **Liabilities Subject to Compromise**

As a result of the commencement of the 2023 Chapter 11 Cases, the payment of pre-petition liabilities is subject to compromise or other treatment pursuant to the 2023 Plan. 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 2023 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 2023 Debtors' business and assets.

The determination of how liabilities will ultimately be settled or treated cannot be made until the 2023 Plan becomes effective. Accordingly, the ultimate amount of such liabilities is not determinable at this time. 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 the period consisted of the following:

	<u>Successor</u>
	<u>September 29,</u>
	<u>2023</u>
Accrued interest <sup>(1)</sup>	\$ 159.0
Debt <sup>(2)</sup>	3,512.0
Acthar Gel-Related Settlement <sup>(3)</sup>	236.1
Opioid-Related Litigation Settlement <sup>(4)</sup>	1,025.0
<b>Total liabilities subject to compromise</b>	<b>\$ 4,932.1</b>

- (1) Accrued interest includes \$14.9 million and \$108.9 million related to makewhole settlement allowed claims with the 2025 and 2028 first lien senior secured noteholders, respectively, prescribed for per the RSA and 2023 Plan.
- (2) The Company expensed \$377.6 million to adjust the carrying value up to the principal value or estimated allowed claim amount and recorded the expense within in reorganization items, net in the unaudited condensed consolidated statement of operations for the three months ended September 29, 2023 (Successor).
- (3) The Company expensed \$145.0 million as reorganization items, net to adjust the present value of the Acthar Gel-Related Settlement liability to its estimated allowed claim amount during the three months ended September 29, 2023 (Successor). This settlement obligation is listed as unimpaired in the 2023 Plan, but is classified as LSTC in accordance with ASC 852 given it is unsecured and its ultimate treatment is dependent upon the effectuation of the 2023 Plan.
- (4) The Company expensed \$598.4 million as reorganization items, net to adjust the present value of the Opioid-Related Litigation Settlement liability to its estimated allowed claim amount during the three months ended September 29, 2023 (Successor). This settlement obligation is classified as LSTC in accordance with ASC 852 given it is unsecured and its ultimate permanent elimination is dependent upon the effectuation of the 2023 Plan. Refer to Note 12 for further information.

### **Contractual interest**

While the 2023 Chapter 11 Cases are pending, the Company is not accruing interest on its second lien senior secured notes as of the Petition Date on a go-forward basis as the 2023 Debtors do not anticipate making interest payments due under the respective debt instruments. The total aggregate amount of interest payments due under the Company's second lien senior secured notes for the three months ended September 29, 2023, which the Company did not pay, was \$40.6 million. The 2023 Debtors expect to pay all interest payments in full as they come due under their respective first lien senior secured debt instruments.

### **Reorganization items, net**

Reorganization items, net, represent amounts incurred after the Petition Date as a direct result of the 2023 Chapter 11 Cases and are comprised of bankruptcy-related professional fees, debt valuation adjustments and adjustments to reflect the carrying value of LSTC at their estimated allowed claim amounts, as such adjustments are approved by the Bankruptcy Court. Such adjustments include non-cash adjustments associated with the Company's debt and settlement obligations in order to reflect the estimated allowed claim amount of these liabilities within LSTC, a makewhole settlement entered into with the Company's first lien senior secured noteholders as described in the RSA, and a backstop premium on the DIP Credit Agreement (as defined in Note 10).

Also included within reorganization items, net are amounts incurred after the Effective Date of the 2020 Chapter 11 Cases that directly resulted from the 2020 Chapter 11 Cases and were comprised of professional fees associated with the implementation of the 2020 Plan during the Successor period and expenses primarily driven by the loss on application of fresh-start accounting, gain on settlement of LSTC and professional and lender fees during the Predecessor period.

Cash paid for reorganization items, net, related to the 2023 Chapter 11 Cases for the nine months ended September 29, 2023 (Successor) was \$2.1 million. Cash paid for reorganization items, net, related to the 2020 Chapter 11 Cases for the period from January 1, 2022 through June 16, 2022 (Predecessor) was \$304.1 million.

Reorganization items, net, were comprised of the following:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Professional fees	\$ 17.4	\$ 14.2
Debt valuation adjustments	426.9	—
Adjustments of other claims	867.2	—
Total reorganization items, net	<u>\$ 1,311.5</u>	<u>\$ 14.2</u>

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Gain on settlements of LSTC	\$ —	\$ —	\$ (943.7)
Loss on fresh-start adjustments	—	—	1,354.6
Professional and other service provider fees	27.0	17.7	161.1
Success fees for professional service providers	—	—	44.3
Write off of prepaid premium for directors' and officers' insurance policies	—	—	9.2
Debt valuation adjustments	426.9	—	—
Adjustments of other claims	867.2	—	5.4
Total reorganization items, net	<u>\$ 1,321.1</u>	<u>\$ 17.7</u>	<u>\$ 630.9</u>

### 3. Revenue from Contracts with Customers

#### Product Sales Revenue

See Note 14 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 <sup>(1)</sup>	Product Returns	Other Sales Deductions	Total
<b>Balance as of December 31, 2021 (Predecessor)</b>	\$ 241.8	\$ 21.5	\$ 9.5	\$ 272.8
Provisions	693.4	5.2	17.1	715.7
Payments or credits	(684.6)	(8.1)	(18.9)	(711.6)
<b>Balance as of June 16, 2022 (Predecessor)</b>	<u>\$ 250.6</u>	<u>\$ 18.6</u>	<u>\$ 7.7</u>	<u>\$ 276.9</u>
<b>Balance as of June 17, 2022 (Successor)</b>	\$ 250.6	\$ 18.6	\$ 7.7	\$ 276.9
Provisions	429.9	3.1	26.8	459.8
Payments or credits	(462.4)	(4.3)	(11.2)	(477.9)
<b>Balance as of September 30, 2022 (Successor)</b>	<u>\$ 218.1</u>	<u>\$ 17.4</u>	<u>\$ 23.3</u>	<u>\$ 258.8</u>
<b>Balance as of December 30, 2022 (Successor)</b>	\$ 265.3	\$ 16.0	\$ 12.7	\$ 294.0
Provisions	1,150.5	8.5	36.1	1,195.1
Payments or credits	(1,185.1)	(11.2)	(36.0)	(1,232.3)
<b>Balance as of September 29, 2023 (Successor)</b>	<u>\$ 230.7</u>	<u>\$ 13.3</u>	<u>\$ 12.8</u>	<u>\$ 256.8</u>

(1) Includes \$57.2 million and \$89.3 million of accrued Medicaid and \$35.9 million and \$55.3 million of accrued rebates as of September 29, 2023 (Successor) and December 30, 2022 (Successor), respectively, included within accrued and other current liabilities in the unaudited condensed consolidated balance sheets.

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

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Product sales transferred at a point in time	85.1 %	82.4 %
Product sales transferred over time	14.9	17.6

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Product sales transferred at a point in time	83.1 %	82.6 %	80.8 %
Product sales transferred over time	16.9	17.4	19.2

*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 29, 2023 (Successor):

Remainder of Fiscal 2023	\$	12.6
Fiscal 2024		35.4
Fiscal 2025		17.4
Thereafter		0.2

**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:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Royalty revenue	\$ 0.2	\$ 18.2

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Royalty revenue	\$ 4.0	\$ 21.2	\$ 34.9

#### 4. Restructuring and Related Charges

During fiscal 2021 and 2018, the Company launched restructuring programs designed to improve its cost structure, neither of which has a specified time period. Charges of \$50.0 million to \$100.0 million were provided for under the 2021 program and \$100.0 million to \$125.0 million were provided for under the 2018 program. The 2021 program will commence upon substantial completion of the 2018 program, and has not commenced as of September 29, 2023 (Successor).

Net restructuring and related charges by segment were as follows:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Specialty Generics	\$ —	(0.2)
Corporate	(0.1)	2.4
<b>Restructuring charges, net</b>	<b>\$ (0.1)</b>	<b>\$ 2.2</b>

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Specialty Generics	\$ —	\$ (0.2)	\$ 3.5
Corporate	1.7	3.5	6.1
<b>Restructuring and related charges, net</b>	<b>1.7</b>	<b>3.3</b>	<b>9.6</b>
Less: accelerated depreciation	(0.8)	—	—
<b>Restructuring charges, net</b>	<b>\$ 0.9</b>	<b>\$ 3.3</b>	<b>\$ 9.6</b>

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

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
2018 Program	\$ (0.1)	\$ 2.2
Less: non-cash charges, including accelerated depreciation	—	(0.7)
<b>Total charges expected to be settled in cash</b>	<b>\$ (0.1)</b>	<b>\$ 1.5</b>

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
2018 Program	\$ 1.7	\$ 3.3	\$ 9.6
Less: non-cash charges, including accelerated depreciation	(0.8)	(0.9)	(3.6)
<b>Total charges expected to be settled in cash</b>	<b>\$ 0.9</b>	<b>\$ 2.4</b>	<b>\$ 6.0</b>

The following table summarizes cash activity for restructuring reserves for the 2018 Program, which primarily related to employee severance and benefits:

	2018 Program
<b>Balance as of December 30, 2022 (Successor)</b>	<b>\$ 4.6</b>
Charges from continuing operations	1.3
Changes in estimate from continuing operations	(0.4)
Cash payments	(5.4)
<b>Balance as of September 29, 2023 (Successor)</b>	<b>\$ 0.1</b>

As of September 29, 2023 (Successor), net restructuring and related charges incurred cumulative to date for the 2018 Program were as follows:

	Successor	Predecessor
Specialty Brands	\$ —	\$ 3.1
Specialty Generics	0.8	18.5
Corporate	12.9	84.0
	<u>\$ 13.7</u>	<u>\$ 105.6</u>

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

The Company's income tax expense (benefit) was as follows:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Current tax expense (benefit)	\$ 10.8	\$ (20.5)
Deferred tax expense (benefit)	—	(4.4)
Income tax expense (benefit)	<u>\$ 10.8</u>	<u>\$ (24.9)</u>

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Current tax expense (benefit)	\$ 32.6	\$ (23.8)	\$ (23.9)
Deferred tax expense (benefit)	475.5	(10.8)	(473.4)
Income tax expense (benefit)	<u>\$ 508.1</u>	<u>\$ (34.6)</u>	<u>\$ (497.3)</u>

As further discussed in Note 1, 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 this report. The Company considered this in determining that certain net deferred tax assets were no longer more likely than not realizable. Therefore, a valuation allowance of \$475.5 million was placed on the net deferred tax assets as of the beginning of the year. Additionally, a valuation allowance was recorded to offset the current year deferred tax activity, predominately related to intangible asset amortization, accretion expense associated with our settlement obligations and debt, and inventory step-up amortization expense. As a result, all of the Company's net deferred tax assets as of the nine months ended September 29, 2023 (Successor) are fully offset by a valuation allowance.

The Company recognized income tax expense of \$10.8 million and \$508.1 million on losses from continuing operations before income taxes of \$1,714.1 million and \$2,213.9 million for the three and nine months ended September 29, 2023 (Successor), respectively. This resulted in effective tax rates of negative 0.6% and negative 23.0%, respectively. The current income tax expense for both the three and nine months ended September 29, 2023 (Successor) predominately related to a net decrease in prepaid income taxes. The deferred income tax expense for the nine months ended September 29, 2023 (Successor) related to the valuation allowance noted above, recorded against the Company's net deferred tax assets.

The income tax expense of \$10.8 million for the three months ended September 29, 2023 (Successor) consisted of \$9.3 million attributed to a decrease in prepaid income taxes and \$1.5 million predominately attributed to pretax earnings in various jurisdictions.

The income tax expense of \$508.1 million for the nine months ended September 29, 2023 (Successor) consisted of the valuation allowance of \$475.5 million placed on the net deferred tax assets as of the beginning of the year that were no longer more likely than not realizable, \$30.2 million attributed to a decrease in prepaid income taxes and \$3.7 million predominately attributed to pretax earnings in various jurisdictions, offset by \$1.3 million attributed to the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The Company recognized \$24.9 million and \$34.6 million of income tax benefit on losses from continuing operations before income taxes of \$310.2 million, and \$383.6 million for the three months ended September 30, 2022 (Successor) and the period from

June 17, 2022 through September 30, 2022 (Successor), respectively. This resulted in effective tax rates of 8.0% and 9.0%, respectively. The current and deferred income tax benefits predominantly related to intangible asset amortization activity attributed to fresh-start adjustments, partially offset by the utilization of loss carryforwards.

The income tax benefits of \$24.9 million and \$34.6 million for the three months ended September 30, 2022 (Successor) and the period from June 17, 2022 through September 30, 2022 (Successor), respectively, was attributed to pretax earnings in various jurisdictions, separation costs, reorganization items, net and restructuring charges.

The Company recognized \$497.3 million of income tax benefit on \$811.3 million of loss from continuing operations before income taxes for the period January 1, 2022 through June 16, 2022 (Predecessor). This resulted in an effective tax rate of 61.3%. The income tax benefit for the period from January 1, 2022 through June 16, 2022 (Predecessor) primarily consisted of the income tax impacts from reorganization and fresh-start adjustments, including adjustments to the Company's valuation allowance. For the period January 1, 2022 through June 16, 2022 (Predecessor), the Company recorded an income tax benefit of \$497.3 million, primarily for reorganization adjustments in the Predecessor period consisting of (1) \$1,231.5 million of tax expense for the reduction in federal and state NOL carryforwards from the cancellation of debt income ("CODI") realized upon emergence and limitations under Sections 382 and 383 of the IRC; (2) \$141.3 million of tax expense for the net decrease in deferred tax assets resulting from reorganization adjustments; and (3) \$1,270.1 million of tax benefit for the reduction in the valuation allowance on the Company's deferred tax assets; and fresh-start adjustments in the Predecessor period consisting of (4) \$297.1 million of tax benefit for the net decrease in deferred tax liabilities resulting from fresh-start adjustments and (5) \$285.3 million of tax benefit associated with the release of uncertain tax positions. The remaining tax benefit was attributable to pretax earnings in various jurisdictions during the Predecessor period.

During the nine months ended September 29, 2023 (Successor), net cash refunds for income taxes were \$136.3 million, including refunds of \$141.6 million received as a result of provisions in the CARES Act and net payments of \$5.3 million related to operational activity. During the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor), net cash payments for income taxes were \$3.8 million and \$3.0 million, respectively.

The Company's unrecognized tax benefits, excluding interest, totaled \$24.8 million as of both September 29, 2023 (Successor) and December 30, 2022 (Successor). If favorably settled, \$15.4 million of unrecognized tax benefits as of September 29, 2023 (Successor) would benefit the effective tax rate. The remaining unrecognized tax benefits are reflected as a write-off of related deferred tax assets. If these unrecognized tax benefits were recognized, the related deferred tax assets would be offset by a valuation allowance. The total amount of accrued interest and penalties related to these obligations was \$3.8 million and \$2.8 million as of September 29, 2023 (Successor) and December 30, 2022 (Successor), respectively.

Within the next twelve months, the unrecognized tax benefits and the related interest and penalties are not expected to change significantly.

Certain of the Company's subsidiaries continue to be subject to examination by taxing authorities. The earliest open years subject to examination for the U.S federal jurisdiction is 2015, and the earliest open year for state jurisdictions and various foreign jurisdictions, including Ireland, Japan, Luxembourg, Switzerland and the United Kingdom is 2013.

## 6. Loss per Share

Loss 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 per share as the Company reported a net loss 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 per share were as follows (*in millions*):

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Basic and diluted	13.4	13.2

  

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Basic and diluted	13.3	13.2	84.8

The computation of diluted weighted-average shares outstanding for the three and nine months ended September 29, 2023 (Successor) excluded approximately zero shares of equity awards. The computation of diluted weighted-average shares outstanding for both the three months ended September 30, 2022 (Successor) and the period June 17, 2022 through September 30, 2022 (Successor) excluded approximately 3.3 million shares of Opioid Warrants because the effect would have been anti-dilutive. The computation of diluted weighted-average shares outstanding for the period January 1, 2022 through June 16, 2022 (Predecessor) excluded approximately 0.5 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:

	Successor	
	September 29, 2023	December 30, 2022
Raw materials and supplies	\$ 102.4	\$ 80.2
Work in process	463.5	552.1
Finished goods	268.3	315.3
	<u>\$ 834.2</u>	<u>\$ 947.6</u>

## 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:

	Successor	
	September 29, 2023	December 30, 2022
Property, plant and equipment, gross	\$ 520.8	\$ 485.0
Less: accumulated depreciation	(61.0)	(27.4)
Property, plant and equipment, net	<u>\$ 459.8</u>	<u>\$ 457.6</u>

Depreciation expense was as follows:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Depreciation expense	\$ 11.4	\$ 11.9

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Depreciation expense	\$ 35.1	\$ 14.8	\$ 40.0

## 9. Intangible Assets

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

	Successor			
	September 29, 2023		December 30, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortizable:</b>				
Completed technology	\$ 3,010.4	\$ 700.1	\$ 3,041.2	\$ 318.7
<b>Non-Amortizable:</b>				
In-process research and development	9.5		121.3	

### Generics IPR&D

During the three months ended September 29, 2023 (Successor), the U.S. Food and Drug Administration approved the abbreviated new drug application for certain of the Company's Specialty Generics in-process research and development ("IPR&D") assets. Upon approval, the Company transferred a total of \$26.0 million of asset value from non-amortizable indefinite-lived IPR&D rights to amortizable, finite-lived completed technology with amortization commencing upon the first commercial shipment of the respective products.

Additionally, during the three months ended September 29, 2023 (Successor), the Company recognized a full impairment on certain other Specialty Generics IPR&D assets totaling \$85.8 million. The Company has decided it will no longer pursue further development of the respective assets.

### StrataGraft®

During the three months ended September 29, 2023 (Successor), due to lower anticipated cash flows expected from StrataGraft, the Company identified a triggering event with respect to the associated intangible asset within the Specialty Brands segment and assessed the recoverability of the definite-lived asset. The Company determined that the undiscounted cash flows related to the StrataGraft intangible asset were less than its net book value, which required the Company to record a full impairment charge.

The Company determined the fair value of the StrataGraft intangible asset using the income approach, a level three measurement technique. For purposes of determining fair value, the Company made various assumptions regarding estimated future cash flows, the discount rate and other factors in determining the fair value of the intangible asset. The Company's projections in relation to the StrataGraft intangible asset included long-term net sales and operating income at lower than historical levels. These changes in assumptions resulted in a fair value of the StrataGraft intangible asset that was less than its net book value. Therefore, the Company recorded a full impairment charge of \$50.1 million.

Intangible asset amortization expense was as follows:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Amortization expense	\$ 125.6	\$ 136.6

  

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Amortization expense	\$ 388.1	\$ 182.1	\$ 281.8

The estimated aggregate amortization expense on intangible assets owned by the Company is expected to be as follows:

	Successor
Remainder of Fiscal 2023	\$ 121.4
Fiscal 2024	446.1
Fiscal 2025	385.2
Fiscal 2026	337.6
Fiscal 2027	284.4

## 10. Debt

The commencement of the 2023 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 sheet as of September 29, 2023 (Successor). However, any efforts to enforce payment obligations under the Company's debt instruments are automatically stayed as a result of the 2023 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:

	Successor					
	September 29, 2023			December 30, 2022		
	Principal (Carrying Value)	Unamortized Discount and Debt Issuance Costs <sup>(2)</sup>		Principal	Carrying Value	Unamortized Discount and Debt Issuance Costs
Debtor-in-Possession Financing due November 2023	\$ 280.0	\$ —		\$ —	\$ —	\$ —
Receivables financing facility due December 2023	100.0	2.6		—	—	—
10.00% first lien senior notes due April 2025	495.0	—		495.0	475.9	—
10.00% second lien senior notes due April 2025	321.9	—		321.9	242.2	—
2017 Replacement Term loan due September 2027	1,356.7	—		1,374.1	1,222.1	\$ —
2018 Replacement Term loan due September 2027	360.1	—		364.8	326.9	—
11.50% first lien senior secured notes due December 2028	650.0	—		650.0	650.0	20.8
10.00% second lien senior secured notes due June 2029	328.3	—		328.3	175.5	—
<b>Total debt</b>	<b>3,892.0</b>	<b>2.6</b>		<b>3,534.1</b>	<b>3,092.6</b>	<b>20.8</b>
<b>Less: Current portion</b>	<b>(380.0)</b>	<b>(2.6)</b>		<b>(44.1)</b>	<b>(44.1)</b>	<b>—</b>
<b>Less: Amounts reclassified to liabilities subject to compromise <sup>(3)</sup></b>	<b>(3,512.0)</b>	<b>—</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Total long-term debt, net of current portion</b>	<b>\$ —</b>	<b>\$ —</b>		<b>\$ 3,490.0</b>	<b>\$ 3,048.5</b>	<b>\$ 20.8</b>

(1) As a result of the 2023 Chapter 11 Cases, the Company expensed \$377.6 million of accelerated accretion to adjust the carrying value up to the principal value or allowed claim amount pursuant to the 2023 Plan and recorded the expense within in reorganization items, net in the unaudited condensed consolidated statement of operations for the three months ended September 29, 2023 (Successor).

(2) As a result of the 2023 Chapter 11 Cases, the Company expensed \$18.5 million of unamortized discount and debt issuance costs, net, recorded in reorganization items, net in the unaudited condensed consolidated statement of operations for the three months ended September 29, 2023 (Successor).

(3) In connection with the 2023 Chapter 11 Cases, \$3,512.0 million of outstanding debt instruments have been reclassified to LSTC in the Company's unaudited consolidated balance sheet as of September 29, 2023 (Successor). Up to the Petition Date, the Company continued to accrue interest expense in relation to the second lien secured notes reclassified to LSTC. The Company continues to accrue and pay interest on the outstanding first lien senior secured debt instruments classified as LSTC in conjunction with the cash collateral order. Refer to Note 2 for further information.

### Amended ABL Credit Agreement

On August 23, 2023, the Company entered into an amendment with the lenders and agents under the ABL Credit Agreement ("ABL Amendment"), dated as of June 16, 2022, by and among ST US AR Finance LLC, the lenders party thereto, the L/C Issuers (as defined in the ABL Credit Agreement) party thereto and Barclays Bank plc, as administrative agent ("Administrative Agent") and collateral agent (as amended, the "Amended ABL Credit Agreement"). Pursuant to the Amended ABL Credit Agreement, the Company obtained up to \$100.0 million of new borrowing availability thereunder. The Company and the lenders, L/C Issuers and agent under the Amended ABL Credit Agreement separately agreed on August 23, 2023 to amend and restate the previously disclosed forbearance agreement among them (the "Amended and Restated Forbearance Agreement"), extending the forbearance period thereunder to September 12, 2023, unless such forbearance agreement (which contains customary termination events), is earlier terminated in accordance with the terms thereof. As further discussed above, any efforts to enforce payment obligations under the

Company's debt instruments were automatically stayed as a result of the commencement on August 28, 2023 of the 2023 Chapter 11 Cases. Pursuant to the terms of the ABL Amendment, as of the Availability Date (as defined in the ABL Amendment), which occurred on August 30, 2023, each of the Specified Defaults (as defined in the Forbearance Agreement) were waived.

### ***Amendment to Purchase and Sale Agreement***

In connection with the Bankruptcy Court's approval of certain First Day Motions, on August 30, 2023, the Purchase and Sale Agreement, dated as of June 16, 2022, by and among the various entities listed on Schedule I thereto as originators or that become parties thereto as originators from time to time pursuant to Section 4.3 thereof ("Originators"), MEH, Inc., as servicer, and ST US AR Finance LLC, as buyer (as amended, the "Purchase and Sale Agreement"), was amended by the parties thereto to amend certain representations, covenants and events of default contained in the Purchase and Sale Agreement in light of the 2023 Chapter 11 Cases.

### ***Performance Guarantees***

Also in connection with the Bankruptcy Court's approval of certain First Day Motions, on August 30, 2023, the Originators and the Administrative Agent entered into the Originator Performance Guaranty ("Originator Performance Guaranty") and MEH, Inc. and the Administrative Agent entered into the Performance Guaranty ("Performance Guaranty").

Pursuant to the Originator Performance Guaranty, each Originator guarantees performance by each other Originator of its obligations under the Purchase and Sale Agreement, which includes representations and warranties with respect to the characteristics of the receivables which such Originators sell to ST US AR Finance LLC.

Pursuant to the Performance Guaranty, MEH, Inc. guarantees performance by each Originator of its obligations under the Purchase and Sale Agreement, including with respect to such representations and warranties made by the Originators. Neither MEH, Inc. nor any Originator guarantees performance by ST US AR Finance LLC of its obligations under the Amended ABL Credit Agreement nor do they guarantee any losses arising from insolvency or lack of creditworthiness or other financial inability to pay off the underlying obligors of such receivables, or the uncollectability of any receivables.

### ***Debtor-in-Possession Financing***

Also in connection with the Bankruptcy Court's approval of certain First Day Motions, including, among others, a motion ("DIP Motion") seeking approval of a debtor-in-possession financing, the Senior Secured Debtor-In-Possession Credit Agreement ("DIP Credit Agreement"), was entered into on September 8, 2023, by and among the Company, Mallinckrodt International Finance S.A. ("MIFSA") and Mallinckrodt CB LLC (together with MIFSA, the "DIP Borrowers"), as debtors and debtors-in-possession, the lenders from time to time party thereto ("DIP Lenders"), Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents, and Acquiom Agency Services LLC, as collateral agent. On September 21, 2023, the Bankruptcy Court entered a final order granting the relief requested in the DIP Motion ("Final DIP Order").

Pursuant to the terms of the DIP Credit Agreement, the DIP Lenders provided a priming, senior secured, super-priority debtor-in-possession term loan facility in the aggregate principal amount (exclusive of capitalized fees) of \$250.0 million ("DIP Facility", and the term loans advanced (or deemed advanced) thereunder, the "DIP Loans"), of which (i) an initial draw amount of \$150.0 million was drawn in a single drawing on September 8, 2023, and (ii) an additional draw amount of \$100.0 million was drawn in a single drawing on September 25, 2023. Borrowings under the DIP Facility are (a) senior secured obligations of the DIP Borrowers, (b) guaranteed by the Company and each of the other 2023 Debtors and (c) secured by (i) priming, automatically perfected first priority liens and security interests on substantially all property and assets of the 2023 Debtors securing the Company's pre-petition secured term loans and notes and (ii) automatically perfected first priority liens and security interests on substantially all of the 2023 Debtors' other now-owned and hereafter-acquired real and personal property and assets, in each case subject to certain carve outs and conditions. The DIP Loans accrue interest at a rate equal to the secured overnight financing rate as administered by the SOFR Administrator ("SOFR") plus 8.00%, subject to a SOFR floor of 1.00%. Upon the effectiveness of the DIP Credit Agreement, the DIP Borrowers caused a premium equal to 12.00% of the \$250.0 million in backstop commitments held by certain DIP Lenders providing such commitments to be paid. Such premium was paid in kind by increasing the principal amounts of the DIP Loans. For further information regarding the DIP Credit Agreement, see the Company's Current Report on Form 8-K filed with the SEC on September 11, 2023.

### Applicable interest rate

As of September 29, 2023 (Successor), the applicable interest rate and outstanding principal on the Company's debt instruments were as follows:

	Applicable Interest Rate	Outstanding Principal
Fixed-rate instruments	10.54 %	\$ 1,795.2
Debtor-in-Possession Financing due November 2023	13.44	280.0
Receivables financing facility due December 2023	8.75	100.0
2017 Replacement Term Loan due September 2027 <sup>(1)</sup>	11.94	1,356.7
2018 Replacement Term Loan due September 2027 <sup>(1)</sup>	12.19	360.1

(1) Includes the impact of the interest rate cap agreement, which is discussed further in Note 13.

## 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 liability relating to all of these indemnification obligations was governed by a contract that was rejected as part of the 2020 Chapter 11 Cases and is no longer a liability of the Successor Company. The Company was required to pay \$30.0 million into an escrow account as collateral to the purchaser. The contract governing the escrow account was assumed in the 2020 Chapter 11 Cases. As of September 29, 2023 (Successor) and December 30, 2022 (Successor), \$20.0 million and \$19.3 million remained in restricted cash, included in other long-term assets on the unaudited condensed consolidated balance sheets, respectively. As of September 29, 2023 (Successor), the Company does not expect to make future payments related to these indemnification obligations.

As of September 29, 2023 (Successor), the Company had various other letters of credit, guarantees and surety bonds totaling \$31.0 million and restricted cash of \$42.2 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, antitrust matters, securities class action lawsuits, personal injury claims, employment disputes, contractual and other commercial disputes, and all other legal proceedings, all in the ordinary course of business, including those described below. Although it is not feasible to predict the outcomes 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.

### Governmental Proceedings

**SEC Subpoena.** In August 2019, the Company received a subpoena from the SEC for documents related to the Company's disclosure of its dispute with the U.S. Department of Health and Human Services ("HHS") and Centers for Medicare and Medicaid Services (together with HHS, the "Agency") concerning the base date average manufacturer price for Acthar<sup>®</sup> Gel under the Medicaid Drug Rebate Program, which was also the subject of litigation that the Company filed against the Agency. The SEC issued subsequent subpoenas on January 7, 2022 and September 28, 2022, requesting additional documents from the Company.

In connection with the investigation, on January 13, 2023, the SEC staff issued Wells Notices to the Company and individuals, including certain of its current and former executive officers, who were employed during 2019 (collectively, the "Individuals"). The notices indicate that the SEC staff has made a preliminary determination to recommend that the SEC file an enforcement action

against the Company that would allege violations of the federal securities laws, and against the Individuals that would allege violations of the federal securities laws and/or aiding and abetting violations of the federal securities laws. The recommendation as to the Company may involve an injunction, a cease-and-desist order and/or other appropriate relief.

The actions recommended by the SEC staff would allege, among other things, that (a) the Company improperly omitted to disclose the dispute with the Agency prior to the litigation filed by the Company in federal court on May 21, 2019, and (b) the Company's disclosure of the civil investigative demand received from the U.S. Attorney's Office for the District of Massachusetts in January 2019 ("Boston CID") should have stated that the Boston CID related to the Company's dispute with the Agency.

A Wells Notice is neither a formal charge of wrongdoing nor a final determination that the recipient has violated any law. Under the SEC procedures, a recipient of a Wells Notice has an opportunity to respond and make a submission to the SEC staff setting forth the recipient's interests and position in regard to the subject matter of the investigation.

The Company believes that it has complied with all applicable laws and regulations, and it has provided a submission explaining the Company's position and its belief that no enforcement action is warranted or appropriate. The Company understands that the Individuals have provided similar submissions to the SEC staff. The Company is currently engaged in discussions with the staff of the enforcement division of the SEC on a resolution, and the Company does not currently expect such resolution to result in any material liability to the Company. However, the Company can give no assurances as to the ultimate resolution of these matters or the timing thereof.

*U.S. Attorney's Office Subpoena.* On August 22, 2023, the Company received a grand jury subpoena from the U.S. Attorney's Office for the Western District of Virginia ("USAO") seeking production of data and information for the time period from July 17, 2017 to the present, including information and data relating to the Company's reporting of suspicious orders for controlled substances, chargebacks and other transactions, and communications between the Company and the U.S. Drug Enforcement Administration ("DEA") regarding those issues. The Company's legal representatives discussed the intended scope of the subpoena and initial timeline with the USAO in August and September 2023. On September 27, 2023, the Company received a second grand jury subpoena from the USAO for documents pertaining to financial accounts related to the prior requests.

On October 11, 2023, the Company's legal representatives met with the USAO to, among other things, share information with the USAO about the operating injunction under which the Company's Specialty Generics segment has been operating since October 2020 and which was agreed to by 50 state and territory attorneys general and entered by the Bankruptcy Court ("operating injunction"). Among other things, the operating injunction provides that Specialty Generics must retain an independent monitor to evaluate and audit compliance with the operating injunction. R. Gil Kerlikowske, former Director of the Office of National Drug Control Policy and former Commissioner of U.S. Customs and Border Protection, currently serves as the monitor and issues periodic reports on Specialty Generics' compliance program, which can be found on the Company's web site at <https://www.mallinckrodt.com/corporate-responsibility/corporate-compliance/>.

The Company believes that Specialty Generics is in compliance with its obligations through its industry-leading compliance program for controlled substances. Prior to the existing operating injunction, Specialty Generics operated under a compliance-related memorandum of understanding with DEA established in July 2017 that expired in July 2020.

The Company is in the process of responding to the subpoenas and intends to cooperate in the investigation. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

### **Commercial and Securities Litigation**

*Putative Class Action Securities Litigation (Continental General).* On July 7, 2023, a putative class action lawsuit was filed against the Company, its Chief Executive Officer ("CEO") Sigurdur Olafsson, its Chief Financial Officer ("CFO") Bryan Reasons, and the Chairman of the Board, Paul Bisaro, in the U.S. District Court for the Southern District of New Jersey, captioned *Continental General Insurance Company and Percy Rockdale, LLC v. Mallinckrodt plc et al.*, No. 23-cv-03662. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt's securities between June 17, 2022 and June 14, 2023. The lawsuit generally alleges that the defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder related to the Company's business, operations, and prospects, including its financial strength, its ability to timely make certain payments related to Mallinckrodt's settlement of opioid-related litigation and the risk of additional filings for bankruptcy protection. The lawsuit seeks monetary damages in an unspecified amount. On September 20, 2023, the Court appointed Continental General Insurance Company and Percy Rockdale, LLC as lead plaintiffs under the Private Securities Litigation Reform Act of 1995. The case was automatically stayed against the Company due to the 2023 Chapter 11 Cases. Pursuant to the 2023 Plan, Mallinckrodt expects that the matter as against the Company will be resolved in bankruptcy, and that Mallinckrodt will assume the obligation to defend and indemnify the individual defendants. The parties are negotiating a schedule for lead plaintiffs to file an amended complaint. The Company intends to vigorously defend itself and its directors and officers in this matter.

*Acument Global*. In May 2019, Acument Global Technologies, Inc. ("Acument"), filed a non-class complaint against the Company and other defendants in Tennessee state court alleging violations of Tennessee Consumer Protection Laws, unjust enrichment, fraud and conspiracy to defraud and is captioned as *Acument Global Technologies, Inc., v. Mallinckrodt ARD Inc., et al.* In February 2020, the court granted-in-part and denied-in-part the Company's motion to dismiss. While the court dismissed Acument's fraud-based claims and its claim under the Tennessee Consumer Protection Act, the court ruled that the antitrust and unjust enrichment claims may proceed. Following lifting of the automatic stay of this litigation pursuant to Section 362 of the Bankruptcy Code, on September 29, 2022, the court remanded the case to state court. On October 30, 2023, the plaintiff filed an order with the state court to dismiss the Company from the case.

*Local 542*. In May 2018, the International Union of Operating Engineers ("IUOE") Local 542 filed a non-class complaint against the Company and other defendants in Pennsylvania state court alleging improper pricing and distribution of Acthar Gel, in violation of Pennsylvania's Unfair Trade Practices and Consumer Protection Law, aiding and abetting, unjust enrichment and negligent misrepresentation captioned as *Int'l Union of Operating Engineers Local 542 v. Mallinckrodt ARD Inc., et al.* Plaintiff filed an amended complaint in August 2018, the Company's objections to which were denied by the court. In January 2021, the Company removed this case to the U.S. District Court for the Eastern District of Pennsylvania ("EDPA"). In March 2021, the EDPA granted the Company's motion to transfer the case to the U.S. District Court for the District of Delaware ("District of Delaware") and denied without prejudice Local 542's motion to remand the case to state court. In June 2021, the District of Delaware referred this case to the Bankruptcy Court in Delaware. On November 17, 2022, Local 542 filed a motion to withdraw the reference to the District Court, and the case was transferred back to the District of Delaware at Case No. 22-cv-01502. On December 22, 2022, Local 542 filed a request for the motion to withdraw the reference to be decided by the EDPA and to permit remand to state court. On December 28, 2022, the case was assigned to Judge Ambro of the United States Court of Appeals for the Third Circuit due to related cases. On June 27, 2023, the District of Delaware entered an order to withdraw reference of the action to the Delaware Bankruptcy Court and to transfer the case back to the EDPA in order to be remanded to state court. On October 30, 2023, the plaintiff filed a motion to dismiss the Company from the case.

### **Patent Litigation**

*Mallinckrodt Pharmaceuticals Ireland Limited et al. v. Airgas Therapeutics LLC et al.* On December 30, 2022, the Company initiated litigation against Airgas Therapeutics, LLC, Airgas USA LLC, and Air Liquide S.A. (collectively "Airgas") in the District of Delaware following notice from Airgas of its abbreviated new drug application ("ANDA") submission seeking approval from the FDA for a generic version of INOmax<sup>®</sup> (nitric oxide) gas, for inhalation ("INOmax"). Airgas's ANDA received final approval from the FDA in July 2023, and according to Airgas' counsel, the original ANDA was filed in April 2011. The case is at an early stage and discovery is ongoing. In October 2023, the parties completed briefing on the Company's motion for preliminary injunction seeking to prevent defendants Airgas Therapeutics LLC and Airgas USA LLC from infringing the Company's U.S. patents during the pendency of the litigation; no hearing date has been scheduled at this time. The court set an initial trial date of March 10, 2025.

Many of the patents asserted against Airgas were previously asserted in the District of Delaware against Praxair Distribution, Inc. and Praxair, Inc. (collectively "Praxair") in 2015 and 2016 following Praxair's submissions with FDA seeking approval for a nitric oxide drug product and delivery system. The litigation against Praxair resulted in Praxair's launch of a competitive nitric oxide product. The Company continues to develop and pursue patent protection of next generation nitric oxide delivery systems and additional uses of nitric oxide and intends to vigorously enforce its intellectual property rights against any parties that may seek to market a generic version of the Company's INOmax product and/or next generation delivery systems.

*Amitiza Patent Challenge*. The Company was granted numerous Japanese patents related to Amitiza and its use. In October 2023, the Company received two notifications from the Japan Patent Office that indicated that a company has filed two invalidation proceedings against two patent term extension ("PTE") registrations relating to one or more patent(s) that cover Amitiza and its use in Japan. This process is at an early stage. The Company believes that its PTE registrations are valid, and the Company will vigorously defend its PTE registrations.

### **Environmental Remediation and Litigation Proceedings**

The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites, including those described below. The ultimate cost of site cleanup and timing of future cash outlays is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. The Company concluded that, as of September 29, 2023 (Successor), it was probable that it would incur remediation costs in the range of \$17.4 million to \$47.6 million. The Company also concluded that, as of September 29, 2023 (Successor), the best estimate within this range was \$35.9 million, of which \$1.1 million was included in accrued and other current liabilities and the remainder was included in environmental liabilities on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor). While it is not possible at this time to determine with certainty the ultimate outcome of these matters,

the Company believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

*Lower Passaic River, New Jersey.* The Company and approximately 70 other companies ("Cooperating Parties Group" or "CPG") are parties to a May 2007 Administrative Order on Consent with the Environmental Protection Agency ("EPA") to perform a remedial investigation and feasibility study ("RI/FS") of the 17-mile stretch known as the Lower Passaic River Study Area ("River"). The Company's potential liability stems from former operations at Lodi and Belleville, New Jersey (the "Lodi facility" and the "Belleville facility" respectively). In April 2014, the EPA issued a revised Focused Feasibility Study ("FFS"), with remedial alternatives to address cleanup of the lower 8-mile stretch of the River. The EPA estimated that the cost for the remediation alternatives ranged from \$365.0 million to \$3.2 billion and the EPA's preferred approach had an estimated cost of \$1.7 billion. In April 2015, the CPG presented a draft of the RI/FS of the River to the EPA that included alternative remedial actions for the entire 17-mile stretch of the River. In March 2016, the EPA issued the Record of Decision ("ROD(s)") for the lower 8 miles of the River with a slight modification on its preferred approach and a revised estimated cost of \$1.38 billion. In October 2016, the EPA announced that Occidental Chemicals Corporation had entered into an agreement to develop the remedial design.

In August 2018, the EPA finalized a buyout offer of \$280,600 with the Company, limited to its former Lodi facility, for the lower 8 miles of the River. In September 2021, the EPA issued the ROD for the upper 9 miles of the River selecting source control as the remedy for the upper 9 miles with an estimated cost of \$441.0 million. In September 2022, the Company entered into a conditional \$0.3 million Early Cash-Out Consent Decree ("CD") with the EPA as a buyout for its portion of the upper part of the River related to its former Lodi facility; finalization of the CD is subject to the EPA approval following the public comment period that was extended until a September 22, 2023 court hearing to determine whether the court will hold a Fairness Hearing or whether the EPA will finalize and approve the conditional CD. On October 16, 2023, the court granted the EPA's request for a sixty-day extension, until November 21, 2023, to notify the Court regarding whether it plans to move forward with the conditional CD.

The portion of the liability related to the Belleville facility was discharged against the Company as a result of the 2020 Plan. Any reserves associated with this contingency were included in LSTC as of June 16, 2022, and any related liabilities were discharged under the Bankruptcy Code.

As of September 29, 2023 (Successor), the Company estimated that its remaining liability related to the River was \$21.0 million, which was included within environmental liabilities on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor). Despite the issuance of the revised FFS and the RODs for both the lower and upper River by the EPA, the RI/FS by the CPG, and the conditional CD by the EPA, there are many uncertainties associated with the final agreed-upon remediation, potential future liabilities and the Company's allocable share of the remediation. Given those uncertainties, the amounts accrued may not be indicative of the amounts for which the Company may be ultimately responsible and will be refined as the remediation progresses.

*Hoffmann, et al. v. ASHTA Chemical, Inc., et al.* On June 20, 2023, a complaint was filed against several corporations, including Mallinckrodt LLC, by 75 of the corporations' respective former employees and contractors, and certain family members thereof, alleging various tort claims related to alleged injuries resulting from exposure to mercury at a manufacturing facility in Ashtabula, Ohio. The alleged claims (employer intentional tort, negligence, fraudulent concealment and misrepresentation, premises liability, and civil conspiracy) against Mallinckrodt LLC are based on alleged mercury exposure between 1974 to 1982, when an alleged predecessor in interest to Mallinckrodt owned and operated the Ashtabula facility. The Company believes that the claims arose before June 16, 2022 emergence from bankruptcy and therefore were discharged as a result of the 2020 Plan, and the plaintiffs are enjoined from bringing an action against Mallinckrodt LLC. The Company was voluntarily dismissed from the case without prejudice on August 15, 2023 as discharged in connection with the 2020 Chapter 11 Cases.

### **Bankruptcy Litigation and Appeals**

*First Lien Noteholder Matters.* The 2020 Plan reinstated the issuers' 2025 First Lien Notes in an aggregate principal amount of \$495.0 million and the note documents relating thereto. Certain holders of the 2025 First Lien Notes and the trustee in respect thereof (collectively, "Noteholder Parties"), objected to the reinstatement, arguing, among other things, that the Company was required to pay a significant make-whole premium as a condition to reinstatement of the 2025 First Lien Notes. In the course of confirming the 2020 Plan, the Bankruptcy Court overruled these objections.

On March 30, 2022, the Noteholder Parties appealed the confirmation order's approval of the reinstatement of the 2025 First Lien Notes to the United States District Court for the District of Delaware ("District Court"). The Company and the 2025 First Lien Notes trustee reached an agreement to hold the trustee's appeal in abeyance, to be determined by the result of the holders' appeals, subject to certain conditions, which was approved by the District Court. Briefing on the merits of the Noteholder Parties' appeals was completed on July 1, 2022. On the same date, the Company moved to dismiss the Noteholder Parties' appeals as equitably moot. Briefing on the motion was completed on August 5, 2022 and supplemental declarations have been filed in the appeal. Oral argument was held on the Noteholder Parties' appeals on May 5, 2023, and the District Court took the matter under advisement.

As part of the RSA, certain holders including the Ad Hoc 2025 Noteholder Group representing a substantial majority of the 2025 First Lien Notes agreed to settle these appeals through the 2023 Plan. Among other provisions, the 2023 Plan incorporates the 2025

First Lien Notes Makewhole Settlement (as defined in the 2023 Plan), which comprises the allowance of a 2025 First Lien Notes Makewhole Amount Claim in a stipulated amount of \$14.9 million (or 3.0% of the principal amount of the 2025 First Lien Notes). In exchange, the Ad Hoc First Lien Notes Group agreed to dismiss its appeal, and to cause the trustee to dismiss its companion appeal, upon the Company's emergence from the 2023 Chapter 11 Cases ("2023 Effective Date"). On August 23, 2023, the parties wrote to the District Court to outline the settlement and request that the appeals be held in abeyance pending the confirmation of the Amended 2023 Plan. On August 23, 2023, the District Court entered an order stating that it will defer indefinitely issuing a decision in the appeal, but reserving the right to file an opinion and order at any later time prior to the filing of a stipulated dismissal of the appeals. On August 28, 2023, Columbus Hill Capital Management, L.P., a Noteholder Party that had filed a separate appeal, agreed to dismiss its appeal because it had sold the entirety of its position in the 2025 First Lien Notes.

As further described herein, the 2023 Plan, including the 2025 First Lien Notes Makewhole Settlement, was confirmed by the Bankruptcy Court on October 10, 2023. The Company expects that upon the 2023 Effective Date, these appeals will be fully resolved on the terms outlined above.

*Sanofi.* On October 12, 2021, in the Company's 2020 Chapter 11 Cases, sanofi-aventis U.S. LLC ("Sanofi") filed a motion asking the Bankruptcy Court for an order determining that, under the Bankruptcy Code, the Company could not discharge alleged royalty obligations owed to Sanofi under an asset purchase agreement through which the Company acquired certain intellectual property from Sanofi's predecessor ("Sanofi Motion"). On November 8, 2021, the Bankruptcy Court denied the Sanofi Motion and ordered that any royalty obligations allegedly owed to Sanofi constitute prepetition unsecured claims that may be discharged under the Bankruptcy Code. On November 19, 2021, Sanofi appealed the Bankruptcy Court's ruling of the Sanofi Motion to the District Court. Briefing was completed on March 10, 2022 and the District Court affirmed on December 20, 2022, for which Sanofi filed a notice of appeal to the United States Court of Appeals for the Third Circuit ("Third Circuit") on January 17, 2023. Briefing in the Third Circuit on this appeal was completed in July 2023. Sanofi had also appealed the Bankruptcy Court's confirmation order in the 2020 Chapter 11 Cases, but pursuant to the terms of a settlement between Sanofi and the General Unsecured Claims Trustee appointed pursuant to the 2020 Plan, Sanofi dismissed its appeal of the confirmation order with prejudice.

*Banks et al. v. Cotter Corporation et al. v. Mallinckrodt LLC, et al.* On January 29, 2023, the named plaintiffs in *Banks et al. v. Cotter Corporation et al. v. Mallinckrodt LLC, et al.* No. 20-CV-1227 (E.D. Mo.) filed a motion to amend their class-action petition to add Mallinckrodt LLC as a defendant. Mallinckrodt LLC filed a motion in the Bankruptcy Court to enjoin this petition on the grounds that these alleged claims were discharged pursuant to the 2020 Plan and related confirmation order. Following an April 11, 2023 oral argument on the motion to enjoin, the Bankruptcy Court denied the motion, with the effect being that the named plaintiffs were permitted to proceed with their motion to amend their petition. Under the confirmation order of the 2020 Plan, any liability Mallinckrodt LLC may have in connection with the *Banks* litigation was discharged upon emergence from Chapter 11, with the limited exception of liability that both was asserted in writing prepetition and is indemnified by the U.S. government.

#### ***Opioid-related litigation settlement***

On June 15, 2023, the Company, certain subsidiaries of the Company and the Trust entered into Amendment No. 1 ("Amendment") to the Opioid Deferred Cash Payments Agreement, which was entered into in connection with the 2020 Plan. The Amendment extended to June 23, 2023, from June 16, 2023, the date on which the \$200.0 million installment payment with respect to the Company's opioid-related litigation settlement obligations ("Opioid Deferred Cash Payment") was required to be made to the Trust. Pursuant to the Amendment, the Trust subsequently provided several additional written notices that had the effect of extending the due date of the Opioid Deferred Cash Payment to August 15, 2023. In connection with entry into the RSA, the Company and the Trust entered into a final amendment to the Opioid Deferred Cash Payments Agreement, which provided that the Company's prior obligation to pay all remaining opioid-related litigation settlement payment obligations (including the Opioid Deferred Cash Payment) was permanently eliminated subject to the Company (a) making a \$250.0 million payment to the Trust prior to the commencement of the 2023 Chapter 11 Cases (which was made on August 24, 2023) and (b) entering into the CVR Agreement to receive a payment (in cash or, at the Company's option subject to certain conditions, shares of the Company's equity) equal to the value of 5% of the Company's total outstanding equity (subject to certain dilution) less the exercise price, which will be based on a total enterprise value of \$3.776 billion less funded debt at emergence plus any excess cash at emergence after the emergence-date cash sweep contemplated by the RSA. Additionally, the 2023 Debtors' non-monetary obligations to the Trust will generally be preserved, including the compliance-related operating injunction.

#### ***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 on Form 10-K.

### 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 29, 2023 (Successor)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Debt and equity securities held in rabbi trusts	\$ 40.7	\$ 27.1	\$ 13.6	\$ —
Equity securities	16.3	16.3	—	—
Interest rate cap	25.1	—	25.1	—
	<u>\$ 82.1</u>	<u>\$ 43.4</u>	<u>\$ 38.7</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Deferred compensation liabilities	\$ 18.9	\$ —	\$ 18.9	\$ —
Contingent consideration liabilities	—	—	—	—
	<u>\$ 18.9</u>	<u>\$ —</u>	<u>\$ 18.9</u>	<u>\$ —</u>

	December 30, 2022 (Successor)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Debt and equity securities held in rabbi trusts	\$ 36.6	\$ 24.8	\$ 11.8	\$ —
Equity securities	25.5	25.5	—	—
	<u>\$ 62.1</u>	<u>\$ 50.3</u>	<u>\$ 11.8</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Deferred compensation liabilities	\$ 26.0	\$ —	\$ 26.0	\$ —
Contingent consideration liabilities	7.3	—	—	7.3
	<u>\$ 33.3</u>	<u>\$ —</u>	<u>\$ 26.0</u>	<u>\$ 7.3</u>

*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 and Panbela Therapeutics, Inc. for which quoted prices are available in an active market; therefore, these investments are classified as level 1 and are valued based on quoted market prices reported on internationally recognized securities exchanges.

*Interest rate cap.* The Company is exposed to interest rate risk on its variable-rate debt. During the three months ended March 31, 2023, the Company entered into an interest rate cap agreement, which serves to reduce the volatility on future interest expense cash outflows. The interest rate cap agreement has a total notional value of \$860.0 million with an upfront premium of \$20.0 million and provides the Company with interest rate protection (i) for the period March 16, 2023 through July 19, 2023 to the extent that the one-

month London Interbank Offered Rate ("LIBOR") exceeds 4.65%, and (ii) for the period July 20, 2023 through March 26, 2026 to the extent that the one-month SOFR exceeds 3.84%.

The interest rate cap agreement qualifies as a cash flow hedge. The premium paid is recognized in income on a rational basis, and changes in the fair value of the interest rate cap are recorded within accumulated other comprehensive income ("AOCI") and are subsequently reclassified into interest expense in the period when the hedged interest affects earnings. The fair value of the interest rate cap is included in other assets on the Company's unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor). The Company elected to use the income approach to value the interest rate cap derivative using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount (discounted) reflecting current market expectations about those future amounts. Level 2 inputs for derivative valuations are limited to quoted prices for similar assets or liabilities in active markets (specifically futures contracts) and inputs other than quoted prices that are observable such as LIBOR or SOFR rate curves, futures and volatilities. Mid-market pricing is used as a practical expedient in the fair value measurements. During the three and nine months ended September 29, 2023 (Successor) the Company recognized an unrealized gain of \$2.7 million and \$8.8 million, respectively, within AOCI with a loss of \$1.1 million and gain of \$0.1 million, respectively, being reclassified into earnings as a component of interest expense, net. It is expected that over the next 12 months, \$6.7 million of the estimated losses in AOCI will be recognized into interest expense, net. The cash payment of the \$20.0 million premium and other corresponding activity related to the interest rate cap were reflected as cash flows from operating activities in the unaudited condensed consolidated statement of cash flows for the nine months ended September 29, 2023 (Successor).

*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.* In accordance with the 2020 Plan and the 2020 Scheme of Arrangement, the Company will provide consideration for a contingent value right associated with Terlivaz<sup>®</sup> ("Terlivaz CVR") primarily in the form of the achievement of a cumulative net sales milestone. The Company assesses the likelihood and timing of making such payments at each balance sheet date. The fair value of the contingent payment was measured based on the net present value of a probability-weighted assessment. The Company determined the fair value of the Terlivaz CVR as of September 29, 2023 (Successor) and December 30, 2022 (Successor) to be zero and \$7.3 million, respectively. As a result of the 2023 Chapter 11 Cases, this liability was reclassified to LSTC on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor).

#### **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 29, 2023 (Successor) and December 30, 2022 (Successor):

- 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 \$62.2 million and \$57.2 million as of September 29, 2023 (Successor) and December 30, 2022 (Successor) (level 1), respectively.
- 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 \$44.1 million and \$46.7 million as of September 29, 2023 (Successor) and December 30, 2022 (Successor), respectively. These contracts are included in other assets on the unaudited condensed consolidated balance sheets.
- The Company's 10.00% and 11.50% first and second lien senior secured notes, DIP Financing and receivables financing facility are classified as level 1, as quoted prices are available in an active market for these notes. Since quoted market prices for the Company's term loans 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:

	Successor			
	September 29, 2023		December 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Level 1:</b>				
Debtor-in-Possession Financing due November 2023	\$ 280.0	\$ 285.6	\$ —	\$ —
Receivables financing facility due December 2023	100.0	100.0	—	—
10.00% first lien senior secured notes due April 2025	495.0	393.0	475.9	425.9
10.00% second lien senior secured notes due April 2025	321.9	24.2	242.2	216.8
11.50% first lien senior secured notes due December 2028	650.0	574.1	650.0	552.6
10.00% second lien senior secured notes due June 2029	328.3	28.7	175.5	176.7
<b>Level 2:</b>				
2017 Replacement Term loan due September 2027	1,356.7	1,025.2	1,222.1	1,037.8
2018 Replacement Term loan due September 2027	360.1	272.2	326.9	274.8
<b>Total Debt</b>	<u>\$ 3,892.0</u>	<u>\$ 2,703.0</u>	<u>\$ 3,092.6</u>	<u>\$ 2,684.6</u>

### 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 net sales:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
FFF Enterprises, Inc.	24.0 %	26.1 %
AmerisourceBergen Corporation	13.3	*

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
FFF Enterprises, Inc.	22.4 %	25.7 %	11.8 %
CuraScript, Inc.	*	*	15.6

\* Net sales to this distributor was less than 10.0% of the Company's total net sales for the respective periods presented above.

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:

	Successor	
	September 29, 2023	December 30, 2022
AmerisourceBergen Corporation	31.3 %	23.3 %
McKesson Corporation	17.8	17.3
FFF Enterprises, Inc.	*	16.2

\*Accounts receivable attributable to this distributor was less than 10.0% of total gross accounts receivable at the end of the respective period presented above.

The following table shows net sales attributable to products that accounted for 10.0% or more of the Company's total net sales:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Acthar Gel	24.6 %	27.0 %
INOmax	14.7	17.3
Therakos	13.3	12.5
APAP	11.6	12.4

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Acthar Gel	23.0 %	27.8 %	25.4 %
INOmax	16.6	17.1	19.0
Therakos	13.4	12.4	12.5
APAP	11.7	12.6	11.0

#### 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 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 and liabilities management and separation costs. Although these amounts are excluded from segment operating income, as applicable, they are included in reported consolidated operating loss and are reflected in the reconciliations presented below.

Selected information by reportable segment was as follows:

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
<b>Net sales:</b>		
Specialty Brands	\$ 286.2	\$ 303.5
Specialty Generics	210.8	161.9
Net sales	<u>\$ 497.0</u>	<u>\$ 465.4</u>
<b>Operating income (loss):</b>		
Specialty Brands	\$ 87.6	\$ 43.7
Specialty Generics	64.0	(9.0)
Segment operating income	<u>151.6</u>	<u>34.7</u>
<b>Unallocated amounts:</b>		
Corporate and unallocated expenses <sup>(1)</sup>	(16.3)	(15.0)
Depreciation and amortization	(137.0)	(148.5)
Share-based compensation	(2.4)	(0.5)
Restructuring charges, net	0.1	(2.2)
Non-restructuring impairment charges	(135.9)	—
Liabilities management and separation costs <sup>(2)</sup>	(142.1)	(6.9)
Bad debt expense - customer bankruptcy	—	(5.8)
<b>Operating loss</b>	<u>\$ (282.0)</u>	<u>\$ (144.2)</u>

- (1) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to the Company's reportable segments.
- (2) Represents costs primarily related to professional fees incurred by the Company (including where the Company is responsible for the fees of third parties) in connection with its evaluation of its financial situation and related discussions with its stakeholders prior to the commencement of the 2023 Chapter 11 Cases, expenses incurred related to the severance of certain former executives of the Predecessor, in addition to professional fees and costs incurred as the Company explores potential sales of non-core assets to enable further deleveraging post-emergence from the 2020 Chapter 11 Cases. As of the Petition Date, professional fees directly related to the 2023 Chapter 11 Cases that were previously reflected as liabilities management and separation costs are being classified on a go-forward basis as reorganization items, net.

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
<b>Net sales:</b>			
Specialty Brands	\$ 818.3	\$ 361.7	\$ 587.1
Specialty Generics	578.3	188.7	287.5
Net sales	<u>\$ 1,396.6</u>	<u>\$ 550.4</u>	<u>\$ 874.6</u>
<b>Operating income (loss):</b>			
Specialty Brands	\$ 181.6	\$ 48.2	\$ 267.2
Specialty Generics	131.9	(8.7)	65.3
Segment operating income	<u>313.5</u>	<u>39.5</u>	<u>332.5</u>
<b>Unallocated amounts:</b>			
Corporate and unallocated expenses <sup>(1)</sup>	(29.7)	(15.9)	(48.2)
Depreciation and amortization	(423.2)	(196.9)	(321.8)
Share-based compensation	(7.7)	(0.5)	(1.7)
Restructuring charges, net	(0.9)	(3.3)	(9.6)
Non-restructuring impairment charges	(135.9)	—	—
Liabilities management and separation costs <sup>(2)</sup>	(157.3)	(16.1)	(9.0)
Bad debt expense - customer bankruptcy	—	(5.8)	—
<b>Operating loss</b>	<u>\$ (441.2)</u>	<u>\$ (199.0)</u>	<u>\$ (57.8)</u>

- (1) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to the Company's reportable segments.
- (2) Represents costs primarily related to professional fees incurred by the Company (including where the Company is responsible for the fees of third parties) in connection with its evaluation of its financial situation and related discussions with its stakeholders prior to the commencement of the 2023 Chapter 11 Cases, expenses incurred related to the Predecessor directors' and officers' insurance policies and severance for the former CEO and certain former executives of the Predecessor, in addition to professional fees and costs incurred as the Company explores potential sales of non-core assets to

enable further deleveraging post-emergence from the 2020 Chapter 11 Cases. As of the Petition Date, professional fees directly related to the 2023 Chapter 11 Cases that were previously reflected as liabilities management and separation costs are being classified on a go-forward basis as reorganization items, net.

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

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Acthar Gel	\$ 122.1	\$ 125.7
INOmax	72.9	80.7
Therakos	66.0	58.0
Amitiza <sup>(1)</sup>	18.3	37.1
Terlivaz	4.4	—
Other	2.5	2.0
Specialty Brands	<u>286.2</u>	<u>303.5</u>
Opioids	65.9	46.5
ADHD	41.5	11.6
Addiction treatment	15.1	16.6
Other	3.4	2.9
Generics	<u>125.9</u>	<u>77.6</u>
Controlled substances	22.0	19.7
APAP	57.4	57.9
Other	5.5	6.7
API	<u>84.9</u>	<u>84.3</u>
Specialty Generics	<u>210.8</u>	<u>161.9</u>
Net sales	<u>\$ 497.0</u>	<u>\$ 465.4</u>

(1) Amitiza consists of both product net sales and royalties. Refer to Note 3 for further details on Amitiza's revenues.

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
Acthar Gel	\$ 320.9	\$ 153.2	\$ 221.9
INOmax	232.5	94.2	165.8
Therakos	187.6	68.2	109.6
Amitiza <sup>(1)</sup>	61.4	42.9	81.5
Terlivaz	10.0	—	—
Other	5.9	3.2	8.3
Specialty Brands	<u>818.3</u>	<u>361.7</u>	<u>587.1</u>
Opioids	200.2	55.2	88.8
ADHD	82.9	13.4	17.5
Addiction treatment	46.8	19.1	30.0
Other	7.6	3.0	4.9
Generics	<u>337.5</u>	<u>90.7</u>	<u>141.2</u>
Controlled substances	61.4	21.4	37.6
APAP	163.6	69.2	96.5
Other	15.8	7.4	12.2
API	<u>240.8</u>	<u>98.0</u>	<u>146.3</u>
Specialty Generics	<u>578.3</u>	<u>188.7</u>	<u>287.5</u>
Net sales	<u>\$ 1,396.6</u>	<u>\$ 550.4</u>	<u>\$ 874.6</u>

(1) Amitiza consists of both product net sales and royalties. Refer to Note 3 for further details on Amitiza's revenues.

## 15. Subsequent Events

### *Commitments and Contingencies*

Certain litigation matters occurred on, or prior to, September 29, 2023 (Successor), but had subsequent updates through the date of issuance of this report. See further discussion in Note 12.

### *Examinership Proceedings*

On October 2, 2023, the hearing of the Examinership Petition took place before the High Court of Ireland. Following that hearing, and on the same date, the High Court of Ireland made an order confirming the appointment of the Examiner. Subsequently, on October 6, 2023, the High Court of Ireland made various orders giving directions to the Examiner with respect to the convening of meetings of the shareholders of Mallinckrodt plc and each class of creditors of Mallinckrodt plc that would be impaired by the Examiner's proposal for the 2023 Scheme of Arrangement (which include the First Lien Claims, the Second Lien Notes Claims, the Intercompany Claims and the Subordinated Claims (each as defined in the 2023 Plan)), for the purposes of considering and voting in relation to the proposed 2023 Scheme of Arrangement that, if confirmed by High Court of Ireland, will implement certain Irish law aspects of the 2023 Plan. In order to make an order confirming the 2023 Scheme of Arrangement, the High Court of Ireland must be satisfied that:

- a majority in number of creditors whose interests or claims would be impaired by implementation of the 2023 Scheme of Arrangement, representing a majority in value of the claims that would be impaired by its implementation, have voted to accept it; or
- if the above requirement is not satisfied, then a majority of the classes of creditors whose interests would be impaired by the 2023 Scheme of Arrangement have voted to accept it, provided that at least one of those creditors classes is a class of secured creditors or is senior to the class or ordinary unsecured creditors; or
- if neither of the above requirements is satisfied, at least one class of creditors whose interests or claims would be impaired by the 2023 Scheme of Arrangement, other than a class which would not receive any payment or keep any interest in a liquidation scenario, has voted to accept it.

On October 30, 2023, the Examiner convened meetings of the shareholders and impaired creditor classes of Mallinckrodt plc. On November 2, 2023, the Examiner presented a report to the High Court of Ireland on the outcome of the meetings, which confirmed that all of the meetings of the impaired creditors and the members of Mallinckrodt plc that were held on November 2, 2023 voted in favor of the 2023 Scheme of Arrangement.

On the same date that the report was presented, the High Court of Ireland made an order directing that a hearing for the confirmation of the 2023 Scheme of Arrangement pursuant to Section 541 of the Companies Act 2014 of Ireland be held on November 10, 2023.

### *Confirmation of the Plan of Reorganization*

On October 10, 2023, the Bankruptcy Court entered the Confirmation Order confirming the Amended 2023 Plan.

Notwithstanding the entry of the Confirmation Order, consummation of the 2023 Plan remains subject to the satisfaction or waiver of various conditions precedent set forth in the 2023 Plan, including that the High Court of Ireland will make an order in the Irish Examinership Proceedings pursuant to Section 541 of the Companies Act 2014 of Ireland confirming the 2023 Scheme of Arrangement, and that the 2023 Scheme of Arrangement will become effective in accordance with its terms (or will become effective concurrently with the effectiveness of the 2023 Plan).

As a result, the Company can make no assurances as to when, or ultimately if, it will emerge from Chapter 11.

The following is a summary of the material features of the 2023 Plan as confirmed by the Bankruptcy Court. For further information about the 2023 Chapter 11 Cases, refer to Note 2.

Pursuant to the 2023 Plan, there will be a restructuring comprising, among other things, the treatment for classes of claims and interests as follows:

- DIP Claims. All allowed claims ("DIP Claims") under the DIP Credit Agreement will be satisfied in cash from the DIP Cash Sweep (as defined below), with the amount of any allowed DIP Claims in excess of the DIP Cash Sweep being converted on a dollar-for-dollar basis into New First Priority Takeback Term Loans (as defined in the Amended 2023 Plan) in the amount of such excess. Any Unrestricted Cash (as defined in the 2023 Plan) held immediately before the 2023 Effective Date by the 2023 Debtors collectively in excess of \$160.0 million (after accounting for implementation of the Exit A/R Facility Cash Sweep defined below) will be paid to the holders of DIP Claims on a pro rata basis until either (i) DIP Claims have been

satisfied in full or (ii) the 2023 Debtors (or reorganized 2023 Debtors) collectively hold no more than \$160.0 million of Unrestricted Cash ("DIP Cash Sweep").

- **Post-Petition A/R Claims.** Claims arising under the accounts receivable lending facility established under the Amended ABL Credit Agreement ("Post-Petition A/R Facility") generally will be paid in full in cash as they come due in the ordinary course of business in accordance with the terms and conditions of the Post-Petition A/R Facility, as extended on the 2023 Effective Date pursuant to its terms. Furthermore, on the 2023 Effective Date, each holder of an allowed Post-Petition A/R Claim will receive its pro rata share of the Exit A/R Facility Cash Sweep (as defined below) to the extent that the Company and its affiliates collectively hold more than \$160.0 million of Unrestricted Cash immediately before the 2023 Effective Date. In such case, Unrestricted Cash held immediately before the 2023 Effective Date by the 2023 Debtors collectively in excess of \$160.0 million will be transferred to pay any outstanding amounts owed under the Post-Petition A/R Facility until either (i) such outstanding amounts have been reduced to \$100.0 million or (ii) the 2023 Debtors collectively have no more than \$160.0 million of Unrestricted Cash ("Exit A/R Facility Cash Sweep").
- **Other Secured Claims.** Other secured claims will, on the 2023 Effective Date, (i) be paid in full in cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, (ii) receive the collateral securing such claim, or (iii) receive any other treatment that would render such claim unimpaired.
- **First Lien Claims.** Each holder of an allowed claim related to the outstanding 10.00% first lien senior secured notes due 2025 issued by certain of the Company's subsidiaries ("2025 First Lien Senior Notes"), the outstanding 11.50% first lien senior secured notes due 2028 issued by certain of the Company's subsidiaries ("2028 First Lien Senior Notes") or the first lien senior secured term loans due 2027 borrowed by certain of the Company's subsidiaries pursuant to the credit agreement, dated as of June 16, 2022, by and among the Company, certain of its subsidiaries and the lenders party thereto, Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents, and Deutsche Bank AG New York Branch, as collateral agent ("First Lien Term Loans", and together with the 2025 First Lien Senior Notes and the 2028 First Lien Senior Notes, the "First Lien Claims"), will receive on the 2023 Effective Date its pro rata share of (A) 92.3% of the 2023 Debtors' reorganized equity (subject to dilution) to be issued on the 2023 Effective Date ("New Common Equity"), (B) as applicable, cash in an amount sufficient to repay in full (x) the accrued and unpaid interest on the First Lien Term Loans in the case of any holder of First Lien Term Loans, (y) the accrued and unpaid interest on the 2025 First Lien Senior Notes in the case of any holder of 2025 First Lien Senior Notes, and (z) the accrued and unpaid interest on the 2028 First Lien Senior Notes in the case of any holder of 2028 First Lien Senior Notes, (C) cash from the Exit Minimum Cash Sweep (as defined below), if the Exit Minimum Cash Sweep trigger occurs, and (D) if applicable, the New Second Priority Takeback Debt (as defined in the Amended 2023 Plan). The Exit Minimum Cash Sweep trigger will occur if the Company and its affiliates collectively hold more than \$160.0 million of Unrestricted Cash immediately before the 2023 Effective Date after accounting for implementation of the Exit A/R Facility Cash Sweep and the DIP Cash Sweep. Furthermore, on the 2023 Effective Date, the 2023 Debtors or the reorganized 2023 Debtors, as applicable, will pay in cash certain outstanding fees, expenses and costs of the agents and trustees related to the First Lien Claims.
- **Second Lien Notes Claims.** Each holder of an allowed claim related to the outstanding 10.00% second lien senior secured notes due 2025 issued by certain of the Company's subsidiaries and the outstanding 10.00% second lien senior secured notes due 2029 issued by certain of the Company's subsidiaries will receive, on the Effective Date, its pro rata share of 7.7% of the New Common Equity (subject to dilution). Furthermore, on the 2023 Effective Date, the 2023 Debtors or the reorganized 2023 Debtors, as applicable, will pay in cash certain outstanding fees, expenses and costs of the agents and trustees related to such claims.
- **General Unsecured Claims.** Each holder of a General Unsecured Claim (as defined in the Amended 2023 Plan) against a 2023 Debtor will receive payment in full in cash in accordance with applicable law and the terms and conditions of the particular transaction giving rise to, or the agreement that governs, such allowed General Unsecured Claim on the later of (i) the date due in the ordinary course of business or (ii) the 2023 Effective Date, unless such General Unsecured Claims has already been satisfied.
- **Subordinated Claims.** Subordinated Claims (as defined in the Amended 2023 Plan) will be cancelled, released, discharged and extinguished, and holders of Subordinated Claims will receive no recovery or distribution on account of such subordinated claims.
- **Intercompany Claims.** Unless otherwise provided for under the Amended 2023 Plan, on the 2023 Effective Date, at the option of the applicable 2023 Debtor in consultation with the Ad Hoc First Lien Term Loan Group, the Ad Hoc Crossover Group, and the Ad Hoc 2025 Noteholder Group (each as defined in the Amended 2023 Plan), Intercompany Claims (as defined in the Amended 2023 Plan) will be either: (i) reinstated; or (ii) set off, settled, distributed, contributed, merged, canceled or released.
- **Intercompany Interests.** Unless otherwise provided for under the Amended 2023 Plan, on the 2023 Effective Date, at the option of the applicable 2023 Debtor in consultation with the Ad Hoc First Lien Term Loan Group, the Ad Hoc Crossover Group, and the Ad Hoc 2025 Noteholder Group, Intercompany Interests will be either: (i) reinstated; or (ii) set off, settled, distributed, contributed, merged, canceled or released.

- Existing Equity Interests. Holders of equity interests in the Company that existed immediately before the 2023 Effective Date will receive no distribution on account of such equity interests. On the 2023 Effective Date, all such equity interests will be discharged, canceled, released and extinguished and will be of no further force or effect.

## **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. This Quarterly Report on Form 10-Q includes forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. See "Forward-Looking Statements" at the end of this Item 2 for important additional information and related considerations.

### **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, hepatology, nephrology, pulmonology, ophthalmology and oncology; immunotherapy and neonatal respiratory critical care therapies; analgesics; cultured skin substitutes 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 30, 2022 ("Annual Report on Form 10-K"), filed with the United States ("U.S.") Securities and Exchange Commission ("SEC") on March 3, 2023.

### **Significant Events**

#### ***Voluntary Filing Under Chapter 11 and Going Concern***

##### *Chapter 11 Proceedings*

On August 28, 2023 ("Petition Date"), Mallinckrodt plc (in examination under Part 10 of the Companies Act 2014 of Ireland) and certain of its subsidiaries voluntarily initiated proceedings ("2023 Chapter 11 Cases") under the chapter 11 of title 11 ("Chapter 11") of the United States Code ("Bankruptcy Code") in the U.S. Bankruptcy Court for the District of Delaware ("Bankruptcy Court") with a prepackaged Chapter 11 plan of reorganization to restructure our debt (as may be amended or supplemented from time to time in accordance with its terms, including the Amended 2023 Plan (as defined below), the "2023 Plan") as contemplated by the restructuring support agreement ("RSA") dated as of August 23, 2023, by and among us, certain of our subsidiaries, certain of our creditors and the Opioid Master Disbursement Trust II ("Trust") (further detail for which is provided below). The entities that filed the 2023 Chapter 11 Cases include Mallinckrodt plc, substantially all of our U.S. subsidiaries, including our specialty generics-focused subsidiaries and specialty brands-related subsidiaries, and certain of our international subsidiaries (collectively, the "2023 Debtors"). We are continuing to operate our business as debtors-in-possession and supply customers and patients with products as normal.

To assure ordinary course operations, we received Bankruptcy Court approval of certain customary motions filed on the Petition Date ("First Day Motions") on an interim basis seeking court authorization to continue to support our business operations during the Chapter 11 Cases, including the continued payment of employee wages and benefits without interruption, payment of trade vendors, continuation of customer programs, continuation of use of existing cash management programs and authorization of the Company's \$250.0 million post-petition, super-priority debtor-in-possession financing facility. The First Day Motions were subsequently approved by the Bankruptcy Court on a final basis at hearings.

As contemplated by the 2023 Plan and the RSA, on September 20, 2023, the directors of Mallinckrodt plc initiated examinership proceedings with respect to Mallinckrodt plc ("Irish Examinership Proceedings") by presenting a petition ("Examinership Petition") to the High Court of Ireland pursuant to Section 510(1)(b) of the Companies Act 2014 of Ireland seeking the appointment of an examiner to Mallinckrodt plc ("Examiner"). The references to the 2023 Chapter 11 Cases included within this Quarterly Report on Form 10-Q shall include, where applicable, the Irish Examinership Proceedings. See Note 2 to the unaudited condensed consolidated financial statements for further information on the 2023 Chapter 11 Cases, the RSA and the Irish Examinership Proceedings.

On September 29, 2023, the 2023 Debtors filed the First Amended Prepackaged Joint Chapter 11 Plan of Reorganization of Mallinckrodt Plc and Its Debtor Affiliates (as may be amended or supplemented from time to time in accordance with its terms, the "Amended 2023 Plan") in the 2023 Chapter 11 Cases in the Bankruptcy Court.

On October 10, 2023, the Bankruptcy Court entered an order ("Confirmation Order") confirming the Amended 2023 Plan.

Notwithstanding the entry of the Confirmation Order, consummation of the 2023 Plan remains subject to the satisfaction or waiver of various conditions precedent set forth in the 2023 Plan, including that the High Court of Ireland will make an order in the

examinership proceedings pursuant to Section 541 of the Companies Act 2014 of Ireland confirming a scheme of arrangement with respect to Mallinckrodt plc, which is based on and consistent in all respects with the 2023 Plan ("2023 Scheme of Arrangement"), and that the 2023 Scheme of Arrangement will become effective in accordance with its terms (or will become effective concurrently with the effectiveness of the 2023 Plan).

We intend to use the Chapter 11 process to provide a fair, orderly, efficient and legally binding mechanism to implement the 2023 Plan. Pursuant to the 2023 Plan, there will be a restructuring comprising, among other things, the treatment for classes of claims and interests as follows:

- **DIP Claims.** All allowed claims ("DIP Claims") under the DIP Credit Agreement will be satisfied in cash from the DIP Cash Sweep (as defined below), with the amount of any allowed DIP Claims in excess of the DIP Cash Sweep being converted on a dollar-for-dollar basis into New First Priority Takeback Term Loans (as defined in the Amended 2023 Plan) in the amount of such excess. Any Unrestricted Cash (as defined in the Amended 2023 Plan) held immediately before the 2023 Effective Date by the 2023 Debtors collectively in excess of \$160.0 million (after accounting for implementation of the Exit A/R Facility Cash Sweep defined below) will be paid to the holders of DIP Claims on a pro rata basis until either (i) DIP Claims have been satisfied in full or (ii) the 2023 Debtors (or reorganized 2023 Debtors) collectively hold no more than \$160.0 million of Unrestricted Cash ("DIP Cash Sweep").
- **Post-Petition A/R Claims.** Claims arising under the accounts receivable lending facility established under the Amended ABL Credit Agreement ("Post-Petition A/R Facility") generally will be paid in full in cash as they come due in the ordinary course of business in accordance with the terms and conditions of the Post-Petition A/R Facility, as extended on our emergence from the 2023 Chapter 11 Cases ("2023 Effective Date") pursuant to its terms. Furthermore, on the 2023 Effective Date, each holder of an allowed Post-Petition A/R Claim will receive its pro rata share of the Exit A/R Facility Cash Sweep (as defined below) to the extent that the Company and its affiliates collectively hold more than \$160 million of Unrestricted Cash immediately before the 2023 Effective Date. In such case, Unrestricted Cash held immediately before the 2023 Effective Day the 2023 Debtors collectively in excess of \$160.0 million will be transferred to pay any outstanding amounts owed under the Post-Petition A/R Facility until either (i) such outstanding amounts have been reduced to \$100.0 million or (ii) the 2023 Debtors collectively have no more than \$160.0 million of Unrestricted Cash ("Exit A/R Facility Cash Sweep").
- **Other Secured Claims.** Other secured claims will, on the 2023 Effective Date, (i) be paid in full in cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, (ii) receive the collateral securing such claim, or (iii) receive any other treatment that would render such claim unimpaired.
- **First Lien Claims.** Each holder of an allowed claim related to the outstanding 10.00% first lien senior secured notes due 2025 issued by certain of the Company's subsidiaries ("2025 First Lien Senior Notes"), the outstanding 11.50% first lien senior secured notes due 2028 issued by certain of the Company's subsidiaries ("2028 First Lien Senior Notes") or the first lien senior secured term loans due 2027 borrowed by certain of the Company's subsidiaries pursuant to the credit agreement, dated as of June 16, 2022, by and among the Company, certain of its subsidiaries and the lenders party thereto, Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents, and Deutsche Bank AG New York Branch, as collateral agent ("First Lien Term Loans", and together with the 2025 First Lien Senior Notes and the 2028 First Lien Senior Notes, the "First Lien Claims"), will receive on the 2023 Effective Date its pro rata share of (A) 92.3% of the Company's reorganized equity (subject to dilution) to be issued on the 2023 Effective Date ("New Common Equity"), (B) as applicable, cash in an amount sufficient to repay in full (x) the accrued and unpaid interest on the First Lien Term Loans in the case of any holder of First Lien Term Loans, (y) the accrued and unpaid interest on the 2025 First Lien Senior Notes in the case of any holder of 2025 First Lien Senior Notes, and (z) the accrued and unpaid interest on the 2028 First Lien Senior Notes in the case of any holder of 2028 First Lien Senior Notes, (C) cash from the Exit Minimum Cash Sweep (as defined below), if the Exit Minimum Cash Sweep trigger occurs, and (D) if applicable, the New Second Priority Takeback Debt (as defined in the Amended 2023 Plan). The Exit Minimum Cash Sweep trigger will occur if the Company and its affiliates collectively hold more than \$160.0 million of Unrestricted Cash immediately before the 2023 Effective Date after accounting for implementation of the Exit A/R Facility Cash Sweep and the DIP Cash Sweep. Furthermore, on the 2023 Effective Date, the 2023 Debtors or the reorganized 2023 Debtors, as applicable, will pay in cash certain outstanding fees, expenses and costs of the agents and trustees related to the First Lien Claims.
- **Second Lien Notes Claims.** Each holder of an allowed claim related to the outstanding 10.00% second lien senior secured notes due 2025 issued by certain of the Company's subsidiaries and the outstanding 10.00% second lien senior secured notes due 2029 issued by certain of the Company's subsidiaries will receive, on the Effective Date, its pro rata share of 7.7% of the New Common Equity (subject to dilution). Furthermore, on the 2023 Effective Date, the 2023 Debtors or the reorganized 2023 Debtors, as applicable, will pay in cash certain outstanding fees, expenses and costs of the agents and trustees related to such claims.
- **General Unsecured Claims.** Each holder of a General Unsecured Claim (as defined in the Amended 2023 Plan) against a 2023 Debtor will receive payment in full in cash in accordance with applicable law and the terms and conditions of the particular transaction giving rise to, or the agreement that governs, such allowed General Unsecured Claim on the later of (i) the date due in the ordinary course of business or (ii) the 2023 Effective Date, unless such General Unsecured Claims has already been satisfied.

- **Subordinated Claims.** Subordinated Claims (as defined in the Amended 2023 Plan) will be cancelled, released, discharged and extinguished, and holders of Subordinated Claims will receive no recovery or distribution on account of such subordinated claims.
- **Intercompany Claims.** Unless otherwise provided for under the Amended 2023 Plan, on the 2023 Effective Date, at the option of the applicable 2023 Debtor in consultation with the Ad Hoc First Lien Term Loan Group, the Ad Hoc Crossover Group, and the Ad Hoc 2025 Noteholder Group (each as defined in the Amended 2023 Plan), Intercompany Claims (as defined in the Amended 2023 Plan) will be either: (i) reinstated; or (ii) set off, settled, distributed, contributed, merged, canceled or released.
- **Intercompany Interests.** Unless otherwise provided for under the Amended 2023 Plan, on the 2023 Effective Date, at the option of the applicable 2023 Debtor in consultation with the Ad Hoc First Lien Term Loan Group, the Ad Hoc Crossover Group, and the Ad Hoc 2025 Noteholder Group, Intercompany Interests will be either: (i) reinstated; or (ii) set off, settled, distributed, contributed, merged, canceled or released.
- **Existing Equity Interests.** Holders of equity interests in the Company that existed immediately before the 2023 Effective Date will receive no distribution on account of such equity interests. On the 2023 Effective Date, all such equity interests will be discharged, canceled, released and extinguished and will be of no further force or effect.

We expect to formally emerge from Chapter 11 in the fourth quarter of 2023, following the completion of the Irish Examinership Proceedings and once all conditions of the 2023 Plan are satisfied or waived. However, we can make no assurances as to when, or ultimately if, we will emerge from Chapter 11.

#### *Going Concern*

The accompanying unaudited condensed consolidated financial statements have been prepared assuming we will continue as a going concern. Although the Bankruptcy Court has entered the Confirmation Order confirming the Amended 2023 Plan proposed by the 2023 Debtors, consummation of the 2023 Plan and the transactions contemplated thereby and emergence from the 2023 Chapter 11 Cases remains subject to the satisfaction of various conditions, including completion of the Irish Examinership Proceedings. Accordingly, no assurance can be given that the 2023 Plan or the transactions contemplated thereby will be consummated or that we will successfully emerge from the 2023 Chapter 11 Cases. 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.

#### ***Emergence from 2020 Chapter 11 Cases***

On October 12, 2020, Mallinckrodt plc and substantially all of our U.S. subsidiaries, including certain subsidiaries of Mallinckrodt plc operating our Specialty Generics business and our Specialty Brands business and certain of our international subsidiaries (collectively, "2020 Debtors") voluntarily initiated Chapter 11 Cases under Chapter 11 ("2020 Chapter 11 Cases"). The fourth amended plan of reorganization (with technical modifications) ("2020 Plan") became effective on June 16, 2022 ("Effective Date of the 2020 Chapter 11 Cases") and on such date the Company emerged from Chapter 11.

Upon emergence from Chapter 11, we adopted fresh-start accounting in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 852 - *Reorganizations*, and became a new entity for financial reporting purposes as of the Effective Date. References to "Successor" relate to the financial position as of June 16, 2022 and results of operations of the reorganized company subsequent to June 16, 2022, while references to "Predecessor" relate to the financial position prior to June 16, 2022 and results of operations of the company prior to, and including, June 16, 2022. All emergence-related transactions of the Predecessor were recorded as of June 16, 2022. Accordingly, the unaudited condensed consolidated financial statements for the Successor are not comparable to the unaudited condensed consolidated financial statements for the Predecessor.

#### ***Reorganization items, net***

During the three and nine months ended September 29, 2023 (Successor), we incurred \$1,311.5 million and \$1,321.1 million of reorganization items, net, respectively. During the three months ended September 30, 2022 (Successor) and the period from June 17, 2022 through September 30, 2022 (Successor), we incurred expenses of \$14.2 million and \$17.7 million from reorganization items, net, respectively. The Successor expenses represent amounts incurred after the Effective Date that directly resulted from the 2023 Chapter 11 and were comprised of professional fees, debt valuation adjustments 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. Such adjustments include non-cash adjustments associated with our debt and settlement obligations in order to reflect the estimated allowed claim amount of these liabilities within LSTC, a makewhole settlement entered into with our first lien senior secured noteholders as described in the RSA, and a backstop premium on the DIP Credit Agreement (as defined in Note 10 of the notes to the unaudited condensed consolidated financial statements). Also included in the Successor period were professional fees

associated with the implementation of the 2020 Plan. During the period January 1, 2022 through June 16, 2022 (Predecessor), we incurred expenses of \$630.9 million from reorganization items, net. These expenses were primarily driven by the loss on application of fresh-start accounting of \$1,354.6 million and professional and lender fees, partially offset by a \$943.7 million gain on settlement of LSTC in accordance with the 2020 Plan.

### ***Liabilities Management and Separation Costs***

During the three months ended September 29, 2023 (Successor), we have recorded \$142.1 million of expense within liabilities management and separation costs primarily related to professional fees associated with our evaluation of our financial situation and related discussions with our stakeholders leading up to filing for the 2023 Chapter 11 Cases. A portion of these costs also relate to costs incurred by third parties for which we have agreed to be responsible, including pursuant to the forbearance agreements with certain of our first lien and second lien debt holders. As of the Petition Date, professional fees directly related to the 2023 Chapter 11 Cases that were previously reflected as liabilities management and separation costs are being classified on a go-forward basis as reorganization items, net. As a result, we expect a significant reduction in liabilities management and separation costs during the pendency of the 2023 Chapter 11 Cases.

### ***Generics IPR&D***

During the three months ended September 29, 2023 (Successor), the U.S. Food and Drug Administration approved the abbreviated new drug applications for certain of our Specialty Generics in-process research and development ("IPR&D") assets. Upon approval, we transferred a total of \$26.0 million of asset value from non-amortizable indefinite-lived IPR&D rights to amortizable, finite-lived completed technology with amortization commencing upon the first commercial shipment of the respective products.

Additionally, during the three months ended September 29, 2023 (Successor), we decided we will no longer pursue further development of certain of our Specialty Generics IPR&D assets. As a result, we recognized a full impairment on the respective assets of \$85.8 million.

### ***StrataGraft®***

During the three months ended September 29, 2023 (Successor), due to lower than anticipated cash flows expected from StrataGraft, we identified a triggering event with respect to the StrataGraft intangible asset within the Specialty Brands segment and assessed the recoverability of the definite-lived asset. We determined that the undiscounted cash flows related to the StrataGraft intangible asset were less than its net book value, which resulted in a full impairment charge of \$50.1 million for the difference between the fair value of the StrataGraft intangible asset and its net book value.

### ***Business Factors Influencing the Results of Operations***

We cannot adequately benchmark certain operating results of the nine months ended September 29, 2023 against the nine months ended September 30, 2022 as the comparison would include the nine months ended September 29, 2023 Successor periods and the nine months ended September 30, 2022 combined Successor and Predecessor periods, which would be considered to not be in accordance with GAAP. We do not believe that reviewing the results of the nine months ended September 29, 2023 Successor periods in isolation would be useful in identifying trends in or reaching conclusions regarding our overall operating performance. Management believes that our key performance metrics such as net sales and segment results of operations for the nine months ended September 29, 2023 provide more meaningful comparisons to prior periods when the Successor and Predecessor prior periods are combined and are more useful in identifying current business trends. Accordingly, in addition to presenting our results of operations as reported in our unaudited condensed consolidated financial statements in accordance with GAAP, in certain circumstances the discussion in "Results of Operations" and "Segment Results" below utilizes the combined results for the nine months ended September 30, 2022.

### ***Specialty Brands***

Net sales of Amitiza® for the three months ended September 29, 2023 (Successor) decreased \$18.8 million, or 50.7%, to \$18.3 million driven primarily by a decline in royalties associated with loss of U.S. exclusivity. Additional generic competitors have entered the market in 2023, resulting in the elimination of the Par U.S. royalties.

Net sales of Therakos® for the three months ended September 29, 2023 (Successor) increased \$8.0 million, or 13.8%, to \$66.0 million driven primarily by stabilization in the use of the platform for treatment of graft-versus-host disease ("GvHD"), which is a non-promoted use in the U.S. market, and to a lesser extent the impact of competitive oral therapies for GvHD.

Net sales of INOmax<sup>®</sup> for the three months ended September 29, 2023 (Successor) decreased \$7.8 million, or 9.7%, to \$72.9 million driven primarily by continued competition from alternative nitric oxide products, 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 through our submission of a 510(k) premarket notification to the U.S. Food and Drug Administration ("FDA") for our next generation nitric oxide delivery system. 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 an alternative version of our INOmax product and/or next generation delivery systems.

Net sales of Acthar<sup>®</sup> Gel for the three months ended September 29, 2023 (Successor) decreased \$3.6 million, or 2.9%, to \$122.1 million driven primarily by continued scrutiny on overall specialty pharmaceutical spending, as well as slower than expected returning patient volumes, impacted primarily by affordability. Competition intensified with the commercial launch of a purified cortrophin gel product in 2022 and this competitive pressure is expected to continue to negatively impact sales of Acthar Gel in 2023. The ongoing competition is expected to continue to have an adverse effect on our financial condition, results of operations and cash flows. We continue to differentiate Acthar Gel through pre-clinical studies and through product enhancements, including the development of the Acthar Gel delivery device and its Supplemental New Drug Application submission, which has been accepted by the FDA, and we anticipate a launch in the second half of 2024. We continue to work toward the resolution of a regulatory matter involving one of our partners and not specific to our device. If approved, this product is expected to create an easier and more patient-friendly application for single unit dosage indications.

### Specialty Generics

Net sales from the Specialty Generics segment for the three months ended September 29, 2023 (Successor) increased \$48.9 million, or 30.2%, to \$210.8 million driven primarily by an increase in finished-dosage generics net sales of \$48.3 million driven by our ability to manufacture and supply product during periods of market disruption coupled with an increase in API net sales of \$0.6 million.

## Results of Operations

### Three Months Ended September 29, 2023 (Successor) Compared with Three Months Ended September 30, 2022 (Successor)

#### Net Sales

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

	Successor		
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	Percentage Change
U.S.	\$ 443.6	\$ 415.5	6.8 %
Europe, Middle East and Africa	46.6	44.5	4.7
Other geographic areas	6.8	5.4	25.9
Net sales	\$ 497.0	\$ 465.4	6.8 %

Net sales for the three months ended September 29, 2023 (Successor) increased \$31.6 million, or 6.8%, to \$497.0 million, compared with \$465.4 million for the three months ended September 30, 2022 (Successor). This increase was primarily driven by an increase in finished-dosage generics net sales within our Specialty Generics segment and Therakos within our Specialty Brands segment, partially offset by a decrease in net sales of Amitiza, Acthar Gel and INOmax within our Specialty Brands segment, 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

*Gross profit.* Gross profit for the three months ended September 29, 2023 (Successor) increased \$135.3 million, or 872.9%, to \$150.8 million, compared with \$15.5 million for the three months ended September 30, 2022 (Successor). Gross profit margin was 30.3% for the three months ended September 29, 2023 (Successor), compared with 3.3% for the three months ended September 30, 2022 (Successor). These increases were driven by lower inventory step-up amortization of \$43.6 million for the three months ended September 29, 2023 (Successor), compared with \$129.1 million for the three months ended September 30, 2022 (Successor), coupled with the increase in net sales, as discussed above, as well as a change in product mix.

*Selling, general and administrative expenses.* SG&A expenses for the three months ended September 29, 2023 (Successor) increased \$6.9 million, or 5.6%, to \$129.2 million, compared with \$122.3 million for the three months ended September 30, 2022 (Successor). As a percentage of net sales, SG&A expenses were 26.0% and 26.3% for the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor), respectively. These increases were primarily driven by incremental compensation costs associated with the 2023 Chapter 11 Cases.

*Research and development expenses.* Research and development ("R&D") expenses for the three months ended September 29, 2023 (Successor) decreased \$2.6 million, or 9.2%, to \$25.7 million, compared with \$28.3 million for the three months ended September 30, 2022 (Successor). As a percentage of net sales, R&D expenses were 5.2% and 6.1% for the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor), respectively. These decreases were primarily driven by continued cost containment initiatives coupled with the completion of certain development programs. 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.

*Non-restructuring impairment charges.* Non-restructuring impairment charges were \$135.9 million for the three months ended September 29, 2023 (Successor) resulting from the full impairment of our StrataGraft intangible asset of \$50.1 million and certain of our Specialty Generics IPR&D assets of \$85.8 million.

*Liabilities management and separation costs.* Liabilities management and separation costs were \$142.1 million during the three months ended September 29, 2023 (Successor) compared to \$6.9 million during the three months ended September 30, 2022 (Successor). The increase were primarily related to professional fees incurred by us (including where we are responsible for the fees of third parties) in connection with the evaluation of our financial situation and related discussions with our stakeholders prior to the commencement of the 2023 Chapter 11 Cases during the three months ended September 29, 2023 (Successor). The expenses incurred during the three months ended September 30, 2022 (Successor) related to the severance of certain former executives of the Predecessor, in addition to professional fees and costs incurred as we explored potential sales of non-core assets to enable further deleveraging post-emergence from the 2020 Chapter 11 Cases.

### **Non-Operating Items**

*Interest expense and interest income.* During the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor), net interest expense was \$129.7 million and \$146.7 million, respectively. During the three months ended September 29, 2023 (Successor), interest expense included \$22.4 million and \$15.7 million of accretion expense associated with our settlement obligations and debt, respectively, compared to \$40.6 million and \$24.0 million during the three months ended September 30, 2022 (Successor), respectively. The decrease in accretion expense was driven by our 2023 Chapter 11 Cases in which the accretion expense was no longer recorded subsequent to the Petition Date due to these obligations being reclassified to LSTC. This decrease is partially offset by the increased interest rates on our variable interest rate debt during the three months ended September 29, 2023 (Successor) as compared to the three months ended September 30, 2022 (Successor). The increase in our interest income of \$2.1 million was primarily driven by higher interest earned on our money market funds during the three months ended September 29, 2023 (Successor).

*Other income (expense), net.* During the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor), we incurred other income of \$9.1 million and other expense of \$5.1 million, respectively. The three months ended September 29, 2023 (Successor) included \$7.2 million of unrealized gains on equity securities related to our investments in Silence Therapeutics plc ("Silence") and Panbela Therapeutics, Inc ("Panbela"), while the three months ended September 30, 2022 (Successor) included an unrealized loss of \$5.1 million on our equity security investments.

*Reorganization items, net.* During the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor), we recorded \$1,311.5 million and \$14.2 million in reorganization items, net, respectively. The three months ended September 29, 2023 (Successor) included \$743.4 million and \$377.6 million of non-cash adjustments associated with our settlement obligations and debt, respectively, in order to reflect the estimated allowed claim amount of these liabilities within LSTC on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor) as a result of our 2023 Chapter 11 Cases. Also included was \$123.8 million related to the makewhole settlement entered into with our first lien senior secured noteholders as described in the RSA, \$30.0 million related to the backstop premium on our debtor-in-possession financing and \$18.5 million of deferred financing fee write-offs related to the 11.50% first lien senior secured notes in order to reflect the carrying value of the debt instrument within LSTC on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor) at their estimated allowed claim amount. The remaining expense in both periods represented professional fees.

*Income tax expense (benefit).* We recognized income tax expense of \$10.8 million on a loss from continuing operations before income taxes of \$1,714.1 million for the three months ended September 29, 2023 (Successor). This resulted in an effective tax rate of negative 0.6%. The income tax expense was comprised of \$10.8 million of current tax expense which consisted of \$9.3 million attributed to a decrease in prepaid income taxes and \$1.5 million predominately attributed to pretax earnings in various jurisdictions.

We recognized \$24.9 million of income tax benefit on a loss from continuing operations before income taxes of \$310.2 million for the three months ended September 30, 2022 (Successor). This resulted in an effective tax rate of 8.0%. The income tax benefit was comprised of \$20.5 million of current tax benefit and \$4.4 million of deferred tax benefit. The current and deferred income tax benefits predominantly related to intangible asset amortization activity attributed to fresh-start adjustments, partially offset by the utilization of loss carryforwards.

The income tax benefit of \$24.9 million for the three months ended September 30, 2022 (Successor) was attributed to pretax earnings in various jurisdictions, separation costs, reorganization items, net and restructuring charges.

***Nine Months Ended September 29, 2023 (Successor) Compared with Period from June 17, 2022 through September 30, 2022 (Successor) and Period from January 1, 2022 through June 16, 2022 (Predecessor)***

**Net Sales**

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
U.S.	\$ 1,249.4	\$ 490.2	\$ 784.2	\$ 1,274.4	(2.0)%
Europe, Middle East and Africa	133.1	53.9	73.6	127.5	4.4
Other geographic areas	14.1	6.3	16.8	23.1	(39.0)
Net sales	<u>\$ 1,396.6</u>	<u>\$ 550.4</u>	<u>\$ 874.6</u>	<u>\$ 1,425.0</u>	(2.0)%

Net sales for the nine months ended September 29, 2023 (Successor) were \$1,396.6 million. Net sales for the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor) were \$550.4 million and \$874.6 million, respectively. Non-GAAP combined net sales for the nine months ended September 30, 2022 were \$1,425.0 million. Net sales for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 decreased \$28.4 million, or 2.0%. This decrease was primarily driven by a decrease in our Specialty Brands segment including a significant decrease in net sales of Amitiza, Acthar Gel and INOmax. These decreases were partially offset by an increase in net sales in our Specialty Generics segment including a significant increase in net sales of our finished-dosage generics. 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 (loss).** Gross profit for the nine months ended September 29, 2023 (Successor) and the period January 1, 2022 through June 16, 2022 (Successor) were \$305.5 million and \$292.6 million, respectively. Gross loss for the period June 17, 2022 through September 30, 2022 (Successor) was \$1.7 million. Gross profit margin was 21.9% for the nine months ended September 29, 2023 (Successor), negative 0.3% for the period June 17, 2022 through September 30, 2022 (Successor), and 33.5% for the period January 1, 2022 through June 16, 2022 (Predecessor). The decrease in gross profit was primarily driven by \$169.2 million of inventory step-up amortization expense during the nine months ended September 29, 2023 (Successor) compared to \$153.2 million of inventory step-up amortization expense during the period from June 17, 2022 through September 30, 2022 (Successor), coupled with the decrease in net sales and a change in product mix.

**Selling, general and administrative expenses.** SG&A expenses for the nine months ended September 29, 2023 (Successor) were \$369.6 million. SG&A expenses for the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor) were \$143.4 million and \$266.3 million, respectively. As a percentage of net sales, SG&A expenses were 26.5% for the nine months ended September 29, 2023 (Successor), 26.1% for the period June 17, 2022 through September 30, 2022 (Successor), 30.4% for the period January 1, 2022 through June 16, 2022 (Predecessor). The decrease in SG&A expense was primarily driven by a \$7.3 million gain related to the change in the fair value of our contingent consideration liability during the nine months ended September 29, 2023 (Successor), compared to a \$0.8 million gain during the period June 17, 2022 through September 30, 2022 (Successor). The period January 1, 2022 through June 16, 2022 (Predecessor) also included \$15.8 million in foreign currency remeasurement loss and \$11.1 million increase to certain of our environmental liabilities.

**Research and development expenses.** R&D expenses for the nine months ended September 29, 2023 (Successor) were \$83.0 million. R&D expenses for the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor) were \$34.5 million and \$65.5 million, respectively. As a percentage of net sales, R&D expenses were

5.9% for the nine months ended September 29, 2023 (Successor), 6.3% for the period June 17, 2022 through September 30, 2022 (Successor) and 7.5% for the period January 1, 2022 through June 16, 2022 (Predecessor). These decreases were driven by cost containment initiatives coupled with the completion of certain development programs. 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.

*Restructuring charges, net.* Restructuring charges for the nine months ended September 29, 2023 (Successor), for the period June 17, 2022 through September 30, 2022 (Successor) and for the period January 1, 2022 through June 16, 2022 (Predecessor) were \$0.9 million, \$3.3 million and \$9.6 million, respectively, primarily related to employee severance and benefits.

*Non-restructuring impairment charges.* Non-restructuring impairment charges were \$135.9 million for the nine months ended September 29, 2023 (Successor) resulting from the full impairment of our StrataGraft intangible asset of \$50.1 million and certain of our Specialty Generics IPR&D assets of \$85.8 million.

*Liabilities management and separation costs.* Liabilities management and separation costs were \$157.3 million during the nine months ended September 29, 2023 (Successor) and primarily related to professional fees incurred by us (including where we are responsible for the fees of third parties) in connection with the evaluation of our financial situation and related discussions with our stakeholders prior to the commencement of the 2023 Chapter 11 Cases. Comparatively, we incurred \$16.1 million and \$9.0 million of liabilities management and separation costs incurred during the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor), respectively, related to the severance for the former Chief Executive Officer and certain former executives of the Predecessor, expense associated with the Predecessor directors' and officers' insurance policies and professional fees and costs incurred as we explored potential sales of non-core assets to enable further deleveraging post-emergence from the 2020 Chapter 11 Cases.

### **Non-Operating Items**

*Interest expense and interest income.* During the nine months ended September 29, 2023 (Successor), the period June 17, 2022 through September 30, 2022 (Successor), and the period January 1, 2022 through June 16, 2022 (Predecessor), net interest expense was \$444.9 million, \$167.7 million and \$108.0 million, respectively. During the nine months ended September 29, 2023 (Successor), interest expense included \$112.7 million and \$64.0 million of accretion expense associated with our settlement obligations and debt, respectively, compared to \$44.5 million and \$27.8 million during the period June 17, 2022 through September 30, 2022 (Successor). The nine months ended September 29, 2023 (Successor) also reflects increased interest rates on our variable interest rate debt as compared to the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor). Interest expense during the predecessor period included cash adequate protection payments of \$28.8 million on certain of our predecessor senior secured debt instruments. The increase in our interest income of \$10.8 million was primarily driven by higher interest earned on our money market funds during the nine months ended September 29, 2023 (Successor).

*Other (expense) income, net.* During the nine months ended September 29, 2023 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor), we incurred other expense of \$6.7 million and \$14.6 million, respectively. During the period June 17, 2022 through September 30, 2022 (Successor) we recorded other income of \$0.8 million. The nine months ended September 29, 2023 (Successor) included \$9.1 million of unrealized losses on equity securities related to our investments in Silence and Panbela. The period January 1, 2022 through June 16, 2022 (Predecessor) included \$5.8 million of miscellaneous credits and a \$2.3 million gain related to our initial investment in equity securities of Panbela, while the period June 17, 2022 through September 30, 2022 (Successor) included the change in the fair value of our investments in Silence both and Panbela.

*Reorganization items, net.* During the nine months ended September 29, 2023 (Successor), the period June 17, 2022 through September 30, 2022 (Successor) and the period January 1, 2022 through June 16, 2022 (Predecessor) we recorded \$1,321.1 million, \$17.7 million and \$630.9 million in reorganization items. The nine months ended September 29, 2023 included \$743.4 million and \$377.6 million of non-cash adjustments associated with our settlement obligations and debt, respectively, in order to reflect the estimated allowed claim amount of these liabilities within LSTC on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor) as a result of our 2023 Chapter 11 Cases. Also included was \$123.8 million related to the makewhole settlement entered into with our first lien senior secured noteholders as described in the RSA, \$30.0 million related to the backstop premium on our debtor-in-possession financing and \$18.5 million of deferred financing fee write-offs related to the 11.50% first lien senior secured notes in order to reflect the carrying value of the debt instrument within LSTC on the unaudited condensed consolidated balance sheet as of September 29, 2023 (Successor) at their estimated allowed claim amount. The remaining expenses were primarily driven by professional fees. During the period June 17, 2022 through September 30, 2022 (Successor), we recorded a loss of \$17.7 million in reorganization items, net entirely driven by professional fees related to the implementation of the 2020 Plan. During the period January 1, 2022 through June 16, 2022 (Predecessor), we recorded a loss of \$630.9 million in reorganization items, net driven primarily by the loss on fresh-start adjustments of \$1,354.6 million, professional fees and lender fees of \$205.4 million, a write off of predecessor directors' and officers' insurance policies of \$9.2 million and adjustments to other claims of \$5.4 million, partially offset by a gain on adjustments to LSTC of \$943.7 million.

*Income tax expense (benefit).* We recognized income tax expense of \$508.1 million on a loss from continuing operations before income taxes of \$2,213.9 million for the nine months ended September 29, 2023 (Successor). This resulted in an effective tax rate of negative 23.0%. The income tax expense was comprised of \$32.6 million of current tax expense and \$475.5 million of deferred tax expense. The current income tax expense predominately related to a net decrease in prepaid income taxes and the deferred income tax expense related to the valuation allowance recorded against our net deferred tax assets.

The income tax expense of \$508.1 million for the nine months ended September 29, 2023 (Successor) consisted of the valuation allowance of \$475.5 million placed on the net deferred tax assets as of the beginning of the year that were no longer more likely than not realizable, \$30.2 million attributed to a decrease in prepaid income taxes and \$3.7 million predominately attributed to pretax earnings in various jurisdictions, offset by \$1.3 million attributed to the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

We recognized \$34.6 million of income tax benefit on a loss from continuing operations before income taxes of \$383.6 million for the period from June 17, 2022 through September 30, 2022 (Successor). This resulted in an effective tax rate of 9.0%. The income tax benefit of \$34.6 million was comprised of \$23.8 million of current tax benefit and \$10.8 million of deferred tax benefit. The current and deferred income tax benefits predominantly related to intangible asset amortization activity attributed to fresh-start adjustments, partially offset by the utilization of loss carryforwards.

The income tax benefit of \$34.6 million for the period from June 17, 2022 through September 30, 2022 (Successor) was attributed to pretax earnings in various jurisdictions, separation costs, reorganization items, net and restructuring charges.

We recognized \$497.3 million of income tax benefit on a loss from continuing operations before income taxes of \$811.3 million for the period January 1, 2022 through June 16, 2022 (Predecessor). This resulted in an effective tax rate of 61.3%. The income tax benefit of \$497.3 million was comprised of \$23.9 million of current tax benefit and \$473.4 million of deferred tax benefit.

The income tax benefit for the period from January 1, 2022 through June 16, 2022 (Predecessor) primarily consisted of the income tax impacts from reorganization and fresh-start adjustments, including adjustments to our valuation allowance. For the period January 1, 2022 through June 16, 2022 (Predecessor), we recorded an income tax benefit of \$497.3 million, primarily for reorganization adjustments in the Predecessor period consisting of (1) \$1,231.5 million of tax expense for the reduction in federal and state NOL carryforwards from the cancellation of debt income ("CODI") realized upon emergence and limitations under Sections 382 and 383 of the IRC; (2) \$141.3 million of tax expense for the net decrease in deferred tax assets resulting from reorganization adjustments; and (3) \$1,270.1 million of tax benefit for the reduction in the valuation allowance on our deferred tax assets; and fresh-start adjustments in the Predecessor period consisting of (4) \$297.1 million of tax benefit for the net decrease in deferred tax liabilities resulting from fresh-start adjustments and (5) \$285.3 million of tax benefit associated with the release of uncertain tax positions. The remaining tax benefit was attributable to pretax earnings in various jurisdictions during the Predecessor period.

## 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 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 and separation costs. Although these amounts are excluded from segment operating income, as applicable, they are included in reported consolidated operating loss and in the reconciliations presented below. Selected information by business segment is as follows:

### *Three Months Ended September 29, 2023 (Successor) Compared with Three Months Ended September 30, 2022 (Successor)*

#### *Net Sales*

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

	Successor		Percentage Change
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	
Specialty Brands	\$ 286.2	\$ 303.5	(5.7)%
Specialty Generics	210.8	161.9	30.2
Net sales	<u>\$ 497.0</u>	<u>\$ 465.4</u>	6.8 %

*Specialty Brands.* Net sales for the three months ended September 29, 2023 (Successor) decreased \$17.3 million, or 5.7%, to \$286.2 million, compared with \$303.5 million for the three months ended September 30, 2022 (Successor). As previously discussed, the decrease in net sales was primarily driven by an \$18.8 million, or 50.7%, decrease in Amitiza, an \$8.0 million, or 13.8%, increase in Therakos, a \$7.8 million, or 9.7%, decrease in INOmax and a \$3.6 million, or 2.9%, decrease in Acthar Gel.

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

	Successor		
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	Percentage Change
U.S.	\$ 263.2	\$ 284.3	(7.4)%
Europe, Middle East and Africa	17.2	16.5	4.2
Other	5.8	2.7	114.8
Net sales	<u>\$ 286.2</u>	<u>\$ 303.5</u>	(5.7)%

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

	Successor		
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	Percentage Change
Acthar Gel	\$ 122.1	\$ 125.7	(2.9)%
INOmax	72.9	80.7	(9.7)
Therakos	66.0	58.0	13.8
Amitiza	18.3	37.1	(50.7)
Terlivaz	4.4	—	—
Other	2.5	2.0	25.0
Specialty Brands	<u>\$ 286.2</u>	<u>\$ 303.5</u>	(5.7)%

*Specialty Generics.* Net sales for the three months ended September 29, 2023 (Successor) increased \$48.9 million, or 30.2%, to \$210.8 million, compared with \$161.9 million for the three months ended September 30, 2022 (Successor). As previously discussed, the increase in net sales was primarily driven by a \$48.3 million, or 62.2% increase, in finished-dosage generic net sales driven by our opioid and ADHD products, offset by a \$0.6 million, or 0.7%, decrease in API net sales.

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

	Successor		
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	Percentage Change
U.S.	\$ 180.4	\$ 131.2	37.5 %
Europe, Middle East and Africa	29.4	28.0	5.0
Other	1.0	2.7	(63.0)
Net sales	<u>\$ 210.8</u>	<u>\$ 161.9</u>	30.2 %

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

	Successor		
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022	Percentage Change
Opioids	\$ 65.9	\$ 46.5	41.7 %
ADHD	41.5	11.6	257.8
Addiction treatment	15.1	16.6	(9.0)
Other	3.4	2.9	17.2
Generics	125.9	77.6	62.2
Controlled substances	22.0	19.7	11.7
APAP	57.4	57.9	(0.9)
Other	5.5	6.7	(17.9)
API	84.9	84.3	0.7
Specialty Generics	\$ 210.8	\$ 161.9	30.2 %

### Operating Loss

Operating income by segment for the three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor) is shown in the following table (*dollars in millions*):

	Successor	
	Three Months Ended September 29, 2023	Three Months Ended September 30, 2022
Specialty Brands <sup>(1)</sup>	\$ 87.6	\$ 43.7
Specialty Generics <sup>(2)</sup>	64.0	(9.0)
Segment operating income	151.6	34.7
Unallocated amounts:		
Corporate and unallocated expenses <sup>(3)</sup>	(16.3)	(15.0)
Depreciation and amortization	(137.0)	(148.5)
Share-based compensation	(2.4)	(0.5)
Restructuring charges, net	0.1	(2.2)
Non-restructuring impairment charges	(135.9)	—
Liabilities management and separation costs <sup>(4)</sup>	(142.1)	(6.9)
Bad debt expense - customer bankruptcy	—	(5.8)
Total operating loss	\$ (282.0)	\$ (144.2)

- (1) The three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor) included inventory fair-value step-up expense of \$42.8 million and \$115.3 million, respectively.
- (2) The three months ended September 29, 2023 (Successor) and September 30, 2022 (Successor) included inventory fair-value step-up expense of \$0.7 million and \$13.8 million, respectively. Additionally, the three months ended September 30, 2022 (Successor) included \$17.9 million of fresh-start inventory-related expense primarily driven by our change in accounting estimate.
- (3) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to our reportable segments.
- (4) Represents costs primarily related to professional fees incurred by us (including where we are responsible for the fees of third parties) in connection with our evaluation of our financial situation and related discussions with our stakeholders prior to the commencement of the 2023 Chapter 11 Cases, expenses incurred related to the severance of certain former executives of the Predecessor, in addition to professional fees and costs incurred as we explore potential sales of non-core assets to enable further deleveraging post-emergence from the 2020 Chapter 11 Cases. As of the Petition Date, professional fees directly related to the 2023 Chapter 11 Cases that were previously reflected as liabilities management and separation costs are being classified on a go-forward basis as reorganization items, net.

*Specialty Brands.* Operating income for the three months ended September 29, 2023 (Successor) increased \$43.9 million, to \$87.6 million, compared with \$43.7 million for the three months ended September 30, 2022 (Successor). Operating margin increased to 30.6% for the three months ended September 29, 2023 (Successor), compared with 14.4% for the three months ended September 30, 2022 (Successor). These increases in operating income and margin were primarily driven by a \$72.5 million, or 62.9%, decrease of inventory step-up expense to \$42.8 million for the months ended September 29, 2023 (Successor), compared with \$115.3 million for the three months ended September 30, 2022 (Successor). The increase was partially offset by a \$17.3 million decrease in net sales as discussed above, resulting in an increase in gross profit of \$47.8 million. The increase in operating income was also offset by a \$6.1 million increase in SG&A expenses.

*Specialty Generics.* Operating income for the three months ended September 29, 2023 (Successor) increased \$73.0 million, to \$64.0 million, compared with an operating loss of \$9.0 million for the three months ended September 30, 2022 (Successor). Operating margin increased to 30.4% for the three months ended September 29, 2023 (Successor), compared with negative 5.6% for the three months ended September 30, 2022 (Successor). These increases in operating income and margin were primarily driven by a \$48.9 million increase in net sales as described above, coupled with a \$13.1 million, or 94.9%, decrease of inventory step-up expense to \$0.7 million for the months ended September 29, 2023 (Successor), compared with \$13.8 million for the three months ended September 30, 2022 (Successor), resulting in a \$76.7 million increase to gross profit. The increase in operating income was partially offset by \$4.0 million increase to SG&A expense.

*Corporate and unallocated expenses.* Corporate and unallocated expenses for the three months ended September 29, 2023 (Successor) increased \$1.3 million, to \$16.3 million, compared with \$15.0 million for the three months ended September 30, 2022 (Successor). The increase in corporate and unallocated income was primarily driven by incremental compensation costs related to the 2023 Chapter 11 Cases.

***Nine Months Ended September 29, 2023 (Successor) Compared with Period from June 17, 2022 through September 30, 2022 (Successor) and Period from January 1, 2022 through June 16, 2022 (Predecessor)***

***Net Sales***

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
Specialty Brands	\$ 818.3	\$ 361.7	\$ 587.1	\$ 948.8	(13.8)%
Specialty Generics	578.3	188.7	287.5	476.2	21.4
Net sales	\$ 1,396.6	\$ 550.4	\$ 874.6	\$ 1,425.0	(2.0)%

*Specialty Brands.* Net sales for the nine months ended September 29, 2023 (Successor) were \$818.3 million. Net sales for the period from June 17, 2022 through September 30, 2022 (Successor) and the period from January 1, 2022 through June 16, 2022 (Predecessor) were \$361.7 million and \$587.1 million, respectively. Non-GAAP combined net sales for the nine months ended September 30, 2022 were \$948.8 million. Net sales for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 decreased \$130.5 million, or 13.8%. The decrease in combined net sales was primarily driven by a decrease of \$63.0 million, or 50.6%, in Amitiza, a decrease of \$54.2 million, or 14.4%, in Acthar Gel, and a decrease of \$27.5 million, or 10.6% in INOmax.

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
U.S.	\$ 757.0	\$ 339.4	\$ 547.1	\$ 886.5	(14.6)%
Europe, Middle East and Africa	50.5	19.3	29.2	48.5	4.1
Other	10.8	3.0	10.8	13.8	(21.7)
Net sales	\$ 818.3	\$ 361.7	\$ 587.1	\$ 948.8	(13.8)%

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
Acthar Gel	\$ 320.9	\$ 153.2	\$ 221.9	\$ 375.1	(14.4)%
INOmax	232.5	94.2	165.8	260.0	(10.6)
Therakos	187.6	68.2	109.6	177.8	5.5
Amitiza	61.4	42.9	81.5	124.4	(50.6)
Terlivaz	10.0	—	—	—	—
Other	5.9	3.2	8.3	11.5	(48.7)
Specialty Brands	\$ 818.3	\$ 361.7	\$ 587.1	\$ 948.8	(13.8)%

*Specialty Generics.* Net sales for the nine months ended September 29, 2023 (Successor) were \$578.3 million. Net sales for the period from June 17, 2022 through September 30, 2022 (Successor) and the period from January 1, 2022 through June 16, 2022 (Predecessor) were \$188.7 million and \$287.5 million, respectively. Non-GAAP combined net sales for the nine months ended September 30, 2022 were \$476.2 million. Net sales for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 increased \$102.1 million, or 21.4%. The increase in combined net sales was primarily driven by an increase in finished-dosage generics net sales of \$105.6 million, or 45.5%, driven by opioids and ADHD products, offset by a decrease in API net sales of \$3.5 million, or 1.4%.

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
U.S.	\$ 492.4	\$ 150.8	\$ 237.1	\$ 387.9	26.9 %
Europe, Middle East and Africa	82.6	34.6	44.4	79.0	4.6
Other	3.3	3.3	6.0	9.3	(64.5)
Net sales	\$ 578.3	\$ 188.7	\$ 287.5	\$ 476.2	21.4 %

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

	Successor		Predecessor	Non-GAAP	
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022	Percentage Change
Opioids	\$ 200.2	\$ 55.2	\$ 88.8	\$ 144.0	39.0%
ADHD	82.9	13.4	17.5	30.9	168.3
Addiction treatment	46.8	19.1	30.0	49.1	(4.7)
Other	7.6	3.0	4.9	7.9	(3.8)
Generics	337.5	90.7	141.2	231.9	45.5
Controlled substances	61.4	21.4	37.6	59.0	4.1
APAP	163.6	69.2	96.5	165.7	(1.3)
Other	15.8	7.4	12.2	19.6	(19.4)
API	240.8	98.0	146.3	244.3	(1.4)
Specialty Generics	\$ 578.3	\$ 188.7	\$ 287.5	\$ 476.2	21.4%

## Operating Loss

Operating income by segment for the nine months ended September 29, 2023 (Successor), the period June 17, 2022 through September 29, 2023 (Successor), the period January 1, 2022 through June 16, 2022 (Predecessor) and the nine months September 30, 2022 is shown in the following table (dollars in millions):

	Successor		Predecessor	Non-GAAP
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022	Combined Nine Months Ended September 30, 2022
Specialty Brands <sup>(1)</sup>	\$ 181.6	\$ 48.2	\$ 267.2	\$ 315.4
Specialty Generics <sup>(2)</sup>	131.9	(8.7)	65.3	56.6
Segment operating income	313.5	39.5	332.5	372.0
Unallocated amounts:				
Corporate and unallocated expenses <sup>(3)</sup>	(29.7)	(15.9)	(48.2)	(64.1)
Depreciation and amortization	(423.2)	(196.9)	(321.8)	(518.7)
Share-based compensation	(7.7)	(0.5)	(1.7)	(2.2)
Restructuring charges, net	(0.9)	(3.3)	(9.6)	(12.9)
Non-restructuring impairment charges	(135.9)	—	—	—
Liabilities management and separation costs <sup>(4)</sup>	(157.3)	(16.1)	(9.0)	(25.1)
Bad debt expense - customer bankruptcy	—	(5.8)	—	(5.8)
Total operating loss	\$ (441.2)	\$ (199.0)	\$ (57.8)	\$ (256.8)

- (1) The nine months ended September 29, 2023 (Successor) and the period from June 17, 2022 through September 30, 2022 (Successor) included inventory fair-value step-up expense of \$147.2 million and \$136.6 million, respectively.
- (2) The nine months ended September 29, 2023 (Successor) and the period from June 17, 2022 through September 30, 2022 (Successor) included inventory fair-value step-up expense of \$22.0 million and \$16.6 million, respectively. Additionally, the period from June 17, 2022 through September 30, 2022 (Successor) included \$20.3 million of fresh-start inventory-related expense.
- (3) Includes administration expenses and certain compensation, legal, environmental and other costs not charged to our reportable segments.
- (4) Represents costs primarily related to professional fees incurred by us (including where we are responsible for the fees of third parties) in connection with our evaluation of our financial situation and related discussions with our stakeholders prior to the commencement of the 2023 Chapter 11 Cases, expenses incurred related to the Predecessor directors' and officers' insurance policies and severance for the former CEO and certain former executives of the Predecessor, in addition to professional fees and costs incurred as we explore potential sales of non-core assets to enable further deleveraging post-emergence from the 2020 Chapter 11 Cases. As of the Petition Date, professional fees directly related to the 2023 Chapter 11 Cases that were previously reflected as liabilities management and separation costs are being classified on a go-forward basis as reorganization items, net.

**Specialty Brands.** Operating income for the nine months ended September 29, 2023 (Successor) was \$181.6 million. Operating income for the period from June 17, 2022 through September 30, 2022 (Successor) and the period from January 1, 2022 through June 16, 2022 (Predecessor) was \$48.2 million and \$267.2 million, respectively. Non-GAAP combined operating income for the nine months ended September 30, 2022 (Successor) was \$315.4 million. Operating income for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 (Successor) decreased \$133.8 million, or 42.4%. Operating margin decreased to 22.2% for the nine months ended September 29, 2023 (Successor), compared with 33.2% for the combined nine months ended September 30, 2022 (Successor). These decreases in operating income and margin were primarily driven by the \$130.5 million, or 13.8%, decrease in net sales and a change in product mix over the same period during the nine months ended September 29, 2023 (Successor), coupled with a \$10.6 million increase in the inventory fair-value step-up expense resulting in a \$156.1 million decrease in gross profit. The decrease in operating income was partially offset by a \$16.6 million, or 20.8%, decrease in R&D expense and a \$5.8 million, or 2.1%, decrease in SG&A expense which were both primarily driven by continued cost containment initiatives.

**Specialty Generics.** Operating income for the nine months ended September 29, 2023 (Successor) and the period from January 1, 2022 through June 16, 2022 (Predecessor) was \$131.9 million and \$65.3 million, respectively. Operating expense for the period from June 17, 2022 through September 30, 2022 (Successor) was \$8.7 million. Non-GAAP combined operating income for the nine months ended September 30, 2022 (Successor) was \$56.6 million. Operating income for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 (Successor) increased \$75.3 million, or 133.0%. Operating margin increased to 22.8% for the nine months ended September 29, 2023 (Successor), compared with 11.9% for the combined nine months ended September 30, 2022 (Successor). The increase in operating income was primarily attributable to a \$102.1 million, or 21.4%, increase in net sales, partially offset by inventory fair-value step-up expense of \$22.0 million during the nine months ended September 29, 2023 (Successor) compared to \$16.6 million during the period from June 17, 2022 through September 30, 2022 (Successor), resulting in an increase in gross profit of \$80.1 million. The increase in operating income was also offset by an increase in SG&A expense of \$4.2 million.

*Corporate and unallocated expenses.* Corporate and unallocated expenses for the nine months ended September 29, 2023 (Successor) were \$29.7 million. Corporate and unallocated expenses for the period from June 17, 2022 through September 30, 2022 and the period from January 1, 2022 through June 16, 2022 (Predecessor) were \$15.9 million and \$48.2 million. Non-GAAP combined corporate and unallocated expenses for the nine months ended September 30, 2022 were \$64.1 million. Corporate and unallocated expenses for the nine months ended September 29, 2023 (Successor) compared to the combined nine months ended September 30, 2022 decreased \$34.4 million, or 53.7%. The decrease was primarily driven by a \$15.8 million in foreign currency remeasurement loss and \$11.1 million increase to certain of our environmental liabilities during the period from January 1, 2022 through June 16, 2022 (Predecessor) coupled with a \$7.3 million gain related to the change in fair value of our contingent consideration liability during the nine months ended September 29, 2023 (Successor) compared to a \$0.8 million loss during the period from June 17, 2022 through September 30, 2022 (Successor).

### **Liquidity and Capital Resources.**

Significant factors driving our liquidity position include cash flows generated from operating activities, financing transactions (inclusive of interest on our variable-rate debt instruments), capital expenditures, cash paid in connection with legal settlements, acquisitions and licensing agreements and cash received as a result of our divestitures. Our ability to fund our capital needs, including to repay our outstanding indebtedness and meet our settlement obligations, will be impacted by our ongoing ability to generate cash from operations and access to capital markets.

On August 28, 2023, Mallinckrodt plc and certain of our subsidiaries voluntarily initiated the 2023 Chapter 11 Cases in the Bankruptcy Court, to modify its capital structure, including restructuring portions of its debt. We intend to use the Chapter 11 process to provide a fair, orderly, efficient and legally binding mechanism to implement the RSA, entered into in connection with the filing of the 2023 Chapter 11 Cases, that provides for a financial restructuring designed to strengthen our balance sheet and reduce our total debt, which we expect will improve our financial position and allow 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. Although the Bankruptcy Court has entered the Confirmation Order confirming the Amended 2023 Plan proposed by the 2023 Debtors, consummation of the 2023 Plan and the transactions contemplated thereby and emergence from the 2023 Chapter 11 Cases remains subject to the satisfaction of various conditions, including completion of the Irish Examinership Proceeding. Accordingly, no assurance can be given that the 2023 Plan or the transactions contemplated thereby will be consummated or that we will successfully emerge from the 2023 Chapter 11 Cases. 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.

Pursuant to the 2020 Plan, we made a payment of \$16.5 million, inclusive of interest, related to our Acthar Gel-related settlement during the nine months ended September 29, 2023 (Successor), and are required to make a \$21.4 million payment, inclusive of interest, upon the two-year anniversary of the Effective Date of the 2020 Chapter 11 Cases.

Pursuant to the opioid deferred cash payments agreement dated as of June 16, 2022 ("Opioid Deferred Cash Payments Agreement"), entered into in connection with the 2020 Plan, we were required to make the \$200.0 million installment payment with respect to our opioid-related litigation settlement obligations ("Opioid Deferred Cash Payment") on June 16, 2023, the one-year anniversary of the Effective Date of the 2020 Chapter 11 Cases. On June 15, 2023, we entered into an amendment to the Opioid Deferred Cash Payments Agreement, which was followed by several additional written notices that had the effect of extending the due date on which the Opioid Deferred Cash Payment was required to be made to August 15, 2023. In connection with the entry into the RSA, we and the Trust entered into a final amendment to the Opioid Deferred Cash Payments Agreement, which provided that our prior obligation to pay all remaining opioid-related litigation settlement payment obligations (including the \$200.0 million installment payment originally due on June 16, 2023) was permanently eliminated subject to our (a) making a \$250.0 million payment to be made to the Trust prior to the commencement of the 2023 Chapter 11 Cases (which was made on August 24, 2023) and (b) entering into an agreement for 4-year contingent value rights to receive a payment (in cash or, at our option subject to certain conditions, shares of our equity) equal to the value of 5% of our total outstanding equity (subject to certain dilution) less the exercise price, which will be based on a total enterprise value of \$3.776 billion less funded debt at emergence plus any excess cash at emergence after the emergence-date cash sweep contemplated by the RSA. Additionally, the 2023 Debtors' non-monetary obligations to the Trust will generally be preserved, including the compliance-related operating injunction.

Additionally, during the nine months ended September 29, 2023 (Successor), we received \$141.6 million of tax refunds as a result of provisions in the CARES Act.

We are exposed to interest rate risk on our variable-rate debt. On March 14, 2023, we entered into an interest rate cap agreement by converting a portion of our variable-rate debt to a fixed rate through the expiration date of the interest rate cap, which serves to reduce the volatility on future interest expense cash outflows. The interest rate cap agreement has a total notional value of

\$860.0 million with an upfront premium of \$20.0 million and provides us with interest rate protection (i) for the period March 16, 2023 through July 19, 2023 to the extent that one-month London Interbank Offered Rate ("LIBOR") exceeds 4.65%, and (ii) for the period July 20, 2023 through March 26, 2026 to the extent that one-month Secured Overnight Financing Rate exceeds 3.84%. Refer to Note 13 of the notes to the unaudited condensed consolidated financial statements for additional information.

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

	Successor		Predecessor
	Nine Months Ended September 29, 2023	Period from June 17, 2022 through September 30, 2022	Period from January 1, 2022 through June 16, 2022
<b>Net cash from:</b>			
Operating activities	\$ (297.7)	\$ 19.3	\$ (642.3)
Investing activities	(40.8)	49.6	(33.0)
Financing activities	325.5	(17.3)	(278.7)
Effect of currency exchange rate changes on cash and cash equivalents	(1.7)	(3.7)	(3.9)
Net increase in cash, cash equivalents and restricted cash	\$ (14.7)	\$ 47.9	\$ (957.9)

### Operating Activities

Net cash used in operating activities of \$297.7 million for the nine months ended September 29, 2023 (Successor) was attributable to a net loss of \$2,721.9 million, adjusted for non-cash items of \$2,524.7 million, driven by non-cash reorganization items of \$1,294.1 million, the valuation allowance on net deferred tax assets of \$475.5 million, depreciation and amortization of \$423.2 million and accretion on our settlement obligations and debt of \$176.7 million, partially offset with \$100.5 million of cash outflow from net changes in working capital. The change in working capital was primarily driven by a \$250.0 million decrease in the opioid-related litigation settlement, a \$63.3 million net cash outflow related to other assets and liabilities, a \$31.2 million decrease in accounts payable, and a \$23.8 million increase in accounts receivable, partially offset by a \$168.7 million inflow in income taxes predominately related to CARES Act income tax refunds of \$141.6 million received and a \$99.1 million increase in inventory.

Net cash provided by operating activities of \$19.3 million for the period June 17, 2022 through September 30, 2022 (Successor) was attributable to a net loss of \$348.6 million, adjusted for non-cash items of \$264.6 million, driven by depreciation and amortization of \$196.9 million and accretion on our settlement obligations and debt of \$72.3 million, partially offset with \$103.3 million of cash inflow from net changes in working capital. The change in working capital was primarily driven by a \$150.9 million decrease in inventory primarily driven by the fair-value step-up expense of \$153.2 million and a \$9.2 million decrease in accounts receivable primarily due to lower net sales, partially offset by a \$27.8 million net cash outflow related to an increase in prepaid income taxes coupled with a \$17.4 million net cash outflow in other working capital driven by a decrease in our accrued liabilities and a \$11.6 million net cash outflow related to a decrease in accounts payable.

Net cash used in operating activities of \$642.3 million for the period January 1, 2022 through June 16, 2022 (Predecessor) was attributable to a net loss of \$313.1 million, adjusted for non-cash items of \$311.2 million, driven by non-cash reorganization items of \$425.4 million and depreciation and amortization of \$321.8 million, partially offset by a \$473.0 million change in net deferred tax assets coupled with cash used in working capital of \$640.4 million. The change in working capital was primarily driven by a \$629.0 million cash outflow related to the payment of claims as a result of the Plan coupled with a \$2.5 million net cash outflow related to a decrease in other working capital, a \$26.9 million outflow in income taxes primarily driven by a decrease in income taxes payable and a \$33.2 million increase in inventory, partially offset by a \$49.8 million decrease in accounts receivable primarily due to lower net sales.

### Investing Activities

Net cash used in investing activities was \$40.8 million for the nine months ended September 29, 2023 (Successor) and was primarily driven by \$41.9 million of capital expenditures.

Net cash provided by investing activities was \$49.6 million for the period June 17, 2022 through September 30, 2022 (Successor) primarily driven by the sale of our priority review voucher for \$100.0 million in which we received from the buyer \$65.0 million and the buyer remitted \$35.0 million to the General Unsecured Claims Trustee pursuant to the terms of (i) the Plan, and (ii) the General Unsecured Claims Trust Agreement entered into in connection with the Plan as previously discussed, partially offset by capital expenditures of \$15.6 million.

Net cash used in investing activities was \$33.0 million for the period January 1, 2022 through June 16, 2022 (Predecessor), primarily driven by \$33.4 million in capital expenditures.

Under our Term Loans and our secured notes, 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 Loans and offer to repurchase certain of our secured notes.

### ***Financing Activities***

Net cash provided by financing activities was \$325.5 million for the nine months ended September 29, 2023 (Successor) and was primarily attributable to proceeds from the issuance of debt of \$380.0 million driven by the issuance of \$250.0 million from the debtor-in-possession financing coupled with the draw on our receivables financing facility of \$130.0 million. This was partially offset by \$52.0 million in debt repayments driven by a \$30.0 million repayment on our receivables financing facility and \$22.0 million repayment on our variable-rate term loans. We also incurred \$2.4 million of debt issuance costs associated with our receivables financing facility.

Net cash used in financing activities was \$17.3 million for the period June 17, 2022 through September 30, 2022 (Successor) driven entirely by debt repayments of \$12.7 million on our variable-rate term loans and open market debt repurchases at a discount that aggregated to a total principal amount of \$9.2 million.

Net cash used in financing activities was \$278.7 million for the period January 1, 2022 through June 16, 2022 (Predecessor) which was inclusive of debt repayments of \$904.6 million inclusive of the repayment of our predecessor revolving credit facility of \$900.0 million, as well as \$24.1 million of debt issuance costs, partially offset by \$650.0 million in proceeds from the 11.50% first lien senior secured notes due December 2028.

### ***Cash Requirements and Sources from Existing Contractual Arrangements***

As a result of the 2023 Chapter 11 Cases, which are further described above under the heading "Significant Events," there is the potential for significant changes to our financial situation, which would have a material effect on the contractual obligations described under the heading "Cash Requirements and Sources from Existing Contractual Arrangements" in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K.

### ***Commitments and Contingencies***

#### ***Legal Proceedings***

See Note 12 of the notes to the unaudited condensed consolidated financial statements for a description of the litigation, legal and administrative proceedings and claims as of September 29, 2023 (Successor).

### ***Critical Accounting 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 make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses.

We believe that our critical accounting estimates are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. During the nine months ended September 29, 2023 (Successor), 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 30, 2022.

### ***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," "approximately," "estimate," "predict," "potential," "continue," "may," "could," "should" or the negative of these terms or similar expressions. Forward-looking statements include, but are not limited to, statements regarding:

- the ability of Mallinckrodt and its subsidiaries to obtain approval from the Bankruptcy Court with respect to motions or other requests made to the Bankruptcy Court throughout the course of the 2023 Chapter 11 Cases;
- the ability of Mallinckrodt and its subsidiaries to consummate the 2023 Plan and emerge from Chapter 11 within its currently expected timeline or at all;
- the effects of the Chapter 11 Cases, including increased professional costs, on Mallinckrodt's liquidity, results of operations and businesses;
- the ability of the 2023 Debtors to operate their business during the pendency of the 2023 Chapter 11 Cases;
- the consummation of the transactions contemplated by the RSA and the 2023 Plan, including the ability of the parties to negotiate definitive agreements with respect to the matters covered by the term sheets included in the RSA, the 2023 Plan or otherwise, the occurrence of events that may give rise to a right of any of the parties to terminate the RSA, and the ability of the parties thereto to satisfy the other conditions of the RSA or the 2023 Plan, as applicable, including satisfying the milestones specified in the RSA and completion of the Irish Examinership Proceedings;
- the comparability of Mallinckrodt's post-emergence financial results to its historical results and the projections filed with the Bankruptcy Court;
- changes in Mallinckrodt's business strategy and performance;
- Mallinckrodt's tax treatment by the Internal Revenue Service under Section 7874 and Section 382 of the Internal Revenue Code of 1986, as amended;
- Mallinckrodt's repurchases of debt securities;
- the effects of the emergence from the 2023 Chapter 11 Cases on the Company's liquidity;
- the liquidity, results of operations and businesses of Mallinckrodt and its subsidiaries;
- governmental investigations and inquiries, regulatory actions, and lawsuits, in each case related to Mallinckrodt or its officers;
- historical commercialization of opioids, including compliance with and restrictions under the global settlement to resolve all opioid-related claims;
- matters related to Acthar Gel, including the settlement with governmental parties to resolve certain disputes and compliance with and restrictions under the related corporate integrity agreement;
- the ability to maintain relationships with Mallinckrodt's suppliers, customers, employees and other third parties as a result of, and following, the emergence upon completion of the 2023 Chapter 11 Cases, as well as perceptions of the Company's increased performance and credit risks associated with its constrained liquidity position and capital structure, which reflects a recently increased risk of additional bankruptcy or insolvency proceedings;
- the possibility that Mallinckrodt may be unable to achieve its business and strategic goals even after the 2023 Plan is successfully consummated;
- the non-dischargeability of certain claims against Mallinckrodt as part of the bankruptcy process;
- developing, funding and executing Mallinckrodt's business plan and the Company's ability to continue as a going concern;
- Mallinckrodt's post-bankruptcy capital structure upon completion of the 2023 Chapter 11 Cases;
- scrutiny from governments, legislative bodies and enforcement agencies related to sales, marketing and pricing practices;
- pricing pressure on certain of Mallinckrodt's products due to legal changes or changes in insurers' or other payers' reimbursement practices resulting from recent increased public scrutiny of healthcare and pharmaceutical costs;
- the reimbursement practices of governmental health administration authorities, private health coverage insurers and other third-party payers;
- complex reporting and payment obligations under the Medicare and Medicaid rebate programs and other governmental purchasing and rebate programs;
- cost containment efforts of customers, purchasing groups, third-party payers and governmental organizations;
- changes in or failure to comply with relevant laws and regulations;
- Mallinckrodt's and its partners' ability to successfully develop or commercialize new products or expand commercial opportunities;
- Mallinckrodt's ability to navigate price fluctuations;
- competition;
- Mallinckrodt's and its partners' ability to protect intellectual property rights, including in relation to ongoing litigation;
- limited clinical trial data for Acthar Gel;
- clinical studies and related regulatory processes;
- product liability losses and other litigation liability;
- material health, safety and environmental liabilities;
- business development activities;
- attraction and retention of key personnel in light of the 2023 Chapter 11 Cases;
- the effectiveness of information technology infrastructure including cybersecurity and data leakage risks;
- customer concentration;
- Mallinckrodt's reliance on certain individual products that are material to its financial performance;
- Mallinckrodt's ability to receive procurement and production quotas granted by the U.S. Drug Enforcement Administration;
- complex manufacturing processes;

- reliance on third-party manufacturers and supply chain providers;
- conducting business internationally;
- Mallinckrodt's ability to achieve expected benefits from prior or future restructuring activities;
- Mallinckrodt's significant levels of intangible assets and related impairment testing;
- labor and employment laws and regulations;
- natural disasters or other catastrophic events;
- Mallinckrodt's substantial indebtedness, its ability to generate sufficient cash to reduce its indebtedness and its potential need and ability to incur further indebtedness;
- restrictions on Mallinckrodt's operations contained in the agreements governing Mallinckrodt's indebtedness;
- actions taken by third parties, including the Company's creditors, the Trust and other stakeholders;
- Mallinckrodt's variable rate indebtedness;
- future changes to applicable tax laws or the impact of disputes with governmental tax authorities; and
- the impact of Irish laws.

In addition to the above considerations, see the "Risk Factors" section of our Annual Report on Form 10-K, the "Risk Factors" section in Part II, Item 1A of this Quarterly Report on Form 10-Q, and subsequent filings with the SEC that identify and describe in more detail the risks and uncertainties to which our businesses are subject. 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. Given these uncertainties, one should not put undue reliance on any forward-looking statements.

### **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 29, 2023 (Successor), our outstanding debt included \$2,096.8 million variable-rate debt on our senior secured term loans, debtor-in-possession financing and receivables financing facility. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, annual interest expense for fiscal 2023 would increase by approximately \$12.4 million, which includes the impact of the interest rate cap. For additional information on the interest rate cap, refer to Note 13 of the notes to the unaudited condensed consolidated financial statements.

The remaining outstanding debt as of September 29, 2023 (Successor) 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. The aggregate potential unfavorable impact from a hypothetical 10.0% adverse change in foreign exchange rates was \$1.2 million as of September 29, 2023 (Successor), with all other variables held constant. 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 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 three months ended September 29, 2023 (Successor) 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 2 and 12 of the notes to the unaudited condensed consolidated financial statements for a description of the litigation, legal and administrative proceedings and claims as of September 29, 2023 (Successor), which are incorporated herein by reference.

### Item 1A. Risk Factors.

Except for the risk factors included below, there have been no material changes to the risk factors previously disclosed in Part II, Item 1A. "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 filed with the SEC on August 9, 2023 and Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 30, 2022, filed with the SEC on March 3, 2023.

#### Risks Related to Our 2023 Chapter 11 Cases

##### *We are subject to risks and uncertainties associated with our 2023 Chapter 11 Cases (and related Irish Examinership Proceedings).*

The 2023 Chapter 11 Cases could have a material adverse effect on our business, financial condition, results of operations and cash flows. Although the Bankruptcy Court has entered the Confirmation Order confirming the Amended 2023 Plan, consummation of the 2023 Plan and emergence from the 2023 Chapter 11 Cases remains subject to the satisfaction of certain conditions. So long as the 2023 Chapter 11 Cases continue, our senior management may be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing on our business operations. Bankruptcy Court protection also may make it more difficult to retain management and the key personnel necessary to the success and growth of our business. In addition, during the period of time we are involved in the 2023 Chapter 11 Cases, our customers and suppliers may lose confidence in our ability to reorganize our business successfully and may seek to establish alternative commercial relationships. As described above, subsequent to the filing of 2023 Chapter 11 Cases, Mallinckrodt's directors presented a petition before the High Court of Ireland seeking the appointment of an examiner to the Company, thereby commencing examinership proceedings with respect to Mallinckrodt in Ireland. The references to the 2023 Chapter 11 Cases included herein shall include, where applicable, such proceedings in Ireland.

Other significant risks associated with the 2023 Chapter 11 Cases that could result in material adverse effects on our business, financial condition, results of operations, and cash flows include or relate to the following:

- court rulings in the 2023 Chapter 11 Cases or any appeals therefrom, including rulings on appeals of the Bankruptcy Court's orders confirming the 2023 Plan;
- any court determination that the consummation of the 2023 Plan does not render moot challenges thereto;
- our ability to obtain approvals from certain governmental bodies in foreign jurisdictions, including Ireland, that are required to consummate the 2023 Plan;
- our ability to negotiate and enter into definitive documentation regarding the transactions contemplated by the 2023 Plan;
- our ability to satisfy the conditions to consummation of the 2023 Plan and ultimately consummate the 2023 Plan;
- our ability to secure financing, on favorable terms or at all, sufficient to fund the distributions provided for in the 2023 Plan, as well as the eventual repayment of the takeback debt issued pursuant to the 2023 Plan and the receivables financing facility;
- the effects of the filing of the 2023 Chapter 11 Cases on our business and the interests of various constituents, including our shareholders;
- the high costs of the 2023 Chapter 11 Cases;
- our ability to maintain relationships with suppliers, customers, employees and other third parties as a result of the 2023 Chapter 11 Cases;
- our competitors may take business away from us, and our ability to retain customers may be negatively impacted;
- increased scrutiny from regulatory authorities, investors and the public;
- negative perceptions associated with multiple bankruptcy filings, which may result in a loss of confidence in our ability to manage financial affairs effectively and negatively impact our reputation in the market;
- the outcome of pending litigation;
- the possibility that we will not be able to maintain control of our assets as debtors-in-possession;

- the length of time that we will operate with Chapter 11 protection and any resulting risk that we will not satisfy the milestones specified in the RSA and in our agreement with our secured lenders with respect to our use of their cash collateral, that such milestones will not be extended and that the RSA or such cash collateral arrangement will be terminated;
- the availability of operating capital during the pendency of the 2023 Chapter 11 Cases, including any event that could terminate our right to continued access to the cash collateral of our lenders to use as operating capital;
- third-party motions in the 2023 Chapter 11 Cases, including motions which may be filed by parties in interest in the 2023 Chapter 11 Cases, which may interfere with our ability to consummate the 2023 Plan;
- the potential adverse effects of the 2023 Chapter 11 Cases on our liquidity and results of operations;
- the feasibility of the 2023 Plan, including in light of possible changes in our business and its prospects;
- the possibility that creditor claims could be asserted against debtors other than those we believe are liable on those claims;
- the adequacy of our cash balances at the time of our projected exit from the 2023 Chapter 11 Cases; and
- our ability to continue as a going concern.

Furthermore, our second filing for bankruptcy could lead to increased scrutiny from regulatory authorities, investors and the public. The negative perception associated with multiple bankruptcy filings may result in a loss of confidence in our ability to manage financial affairs effectively and negatively impact our reputation in the market. This, in turn, could make it challenging to attract, motivate and/or retain key executives and employees, attract new customers, negotiate favorable contracts, or maintain the trust of stakeholders.

Because of the risks and uncertainties associated with the 2023 Chapter 11 Cases, we may not be able to accurately predict or quantify the ultimate impact the 2023 Chapter 11 Cases may have on our business, financial condition, results of operations and cash flows, nor can we accurately predict the ultimate impact the 2023 Chapter 11 Cases may have on our corporate or capital structure.

***Delays in the 2023 Chapter 11 Cases may increase the risks of our being unable to consummate the 2023 Plan and increase our costs associated with the 2023 Chapter 11 Cases.***

The Bankruptcy Court has entered the Confirmation Order of the 2023 Plan, but there can be no assurance that we will be able to satisfy the conditions to consummate the 2023 Plan or ultimately consummate the 2023 Plan. A prolonged Chapter 11 process could adversely affect our relationships with customers, suppliers and employees, among other parties, which in turn could adversely affect our business, financial condition, results of operations and cash flows and our ability to continue as a going concern. A weakening of our financial condition, results of operations and cash flows could adversely affect our ability to implement the 2023 Plan (or any other plan of reorganization). If we are unable to consummate the 2023 Plan, we may be forced to liquidate our assets.

***The 2023 Plan and the RSA are subject to significant conditions and milestones that may be difficult for us to satisfy.***

Although the Bankruptcy Court has entered the Confirmation Order, there are certain material conditions we must satisfy under the 2023 Plan and the RSA, including the timely satisfaction of milestones in the 2023 Chapter 11 Cases, which include the consummation of the 2023 Plan. Our ability to timely satisfy such conditions and complete such milestones is subject to risks and uncertainties, many of which are beyond our control.

***If the RSA is terminated, our ability to consummate the 2023 Plan could be materially and adversely affected.***

The RSA contains a number of termination events, upon the occurrence of which certain parties to the RSA may terminate the agreement. If the RSA is terminated as to all parties thereto, each of the parties thereto will be released from its obligations in accordance with the terms of the RSA. Such termination may result in the loss of support for the 2023 Plan by the parties to the RSA, which could adversely affect our ability to consummate the 2023 Plan. If the 2023 Plan is not consummated, there can be no assurance that the 2023 Chapter 11 Cases would not be converted to Chapter 7 liquidation cases or that any new plan would be as favorable to holders of claims against the 2023 Debtors as contemplated by the RSA.

***Even if the 2023 Plan is consummated, we may not be able to achieve our stated goals or continue as a going concern.***

Even if the 2023 Plan or any other Chapter 11 plan of reorganization is consummated, we may continue to face a number of risks, such as substantial indebtedness, changes in economic conditions, changes in our industry, changes in demand for our services and products and increasing expenses. Some of these risks become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, we cannot guarantee that the 2023 Plan will achieve our stated goals or that we will be able to continue as a going concern.

Furthermore, even if our debts and other liabilities are reduced or discharged through the 2023 Plan, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business after the completion of the 2023 Chapter 11 Cases. Lenders may perceive us as high-risk borrowers, leading to higher interest rates or limited access to capital, which could impede our growth prospects and hinder our capacity to invest in critical projects or expand our market reach. Our access to additional financing may be limited, if it is available at all. Therefore, adequate funds may not be available when needed or may not be available on favorable terms, or at all.

***In certain instances, a Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code.***

Upon a showing of cause, the Bankruptcy Court may convert our 2023 Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code. In such event, a Chapter 7 trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code. If we are unable to satisfy the conditions to consummate the 2023 Plan and ultimately consummate the 2023 Plan, we believe that conversion of the 2023 Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code could become possible. We believe that liquidation under Chapter 7 would result in significantly smaller distributions being made to our creditors than those provided for in the 2023 Plan because of (i) the likelihood that the assets would have to be sold or otherwise disposed of in a distressed fashion over a short period of time rather than in a controlled manner and as a going concern, (ii) additional administrative expenses involved in the appointment of a Chapter 7 trustee, and (iii) additional expenses and claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of operations.

***If the confirmed 2023 Plan is not consummated, termination of our exclusive right to file a Chapter 11 plan and the exclusive right to solicit acceptances could result in competing plans of reorganization, which could have less favorable terms or result in significant litigation and expenses.***

We currently have the exclusive right to file a Chapter 11 plan through and including December 26, 2023, and the exclusive right to solicit acceptances of any such plan through February 26, 2024. Such deadlines may be extended from time to time by the Bankruptcy Court "for cause" (as permitted by §1121(d) of the Bankruptcy Code) until the dates 18 months and 20 months after the date we filed the Chapter 11 Cases, respectively. While it is likely that we would file a motion with the Bankruptcy Court to extend such deadlines to the statutory maximum, if necessary, it is possible that (a) parties in interest could seek to shorten or terminate such exclusive plan filing and solicitation periods "for cause" (as permitted by §1121(d) of the Bankruptcy Code) or (b) that such periods could expire without extension. If we are unable to satisfy the conditions to consummate the 2023 Plan and ultimately consummate the 2023 Plan, we believe that such termination or expiration may become more likely.

If our exclusive plan filing and solicitation periods expire or are terminated, other parties in interest will be permitted to file alternative plans of reorganization. There can be no assurances that recoveries under any such alternative plan would be as favorable to creditors as the 2023 Plan. In addition, the proposal of competing plans of reorganization may entail significant litigation and significantly increase the expenses of administration of the 2023 Chapter 11 Cases, which could deplete creditor recoveries under any plan.

***As a result of the 2023 Chapter 11 Cases, our historical financial information may not be indicative of our future performance, which may be volatile.***

During the 2023 Chapter 11 Cases, we expect our financial results to continue to be volatile as restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the filing of the 2023 Chapter 11 Cases. In addition, if we emerge from Chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to our historical consolidated financial statements, including as a result of revisions to our operating plans pursuant to the 2023 Plan. We also may be required to adopt fresh-start accounting, in which case our assets and liabilities will 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 our consolidated balance sheets. Our financial results after the application of fresh start accounting may be different from historical trends.

***Even if we emerge from bankruptcy as expected, our actual financial results after emergence from bankruptcy may not be comparable to our projections filed with the Bankruptcy Court or otherwise made public in the course of the 2023 Chapter 11 Cases.***

In connection with the disclosure statement we filed with the Bankruptcy Court and the hearing to consider confirmation of the 2023 Plan (as well as in certain other filings), we prepared projected financial information for various reasons, including to

demonstrate to the Bankruptcy Court the feasibility of the 2023 Plan and our ability to continue operations upon our emergence from the 2023 Chapter 11 Cases. Those projections were prepared solely for the purposes stated therein and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. At the time they were prepared, the projections reflected numerous assumptions concerning our anticipated future performance with respect to then prevailing and anticipated market and economic conditions that were and remain beyond our control and that may not materialize. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks and the assumptions underlying the projections or valuation estimates may prove to be wrong in material respects. Even if we emerge from bankruptcy as expected, actual results may vary significantly from those contemplated by the projections. As a result, investors should not rely on those projections.

***We may be subject to claims that will not be discharged in the 2023 Chapter 11 Cases, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

The Bankruptcy Code provides that the consummation of a plan of reorganization discharges a debtor from substantially all debts arising prior to consummation of such plan of reorganization. Subject to certain exceptions, all claims that arose prior to consummation of such plan of reorganization (i) would be subject to compromise and/or treatment under the plan of reorganization and/or (ii) would be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. Any claims not ultimately discharged pursuant to such plan of reorganization (such as claims falling within the exceptions noted above) could be asserted against the reorganized entities and may have an adverse effect on our business, financial condition, results of operations and cash flows on a post-reorganization basis.

***The pursuit of the 2023 Chapter 11 Cases has consumed, and will continue to consume, a substantial portion of the time and attention of our management, which may have an adverse effect on our business, financial condition, results of operations and cash flows, and we may experience increased levels of employee attrition.***

While the 2023 Chapter 11 Cases continue, our management will be required to spend a significant amount of time and effort focusing on the 2023 Chapter 11 Cases instead of focusing exclusively on our business operations. This diversion of attention may materially adversely affect the conduct of our business, and, as a result, our financial condition, results of operations and cash flows, particularly if the 2023 Chapter 11 Cases are protracted.

Furthermore, during the pendency of the 2023 Chapter 11 Cases, we have experienced and may continue to experience increased levels of employee attrition, and our employees may face considerable distraction and uncertainty. A loss of key personnel or material erosion of employee morale could adversely affect our business and results of operations. Our ability to engage, motivate and retain key employees or take other measures intended to motivate and incentivize key employees to remain with us through the pendency of the 2023 Chapter 11 Cases is limited by restrictions on implementation of incentive programs under the Bankruptcy Code. The loss of services of members of our senior management team could impair our ability to execute our strategy and implement operational initiatives, which would be likely to have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the longer the 2023 Chapter 11 Cases continue, the more likely it is that vendors and employees will lose confidence in our ability to reorganize our business successfully.

***Upon our emergence from bankruptcy, the composition of our Board of Directors will change, and the post-emergence Board of Directors may implement changes in our business strategy that could affect the scope and results of our operations.***

In connection with emergence from bankruptcy, the new owners of our company will appoint new directors to our Board of Directors, and such Board of Directors will also have the authority to remove or replace the then existing officers. Such changes could have an impact on the current composition of the senior management team, which could have a material impact on our business. Our corporate business strategy is subject to continued development, evaluation and implementation by our management and Board of Directors. The new directors and management may have different backgrounds, experiences and perspectives from our current directors and management and, thus, may have different views on the issues that will determine our future, including our strategic plans and priorities. The post-emergence Board of Directors and management may determine, from time to time, to implement changes in our business strategy that may affect our operations and differ materially from our current strategy and plans. There is, however, no guarantee that the strategic initiatives and plans of the new board and management will be implemented in a timely manner or at all and, consequently, there is no guarantee that the operational and financial objectives of the new board and management will be achieved in a timely manner or at all.

***Aspects of the 2023 Chapter 11 Cases limit the flexibility of our management team in running our business.***

Until the 2023 Plan is consummated, we will continue to operate our business under supervision by the Bankruptcy Court, and in the case of Mallinckrodt plc, the supervision of the Examiner appointed by the High Court of Ireland. While we do so, we are required to obtain approval of the Bankruptcy Court, and in some cases certain other parties (including the Examiner), prior to engaging in activities or transactions outside the ordinary course of business. Bankruptcy Court approval of non-ordinary course activities entails preparation and filing of appropriate motions with the Bankruptcy Court, negotiation with various parties-in-interest, and one or more hearings. Parties-in-interest may be heard at any Bankruptcy Court hearing and may raise objections with respect to these motions. This process may delay major transactions and limit our ability to respond quickly to opportunities and events in the marketplace. Furthermore, in the event the Bankruptcy Court (or in the case of Mallinckrodt plc, the Examiner) does not approve a proposed activity or transaction, we would be prevented from engaging in activities, transactions and internal restructurings that we believe are beneficial to us, which may have an adverse effect on our business, financial condition, results of operations and cash flows.

***Certain key aspects of the 2023 Plan must be implemented through the Irish Examinership Proceedings. The examinership process is overseen by the High Court of Ireland and the outcome of those proceedings is a matter within the discretion of the High Court of Ireland. While we believe that the Irish Examinership Proceedings will result in the implementation of those Irish law aspects of the 2023 Plan, there is no guarantee that such implementation will occur.***

The implementation of the 2023 Plan confirmed by the Bankruptcy Court (and consequently the emergence from Chapter 11) is dependent on a number of conditions precedent. Since we are incorporated in Ireland, one of the conditions precedent is the implementation of certain key aspects of the 2023 Plan through an examinership process under the laws of Ireland. Under this process, the High Court of Ireland has appointed an independent bankruptcy official, known as the Examiner, to review our business, including the 2023 Plan, and, if considered appropriate by the Examiner, propose a scheme of arrangement to the creditors and members of the Company that will implement certain key Irish law aspects of the 2023 Plan. In order to make an order confirming the 2023 Scheme of Arrangement, the High Court of Ireland must be satisfied that:

- a majority in number of creditors whose interests or claims would be impaired by implementation of the scheme of arrangement, representing a majority in value of the claims that would be impaired by its implementation, have voted to accept it; or
- if the above requirement is not satisfied, then a majority of the classes of creditors whose interests would be impaired by the scheme of arrangement have voted to accept it, provided that at least one of those creditors classes is a class of secured creditors or is senior to the class or ordinary unsecured creditors; or
- if neither of the above requirements is satisfied, at least one class of creditors whose interests or claims would be impaired by the scheme of arrangement, other than a class which would not receive any payment or keep any interest in a liquidation scenario, has voted to accept it.

On October 30, 2023, the Examiner convened meetings of the shareholders and impaired creditor classes of Mallinckrodt plc. On November 2, 2023, the Examiner presented a report to the High Court of Ireland on the outcome of the meetings, which confirmed that all of the meetings of the impaired creditors and the members of Mallinckrodt plc that were held on November 2, 2023 voted in favor of the 2023 Scheme of Arrangement. On the same date that the report was presented, the High Court of Ireland made an order directing that a hearing for the confirmation of the 2023 Scheme of Arrangement pursuant to Section 541 of the Companies Act 2014 of Ireland be held on November 10, 2023. We believe that the 2023 Scheme of Arrangement should be confirmed by the High Court of Ireland. However, any decision to confirm any such scheme of arrangement is subject to the discretion of the High Court of Ireland and there is no guarantee that such approval will be forthcoming. In the event that such approval is not forthcoming, it may be necessary to amend the 2023 Plan, propose an amended scheme of arrangement and/or consider other restructuring or strategic options, including the liquidation of the Company.

***Exercise of the CVRs pursuant to the CVR Agreement would result in either a cash payment to the Trust that could adversely affect our liquidity or, an issuance of shares of New Common Equity in our reorganized company that could result in substantial dilution to holders of New Common Equity.***

On the 2023 Effective Date, and pursuant to the RSA and the 2023 Plan, we will enter into the CVR Agreement with the Trust providing for the CVRs. Upon exercise of the CVRs, the Trust will be entitled to receive, at our election, either an amount of cash or, subject to certain conditions, a number of shares of New Common Equity in our reorganized company with a value equal to the market price of such shares less the exercise price, which will be based on a total enterprise value of \$3.776 billion less funded debt at emergence plus any excess cash at emergence after the emergence-date cash sweep contemplated by the RSA. The CVRs will be exercisable at any time for four years after the 2023 Effective Date. No assurances can be given as to when and if the Trust will exercise the CVRs, or whether we will elect to settle the CVRs in cash or New Common Equity. If we were to settle the CVRs in cash, such cash payment could adversely affect our liquidity and financial condition and the market price of the New Common Equity. Were

we to elect to settle the CVRs via the issuance of shares of New Common Equity, such equity issuance could result in substantial dilution to existing holders of the shares of New Common Equity and cause the value of the shares to decline. The possibility of either such an occurrence may be viewed negatively by investors and have an unfavorable impact on the liquidity, market for and trading value of shares of New Common Equity.

In addition, because the New Common Equity will not be listed on a national securities exchange, the price for the shares for purposes of the payment to be made to the Trust could be determined by an appraisal process carried out by a banking institution, which would incur additional costs and may lead to a determination of the price for the shares that is unfavorable to us.

### **Risks Related to Our Indebtedness and Settlement Obligations**

***Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations and could further adversely affect our ability to make ongoing payments in respect of the 2020 Plan.***

We have substantial indebtedness and settlement obligations. As of September 29, 2023 (Successor), total debt principal was \$3,892.0 million, of which \$380.0 million was classified as current, and the remainder classified as liabilities subject to compromise. Even though we expect that a significant portion of our existing indebtedness will be reduced or discharged in part through the 2023 Plan, we expect to have substantial remaining indebtedness upon emergence from bankruptcy, which could adversely affect our ability to fulfill our financial obligations (including our ability to service our indebtedness and settlement obligations of the remaining \$236.1 million for our Acthar Gel-related litigation settlement) and have a negative impact on our financing options and liquidity positions.

Our degree of debt leverage and significant settlement obligations, even if our existing indebtedness is reduced or discharged in part through the 2023 Plan, could have significant consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt and our ongoing obligations in respect of the settlement with governmental entities regarding Acthar Gel;
- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, research and development, acquisitions and other general corporate purposes;
- limiting our ability to refinance our indebtedness, certain of which is expected to be subject to a significant makewhole payment requirement for prepayments during a specified period following emergence, or make prepayments of our ongoing obligations in respect of the settlement with governmental entities regarding Acthar Gel on terms acceptable to us or at all;
- placing us at a competitive disadvantage to other less leveraged competitors;
- making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures;
- limiting our flexibility in planning for and reacting to changes, opportunities and challenges in our business, including changes in the industry in which we compete, changes in our business and strategic opportunities, and adverse developments in our operations; and
- increasing our costs of borrowing.

As discussed in greater detail above in "Risks Related to Our 2023 Chapter 11 Cases," although the 2023 Plan has been confirmed, it has not yet been consummated and our ability to consummate the contemplated restructuring is subject to many risks and a number of conditions. We cannot guarantee that we will satisfy all such conditions and otherwise consummate the contemplated restructuring.

***Even if our existing indebtedness and opioid-related litigation settlement obligations are restructured, we may not be able to generate sufficient cash to service all of our indebtedness and settlement obligations and we may be forced to take other actions to satisfy our obligations under our indebtedness and settlement obligations, which may not be successful.***

Even if our existing indebtedness and opioid-related litigation settlement obligations are reduced or discharged in part through (or as a result of the effectiveness of) the 2023 Plan, our ability to make scheduled payments on or to refinance our going-forward debt obligations and Acthar Gel-related settlement obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness and satisfy our Acthar Gel-related settlement obligations.

If our cash flows and capital resources following emergence from bankruptcy are insufficient to fund our debt service obligations and other cash requirements (including our Acthar Gel-related settlement obligations), we could face substantial liquidity problems

and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness and Acthar Gel-related settlement obligations. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations and Acthar Gel-related settlement obligations. The agreements governing our existing indebtedness restrict (and we expect that any agreement governing our remaining indebtedness upon emergence from bankruptcy will restrict) (a) our ability to dispose of assets and use the proceeds from any such dispositions (other than for repayment of indebtedness, which repayment, for a specified period following emergence, is expected to be subject to a makewhole premium) and (b) our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations or Acthar Gel-related settlement obligations then due.

Our inability to generate sufficient cash flows following emergence from bankruptcy to satisfy our debt obligations and Acthar Gel-related settlement obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt or the Acthar Gel-related settlement obligations following emergence from the 2023 Chapter 11 Cases, we will be in default and, as a result, lenders under any of our then-outstanding indebtedness could declare essentially all outstanding principal and interest to be due and payable, our secured lenders could foreclose against the assets securing such borrowings, beneficiaries of our then-outstanding Acthar Gel-related settlement obligations could declare such obligations to be due and payable, and we could be forced to return to bankruptcy or into liquidation.

***Even if our existing indebtedness is restructured, our debt levels and challenges in the commercial and credit environment may materially adversely affect our ability to issue debt on acceptable terms and our future access to capital.***

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be materially adversely affected by the 2023 Chapter 11 Cases, our debt levels (even if our existing indebtedness is reduced or discharged in part through the 2023 Plan) or if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or other significantly unfavorable changes in economic conditions occur. In addition, volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

***The terms of the agreements that govern our current indebtedness and settlement obligations restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies, and we expect similar restrictions to apply to the agreements that will govern our indebtedness post-emergence from the 2023 Chapter 11 Cases.***

The agreements that govern the terms of our existing indebtedness and settlement obligations contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including limitations or restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- declare or pay dividends, make other distributions with respect to equity interests, or purchase or otherwise acquire or retire equity interests;
- make any principal payment on, or redeem or repurchase, subordinated, junior secured or unsecured debt and, with respect to certain of our indebtedness and the Acthar Gel-related settlement obligations;
- make loans, advances or other investments;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- incur liens;
- enter into transactions with affiliates;
- enter into sale and lease-back transactions;
- permit the occurrence of certain change of control transactions;
- consolidate or merge with or into or sell all or substantially all of our assets to, another person or entity; and
- draw the full amount of financing otherwise available under our receivables-based financing facility.

We expect similar restrictions to apply to the agreements that will govern our indebtedness post-emergence from the 2023 Chapter 11 Cases.

A breach of the covenants under the agreements that govern the terms of any of our indebtedness or settlement obligations could result in an event of default under the applicable indebtedness or settlement obligations. Such default may allow the creditors to accelerate the related debt or settlement obligations and may result in the acceleration of any other debt or settlement obligations to

which a cross-acceleration or cross-default provision applies. In addition, an event of default under the ABL Credit Agreement that governs our receivables-based financing facility would permit the lenders under such facility to terminate all commitments to extend further credit thereunder. Furthermore, if we are unable to repay the amounts due and payable under our secured indebtedness, those creditors will be able to proceed against the collateral granted to them to secure that secured indebtedness. Additionally, if a change in control transaction were to occur, such a transaction may accelerate the maturity dates on our indebtedness. If the holders of our debt or settlement obligations accelerate the repayment of our borrowings or the payment of our settlement obligations for the above reasons, or any other, we may not have sufficient assets to repay such indebtedness or settlement obligations.

As a result of these restrictions, coupled with operating limitations imposed by the 2020 Plan and the agreements that are expected to govern our indebtedness post-emergence from the 2023 Chapter 11 Cases, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns;
- unable to respond to changing circumstances or to pursue our business strategies; or
- unable to compete effectively, execute our growth strategy or take advantage of new business opportunities.

These restrictions may affect our ability to operate in accordance with our plans, otherwise achieve our operational and financial objectives in a timely manner or at all, and have an adverse effect on our business, financial condition, results of operations and cash flows.

***Our variable-rate indebtedness exposes us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Certain of our secured indebtedness, including borrowings under our existing senior term loans and certain of our takeback debt post-emergence from the 2023 Chapter 11 Cases, is or is expected to be, as applicable, subject to variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable-rate indebtedness would increase and our net loss would increase, even though the amount borrowed under the facilities remained the same. As of September 29, 2023 (Successor), we had \$2,096.8 million outstanding variable-rate debt on our senior secured term loans and \$100.0 million outstanding on our receivables financing facility. An unfavorable movement in interest rates, primarily SOFR, could result in higher interest expense and cash payments for us. Although we have entered into an interest rate cap agreement, which serves to reduce the volatility on future interest expense cash outflows, we cannot provide assurance that such arrangement or any other similar arrangement that we may enter into will successfully mitigate such interest rate volatility.

***Despite current and anticipated indebtedness levels, we may still be able to incur more debt. This could further exacerbate the risks described above.***

We may be able to incur substantial additional indebtedness in the future. Although agreements governing our existing indebtedness restrict (and agreements governing our post-emergence indebtedness are expected to restrict) the incurrence of additional indebtedness, these restrictions are and will be subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify.

***We may need additional financing in the future to meet our capital needs or to make acquisitions, and such financing may not be available on favorable or acceptable terms, or at all, and may be dilutive to existing shareholders; the use of proceeds from future financing will be subject to the restrictions from our indebtedness.***

We may need to seek additional financing for general corporate purposes. For example, we may need to increase our investment in R&D activities or need funds to make acquisitions. We may be unable to obtain any desired additional financing on terms that are favorable or acceptable to us, or at all. Depending on market conditions and subject to the restrictions from our existing indebtedness, adequate funds may not be available to us on acceptable terms and we may be unable to fund our expansion, successfully develop or enhance products, or respond to competitive pressures, any of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. If we raise additional funds through the issuance of equity securities, our shareholders will experience dilution of their ownership interest. In addition, even if we are able to raise such additional funds, the use of proceeds therefrom will be subject to the limitations imposed by our indebtedness, both pre- and post-emergence, including the terms of the agreements governing the new takeback debt following our emergence from the 2023 Chapter 11 Cases.

***Definitive agreements governing the new takeback debt to be issued in connection with our planned emergence from the 2023 Chapter 11 Cases has not yet been fully agreed to and could be materially different from the terms governing our existing indebtedness.***

We have not yet reached a final definitive agreement on the terms of the new takeback debt to be issued in connection with our planned emergence from the 2023 Chapter 11 Cases. The terms and conditions of such agreement remain under negotiation between us and certain of the parties to the RSA, and such terms and conditions may be materially different from the terms governing our existing indebtedness, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The transactions contemplated by the 2023 Plan, including plans to issue new takeback debt, remain subject to certain conditions, including the completion of the Irish Examinership Proceedings. Accordingly, no assurance can be given that the transactions described therein will be consummated.

## **Risks Related to Tax Matters**

***Our tax attributes and future tax deductions may be reduced or significantly limited as a result of the Chapter 11 filing.***

Generally, any discharge of our external or internal debt obligations as a result of the Chapter 11 filing for an amount less than the adjusted issue price may give rise to cancellation of indebtedness income, which must either be included in our taxable income or result in a reduction to our tax attributes.

Certain tax attributes otherwise available and of value to us may be reduced, in most cases by the principal amount of the indebtedness forgiven. U.S. and non U.S. tax attributes subject to reduction include: (i) net operating losses ("NOL(s)") and NOL carryforwards; (ii) credit carryforwards (iii) capital losses and capital loss carryforwards; and (iv) the tax basis of our depreciable, amortizable and other assets. Loss of these tax attributes may have an adverse effect on our prospective cash flow.

To the extent, if any, that U.S. NOL carryforwards, other losses and credits generated by us prior to emergence from bankruptcy are available as deductions after emergence, our ability to utilize such deductions may be limited by Section 382 of the Internal Revenue Code (the "IRC"). Section 382 provides rules limiting the utilization of a corporation's NOLs and other losses, deductions and credits following a more than 50% change in ownership of a corporation's equity (an "ownership change"). An ownership change may occur with respect to our company in connection with 2023 Chapter 11 Cases, unless the IRC Section 382(l)(5) exception applies. This exception is not easily met as it requires a majority of the holders of our stock after bankruptcy to meet certain specific and narrow conditions. Therefore, our U.S. NOLs may be significantly limited by Section 382 of the IRC. The amount of our post ownership change annual U.S. taxable income that can be offset by the pre-ownership change U.S. NOLs generally cannot exceed an amount equal to the product of (a) the applicable federal long-term tax exempt rate in effect on the date of the ownership change and (b) the value of our U.S. affiliate stock immediately prior to implementation of the 2023 Plan (the "Annual Limitation"). However, if the value of our U.S. affiliate stock is zero, if we do not continue our historic business or use a significant portion of our assets in a new business for two years after the ownership change, the Annual Limitation resulting from the ownership change is zero and we may be significantly limited in our ability to use any of our pre-emergence U.S. NOLs. In addition, if we have a net unrealized built in loss at the time of an ownership change, future deductions for items such as amortization, depreciation, and settlement liabilities may also be significantly limited. Limitations on our ability to prospectively use these tax attributes may have an adverse effect on our prospective cash flow.

## **Risks Related to Our Ordinary Shares**

***The 2023 Plan contemplates the cancellation of our ordinary shares without any value being delivered to shareholders. Any trading in our ordinary shares during the pendency of our 2023 Chapter 11 Cases is highly speculative and poses substantial risks to purchasers of our ordinary shares.***

The 2023 Plan, which has been confirmed, but consummation of which remains subject to the satisfaction of certain conditions, contemplates the cancellation of our ordinary shares. We have a significant amount of indebtedness and other liabilities that are senior to our current ordinary shares in our capital structure, and the 2023 Plan contemplates value being distributed in respect of such indebtedness and liabilities and not our shares. In addition, our existing ordinary shares have substantially decreased in value leading

up to and during the 2023 Chapter 11 Cases. Accordingly, any trading in our ordinary shares during the pendency of our 2023 Chapter 11 Cases is highly speculative and poses substantial risks to purchasers of our ordinary shares.

## Risks Related to Our Business

***We plan to implement changes to our Acthar Gel patient assistance program, which may receive additional review from governmental regulators and, if challenged, could have a material adverse effect on future net sales of Acthar Gel***

We currently offer a patient assistance program ("PAP") that provides free Acthar Gel vials to certain eligible patients. Beginning on January 1, 2024, we plan to implement changes to that program that would expand our program to eligible Medicaid beneficiaries who have been prescribed Acthar Gel for an on-label indication and meet all other PAP eligibility criteria. Our decision to expand PAP eligibility is a response to changes in the Medicaid Drug Rebate Program's ("MDRP") unit rebate amount calculation that become effective in 2024 and should ensure that Medicaid patients retain timely and affordable access to Acthar Gel. If we do not make this change to our PAP, as a result of the changes to MDRP unit rebate amount calculation, we expect that we will have significantly more rebate liability beginning in 2024 resulting in negative net sales under the MDRP. We have provided the Centers for Medicare & Medicaid Services ("CMS") and the Office of the Inspector General within the Department of Health and Human Services ("OIG") with advance notice of these changes. While we believe these changes comply with existing statutory and regulatory requirements and related guidance, including based on consultation with external advisors, it is possible that CMS, OIG or other governmental agencies could take issue with such changes. If we are unable to either expand our PAP as currently planned or find an alternative solution, we will incur additional expenses under the 2024 changes to the MDRP unit rebate amount calculation, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

***We may be unable to protect our intellectual property rights or intellectual property rights may be limited.***

We rely on a combination of patents, trademarks, trade secrets, proprietary know-how, market exclusivity gained from the regulatory approval process and other intellectual property to support our business strategy. However, our efforts to protect our intellectual property rights may not be sufficient. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, or if there is a change in the way courts and regulators interpret the laws, rules and regulations applicable to our intellectual property, our competitiveness could be impacted, which could adversely affect our competitive position, business, financial condition, results of operations and cash flows.

In October 2023, we received two notifications from the Japan Patent Office that indicate that a company has filed two invalidation proceedings against two patent term extension ("PTE") registrations relating to one or more patent(s) we were previously granted that cover Amitiza and its use in Japan. While we believe that that our PTE registrations are valid, and we intend to vigorously defend the PTE registrations, if we are unsuccessful, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

## 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. 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 fiscal 2023.

	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)
April 1, 2023 to April 28, 2023	—	\$ —	—	\$ —
April 29, 2023 to June 2, 2023	—	—	—	—
June 3, 2023 to June 30, 2023	64,176	1.30	—	—
July 1, 2023 to July 28, 2023	—	—	—	—
July 29, 2023 to September 1, 2023	57,017	0.69	—	—
September 2, 2023 to September 29, 2023	—	—	—	—
<b>April 1, 2023 to September 29, 2023</b>	<b>121,193</b>	<b>\$ 1.01</b>	<b>—</b>	<b>—</b>

**Item 5. Other Information.**

During the third quarter of 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K).

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Exhibit</b>
2.1	<a href="#"><u>First Amended Plan of Reorganization of Mallinckrodt Plc and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed October 10, 2023).</u></a>
10.1	<a href="#"><u>Form of KEIP Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 7, 2023).</u></a>
10.2	<a href="#"><u>Forbearance Agreement, dated as of July 16, 2023, among Mallinckrodt International Finance S.A., Mallinckrodt CB LLC and certain holders of the 2028 First Lien Notes (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 17, 2023).</u></a>
10.3	<a href="#"><u>Forbearance Agreement, dated as of July 16, 2023, among Mallinckrodt International Finance S.A., Mallinckrodt CB LLC and certain holders of the 2029 Second Lien Notes (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 17, 2023).</u></a>
10.4	<a href="#"><u>Forbearance Agreement, dated as of July 16, 2023, among Mallinckrodt plc, Mallinckrodt International Finance S.A., Mallinckrodt CB LLC, certain lenders party thereto and Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 17, 2023).</u></a>
10.5	<a href="#"><u>Forbearance Agreement, dated as of July 16, 2023, by and among ST US AR Finance LLC, Barclays Bank plc, as administrative agent and collateral agent, and the Lenders comprising the Required Lenders signatory thereto; Acknowledgment and Release, dated as of July 16, 2023, among MEH, Inc., Ino Therapeutics LLC, Mallinckrodt ARD LLC, Mallinckrodt APAP LLC, SpecGX LLC and Therakos, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed July 17, 2023).</u></a>
10.6	<a href="#"><u>Amendment No. 2, dated as of August 4, 2023, to the Amended and Restated Employment Agreement, dated as of February 22, 2023, between Sigurdur Olafsson and ST Shared Services LLC, as amended on June 23, 2023 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed August 9, 2023).</u></a>
10.7	<a href="#"><u>Amendment to Forbearance Agreement, dated as of August 15, 2023, among Mallinckrodt International Finance S.A., Mallinckrodt CB LLC and certain holders of the 2028 First Lien Notes (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 15, 2023).</u></a>
10.8	<a href="#"><u>Amendment to Forbearance Agreement, dated as of August 15, 2023, among Mallinckrodt International Finance S.A., Mallinckrodt CB LLC and certain holders of the 2029 Second Lien Notes (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 15, 2023).</u></a>
10.9	<a href="#"><u>Amendment to Forbearance Agreement, dated as of August 15, 2023, among Mallinckrodt plc, Mallinckrodt International Finance S.A., Mallinckrodt CB LLC, certain lenders party thereto and Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 15, 2023).</u></a>
10.10	<a href="#"><u>Amendment to Forbearance Agreement, dated as of August 15, 2023, by and among ST US AR Finance LLC, Barclays Bank plc, as administrative agent and collateral agent, and the Lenders comprising the Required Lenders signatory thereto; Acknowledgment and Release, dated as of July 16, 2023, among MEH, Inc., Ino Therapeutics LLC, Mallinckrodt ARD LLC, Mallinckrodt APAP LLC, SpecGX LLC and Therakos, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed August 15, 2023).</u></a>
10.11	<a href="#"><u>Restructuring Support Agreement, dated August 23, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 23, 2023).</u></a>
10.12	<a href="#"><u>Form of Bilateral Shareholder Agreement, dated August 23, 2023 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 23, 2023).</u></a>
10.13	<a href="#"><u>Amended ABL Credit Agreement, dated August 23, 2023, by and among ST US AR Finance LLC, Barclays Bank plc, as administrative agent and collateral agent, and the Lenders comprising the Required Lenders signatory thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 23, 2023).</u></a>
10.14	<a href="#"><u>Amended and Restated Forbearance Agreement, dated as of August 23, 2023, by and among ST US AR Finance LLC, Barclays Bank plc, as administrative agent and collateral agent, and the Lenders comprising the Required Lenders signatory thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed August 23, 2023).</u></a>
10.15	<a href="#"><u>Final Amendment to Opioid Deferred Cash Payments Agreement, dated August 23, 2023, by and among Mallinckrodt Plc, Mallinckrodt LLC, SpecGX Holdings LLC, SpecGX LLC and the Opioid Master Disbursement Trust II.</u></a>
10.16	<a href="#"><u>Final Amendment to the Opioid MDT II Cooperation Agreement, dated as of August 23, 2023, by and among Mallinckrodt Plc, its undersigned affiliates and the Opioid Master Disbursement Trust II.</u></a>

- 10.17 [Amendment to the Purchase and Sale Agreement, dated as of August 30, 2023, by and among by and among the various entities listed on Schedule I thereto as originators or that become parties thereto as originators from time to time pursuant to Section 4.3 thereof, MEH, Inc., as servicer and ST US AR Finance LLC \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 6, 2023\).](#)
- 10.18 [Originator Performance Guaranty, dated as of August 30, 2023, by and among the various entities listed on Schedule I to the Purchase and Sale Agreement as originators or that become parties thereto as originators from time to time pursuant to Section 4.3 thereof \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 6, 2023\).](#)
- 10.19 [Performance Guaranty, dated as of August 30, 2023, by and among MEH, Inc. and Barclays Bank plc \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 6, 2023\).](#)
- 10.20 [Senior Secured Debtor-in-Possession Credit Agreement, dated as of September 8, 2023 by and among Mallinckrodt plc, Mallinckrodt International Finance S.A., Mallinckrodt CB LLC, the lenders from time to time party thereto, Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents, and Acquiom Agency Services LLC, as collateral agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 11, 2023\).](#)
- 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 29, 2023 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 and included in Exhibit 101).

## 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 and accounting officer)*

Date: November 7, 2023

## FINAL AMENDMENT TO OPIOID DEFERRED CASH PAYMENTS AGREEMENT

This final AMENDMENT TO THE OPIOID DEFERRED CASH PAYMENTS AGREEMENT, dated as of August 23, 2023 (this “Final Amendment”), is entered into by and among MALLINCKRODT PLC, a public limited company incorporated in Ireland with registered number 522227 (the “Parent”), MALLINCKRODT LLC, a Delaware limited liability company (“MLLC”), SPECGX HOLDINGS LLC, a New York limited company (“SpecGx Holdings”), SPECGX LLC, a Delaware limited liability company (“SpecGx” and, together with the Parent, MLLC and SpecGx Holdings, the “Primary Obligors”), and the Opioid Master Disbursement Trust II (the “Opioid Trust”). Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Agreement (as defined below). The Primary Obligors and Opioid Trust are sometimes individually referred to herein as “Party” and collectively as the “Parties”.

## PRELIMINARY STATEMENTS:

WHEREAS, on October 12, 2020, the Primary Obligors were debtors in chapter 11 cases in the United States Bankruptcy Court for the District of Delaware (the “Delaware Bankruptcy Court”) under the caption *In re Mallinckrodt plc, et al.*, Lead Case No. 20-12522 (JTD) (the “2020-2022 Chapter 11 Cases”).

WHEREAS, pursuant to the *Fourth Amended Joint Plan of Reorganization (With Technical Modifications) of Mallinckrodt and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code* [Docket No. 6510], which was filed in final, effective form at Docket No. 7670 (including all appendices, exhibits, schedules and supplements thereto, as the same may be altered, amended or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules (each as defined in the RSA) and the terms thereof, the “2020-2022 Plan”), the Primary Obligors, among others, and representatives for holders of Opioid Claims (as defined in the 2020-2022 Plan) agreed to resolve all asserted Opioid Claims and enter into certain agreements in connection therewith.

WHEREAS, on March 2, 2022, the Delaware Bankruptcy Court entered the *Findings of Fact, Conclusions of Law, and Order Confirming Fourth Amended Joint Plan of Reorganization (with Technical Modifications) of Mallinckrodt plc and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code* [Docket No. 6660] (including all appendices, exhibits, schedules and supplements thereto, as the same may be altered, amended or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules (each as defined in the RSA) and the terms thereof, the “2020-2022 Confirmation Order”) confirming the 2020-2022 Plan, including the global settlement of all Opioid Claims (as defined in the 2020-2022 Plan) against the Primary Obligors, among others, and authorizing the Primary Obligors and the Opioid Trust to enter into their requisite agreements, as applicable.

WHEREAS, pursuant to the 2020-2022 Plan and 2020-2022 Confirmation Order, on June 16, 2022, Mallinckrodt and the Opioid Trust entered into that certain Opioid MDT II Cooperation Agreement (the “Cooperation Agreement”) (as so ordered by the Delaware Bankruptcy Court on June 6, 2022 [Docket No. 7586]) in connection with, among others, the sharing and transferring of certain books and records with the Opioid Trust under the 2020-2022 Plan.

WHEREAS, pursuant to the Restructuring (as defined below), the Primary Obligors and certain of their affiliates and the Opioid Trust have agreed to, among other things, amend certain terms of the Cooperation Agreement (the “Cooperation Agreement Amendment”).

WHEREAS, pursuant to the 2020-2022 Plan and 2020-2022 Confirmation Order, on June 16, 2022, each of the Primary Obligors and the Opioid Trust entered into that certain Opioid Deferred Cash Payments Agreement (as amended by the First Amendment (as defined herein), the “Agreement”) (as so ordered by the Delaware Bankruptcy Court on June 7, 2022 [Docket No. 7598]) in connection with, among others, the deferred payment obligations under the 2020-2022 Plan.

WHEREAS, in accordance with Section 2.01 of the Agreement, the Primary Obligors were required make a \$200 million payment to the Opioid Trust on June 16, 2023 (the “June 2023 Settlement Payment”).

WHEREAS, on June 15, 2023, the Primary Obligors and the Opioid Trust entered into Amendment No. 1 to the Opioid Deferred Cash Payments Agreement (the “First Amendment”), which extended the due date for the June 2023 Settlement Payment to June 23, 2023 pursuant to Section 9.08(b) of the Agreement.

WHEREAS, (i) on June 22, 2023, pursuant to the First Amendment, the Opioid Trust provided written notice that it was further extending the due date of the June 2023 Settlement Payment from June 23, 2023 to June

30, 2023; (ii) on June 29, 2023, pursuant to the First Amendment, the Opioid Trust provided written notice that it was further extending the due date of the June 2023 Settlement Payment from June 30, 2023 to July 7, 2023; (iii) on July 6, 2023, pursuant to the First Amendment, the Opioid Trust provided written notice that it was further extending the due date of the June 2023 Settlement Payment from July 7, 2023 to July 14, 2023; (iv) on July 14, 2023, pursuant to the First Amendment, the Opioid Trust provided written notice that it was further extending the due date of the June 2023 Settlement Payment from July 14, 2023 to July 21, 2023; (v) on July 16, 2023, pursuant to the First Amendment, the Opioid Trust agreed to extend the due date of the June 2023 Settlement Payment to August 15, 2023; and (vi) on August 15, 2023, pursuant to the First Amendment, the Opioid Trust agreed to extend the due date of the June 2023 Settlement Payment to August 22, 2023.

WHEREAS, the Parties have in good faith and at arm's length negotiated and agreed to the terms of a restructuring (the "Restructuring") intended to be consummated through voluntary prepackaged cases under chapter 11 of the Bankruptcy Code (as defined in the RSA) (the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on the terms set forth in that certain *Restructuring Support Agreement*, dated as of August 23, 2023 (the "RSA").

WHEREAS, in connection with the Restructuring, the Parties, among others, have in good faith and at arm's length negotiated and agreed to satisfy in full the Opioid Deferred Cash Payments and any other Opioid Obligations (as defined in the Agreement) as set forth in this Final Amendment.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the Parties hereto hereby agree as follows:

#### Section 1. Amendments.

(a) Effective as of the Final Amendment Effective Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 1.01 of the Agreement is hereby amended to add the following definitions in the appropriate alphabetical order:

“Final Amendment” means that certain Final Amendment to Opioid Deferred Cash Payments Agreement, dated as of August 23, 2023, by and among the Primary Obligors and the Opioid Trust.”

“MDT II CVR Agreement” shall have the meaning ascribed to such term in the RSA.”

“MDT II CVRs” shall have the meaning ascribed to such term in the RSA.”

“Payment Date” is the date when the Debtors pay the lump sum payment in cash to the Opioid Trust (and its successors and assigns, in part or in whole, as applicable) in the amount of \$250 million in accordance with the terms of Section 2.01, which, for the avoidance of doubt, shall be at least one (1) Business Day before the commencement of the Chapter 11 Cases (as defined in the Final Amendment).”

“RSA” shall mean that certain Restructuring Support Agreement, dated as of August 23, 2023, by, among others, the Primary Obligors and the Opioid Trust, and any exhibits, schedules, attachments, or appendices thereto (in each case, as such may be amended, modified or supplemented in accordance with its terms).”

(b) Effective as of the Final Amendment Effective Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 1.01 of the Agreement is hereby amended such that the definition of “Opioid Deferred Cash Payments” is amended and restated in its entirety as follows:

“Opioid Deferred Cash Payments” shall have the meaning given to such term in the Plan of Reorganization (as in effect on the Effective Date); provided, however, that the dates and amounts of such Opioid Deferred Cash Payments shall be consistent with Section 2.01 of this Agreement (notwithstanding anything to the contrary in the Plan of Reorganization).”

(c) Effective as of the Final Amendment Effective Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 1.01 of the Agreement is hereby amended such that the definition of “Termination Date” is amended and restated in its entirety as follows:

““Termination Date” shall mean, unless otherwise provided for in the Final Amendment, the Payment Date.”

(d) Effective as of the Final Amendment Effective Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 2.01 of the Agreement is hereby amended and restated in its entirety as follows:

“Section 2.01 Repayment of Opioid Deferred Cash Payments. In full and final satisfaction of all Opioid Deferred Cash Payments and any other Opioid Obligations (including full and final satisfaction of all non-monetary obligations unless otherwise stated herein or in the RSA) under the Agreement and 2020-2022 Plan, the Primary Obligors shall (i) pay to the Opioid Trust (and its successors and assigns, in part or in whole, as applicable), to the account(s) most recently specified for such purposes in a written notice delivered by the Opioid Trust (or, if applicable, any successor or assignee thereof) to the Primary Obligors, a single lump sum payment in cash in the amount of \$250 million at least one (1) business day before the commencement of the Chapter 11 Cases (as defined in this Final Amendment) and (ii) enter into the MDT II CVR Agreement providing for the MDT II CVRs. On the Payment Date and upon execution of the MDT II CVR Agreement, (x) no further Opioid Obligations of any kind shall remain outstanding and (y) all covenants set forth in Article V and Article VI of this Agreement and all Events of Default set forth in Article VII of this Agreement shall be terminated except to the extent necessary to carry out the transactions contemplated by the RSA.”

(e) Effective as of the Payment Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 2.05 of the Agreement is hereby amended and restated in its entirety as follows:

“Section 2.05 Claim Amount. Subject to Section 9 of the Final Amendment, the Opioid Trust (together with its successors and assigns, in part or in whole) shall not be entitled to assert the full unpaid amount of the Opioid Deferred Cash Payments (which, upon the Payment Date, but subject, in all respects, to Section 9 of the Final Amendment, is \$0) in the Chapter 11 Cases (as defined in the Final Amendment), and any claims by the Opioid Trust against the Primary Obligors shall be subject to the terms of the Final Amendment including, for the avoidance of doubt and without limitation, subject to the terms of Sections 7 and 9 of the Final Amendment.”

(f) Effective as of the Payment Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 9.02 of the Agreement is hereby amended by deleting the last sentence thereof.

(g) Effective as of the Payment Date and notwithstanding anything to the contrary in the Agreement or any Settlement Document, Section 9.05 of the Agreement is hereby amended by deleting paragraph (e) thereof.

Section 2. [Reserved].

Section 3. RSA Agreement.

On or before the Final Amendment Effective Date, the Parties shall execute and deliver (if not previously executed and delivered) the RSA and any applicable ancillary agreements required to be executed in connection with the RSA. The Parties acknowledge and agree, for the avoidance of doubt, that nothing in this Final Amendment alters or diminishes or shall alter or diminish any rights or obligations set forth in the RSA.

Section 4. Representations and Warranties of the Primary Obligors.

On the date hereof, each Primary Obligor hereby represents and warrants to the Opioid Trust that:

(a) No Defaults. No Default or Event of Default has occurred and is continuing under the Agreement (as of the date hereof and as amended by the Final Amendment).

(b) Organization; Powers. Each such Primary Obligor: (1) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (to the extent such status or an analogous concept applies to such an organization or in such jurisdiction); (2) has all requisite organizational power and authority to own its property and assets and to carry on its business as now conducted; (3) is qualified to do business in each jurisdiction where such qualification is required; and (4) has the power and authority to execute, deliver and perform its obligations under this Final Amendment.

(c) Authorization. The execution, delivery and performance by each such Primary Obligor of this Final Amendment has been duly authorized by all necessary organizational action.

(d) Enforceability. This Final Amendment has been duly executed and delivered by each Primary Obligor and constitutes a legal, valid and binding obligation of each such Primary Obligor enforceable against each such Primary Obligor in accordance with its terms.

Section 5. Representations and Warranties of the Opioid Trust.

On the date hereof, the Opioid Trust hereby represents and warrants to the Primary Obligors that:

(a) No Defaults. No Default or Event of Default has occurred and is continuing under the Agreement (as of the date hereof and as amended by the Final Amendment).

(b) Organization; Powers. The Opioid Trust: (1) was created pursuant to the 2020-2022 Plan and 2020-2022 Confirmation Order and is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (to the extent such status or an analogous concept applies to such an organization or in such jurisdiction); (2) has all requisite organizational power and authority to manage and disburse its property and assets and to carry on its business as now conducted; and (3) has the power and authority to execute, deliver and perform its obligations under this Final Amendment.

(c) Authorization. The execution, delivery and performance by the Opioid Trust of this Final Amendment has been duly authorized by all necessary corporate or other organizational action.

(d) Enforceability. This Final Amendment has been duly executed and delivered by the Opioid Trust and constitutes a legal, valid and binding obligation of the Opioid Trust enforceable against the Opioid Trust in accordance with its terms.

Section 6. Conditions to Effectiveness.

(a) This Final Amendment shall be effective on the date (the "Final Amendment Effective Date") that each of the following conditions has been satisfied or waived by the applicable Party, in each case as determined by the applicable Party in its sole discretion:

- i. The Parties shall have received counterparts of this Final Amendment duly executed by each of the other Parties;
- ii. The Opioid Trust shall have received (or shall receive substantially concurrently with the occurrence of the Final Amendment Effective Date) its Expense Reimbursement in accordance with Section 8 herein;
- iii. The RSA shall have become effective in accordance with its terms; and
- iv. The Cooperation Agreement Amendment shall have become effective in accordance with its terms.

(b) Upon the Final Amendment Effective Date, and subject to Section 12 herein, the Agreement shall thereupon be deemed to be amended as set forth herein as fully and with the same effect as if the amendments made hereby were originally set forth in the Agreement, and this Final Amendment and the Agreement shall henceforth respectively be read, taken and construed as one and the same instrument, but such amendments shall not operate so as to render invalid or improper any action heretofore taken under the Agreement or the Settlement Documents (as defined in the Agreement).

Section 7. Release.

(a) As of the Payment Date, and so long as neither this Final Amendment nor the payment made on the Payment Date is void or voided pursuant to Section 9 hereof, each of the Parties hereby forever relieves, releases, and discharges the other Parties and their present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, guarantees, obligations, promises,

acts, agreements, costs and expenses, indemnities, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims (collectively, the “Claims”) existing or arising in connection with the Agreement and the related Settlement Documents, including, for the avoidance of doubt, the parent guaranty under the Agreement, the Subsidiary Guarantee Agreement, and (to the extent constituting a Settlement Document) the 2020-2022 Plan, from the beginning of time through and including the Payment Date (collectively, the “Released Claims”). Without limiting the foregoing, the Released Claims shall include any and all liabilities, obligations, causes of action, or Claims arising out of or in any manner whatsoever connected with or related to the Agreement and the related Settlement Documents, including, for the avoidance of doubt, the parent guaranty under the Agreement, the Subsidiary Guarantee Agreement, and (to the extent constituting a Settlement Document) the 2020-2022 Plan, the recitals thereto, any instruments or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing, other than as set forth in this Final Amendment; provided, however, that the following shall not be Released Claims (collectively, the “Preserved Claims”): (i) any rights preserved under this Final Amendment, (ii) other than as amended by the Cooperation Agreement Amendment, any of the Opioid Trust’s rights to discovery and entitlements to discovery from the Debtors and any non-Debtor as set forth in the Cooperation Agreement or the 2020-2022 Plan, and (iii) any of the Opioid Trust’s rights, defenses, claims, and causes of action assigned under the 2020-2022 Plan against non-Debtors, including but not limited to in respect of Other Opioid Claims (as defined in the 2020-2022 Plan), with references to “Debtors” in clauses (ii) and (iii) meaning the Debtors under the 2020-2022 Plan.

(b) Unless otherwise provided for herein, from and after the Termination Date, as amended by the Final Amendment, and so long as this Final Amendment is not void or voided pursuant to Section 9 hereof, the Agreement and the other Settlement Documents, including, for the avoidance of doubt, the parent guaranty and any indemnity under the Agreement, the Subsidiary Guarantee Agreement, and (to the extent constituting a Settlement Document) the 2020-2022 Plan, shall be terminated and have no further force or effect; provided, that, for the avoidance of doubt, this paragraph shall have no effect on the Preserved Claims.

(c) By entering into this release, the Parties recognize that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of the Parties hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected in connection with the Released Claims. Accordingly, subject to Section 9 herein, if the Parties should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, the Parties shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. The Parties acknowledge that they are not relying upon and have not relied upon any representation or statement made by the other Party with respect to the facts underlying this release or with regard to any of the Parties’ rights or asserted rights.

(d) So long as this Final Amendment is not void or voided pursuant to Section 9 hereof, this release may be pleaded by the Parties as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. The Parties acknowledge that the release contained herein constitutes a material inducement to each of the Parties to enter into this Final Amendment, and that the Parties would not have done so but for the other Party’s expectation that such release is valid and enforceable in all events.

(e) The Parties hereby acknowledge and agree that they have no offsets, defenses, Claims, or counterclaims against the other with respect to the Agreement and the related Settlement Documents, including, for the avoidance of doubt, the parent guaranty under the Agreement and the Subsidiary Guarantee Agreement, or otherwise, and that if either Party now has, or ever did have, any offsets, defenses, Claims, or counterclaims against the other Party, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and the Parties hereby RELEASE each other from any liability thereunder.

(f) The Parties hereby represent and warrant to each other in connection with this release, and the Parties are relying thereon, as follows:

i. Except as expressly stated in this Final Amendment, the Parties or their agents, employees or representatives have not made any statement or representation to each other regarding any fact relied upon by the other Party in entering into this Final Amendment;

ii. The Parties have made such investigation of the facts pertaining to this Final Amendment and all of the matters appertaining thereto, as it deems necessary;

iii. The terms of this Final Amendment are contractual and not a mere recital;

iv. This Final Amendment has been carefully read by the Parties, the contents hereof are known and understood by the Parties, and this Final Amendment is signed freely, and without duress, by the Parties; and

v. The Parties are the sole and lawful owner of all right, title and interest in and to every Released Claim and every other matter which it releases herein, and the Parties have not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any Released Claims or other matters herein released. The Parties shall indemnify each other, defend and hold each other harmless from and against all Claims based upon or arising in connection with prior assignments or purported assignments or transfers of any Released Claims or matters released herein.

(g) Notwithstanding the above or anything to the contrary herein, the obligations under this Final Amendment and the following sections of the Agreement shall not be released hereunder and any Claims in connection with the below sections shall not be considered Released Claims, and such provisions are hereby incorporated into this Final Amendment; *except* that all notice obligations in the following sections shall be deemed superseded by the notice provisions in Section 15 of this Final Amendment:

i. Section 2.04(e): Taxes - Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

ii. Section 9.16: Confidentiality. The Opioid Trust (and its successors and assigns, in part or in whole) shall maintain in confidence (and shall use solely for the purposes of determining compliance with the terms of the Settlement Documents or evaluating the financial condition of the Parent and its Subsidiaries) any information relating to the Parent, each Primary Obligor and any of their respective Subsidiaries or their respective businesses furnished to it by or on behalf of the Parent, each Primary Obligor or any of their respective Subsidiaries (other than information that (a) has become generally available to the public other than as a result of a disclosure by such party, (b) has been independently developed by the Opioid Trust (or such successor or assign, in part or in whole) without utilizing any information received from the Parent or any Subsidiary or violating this Section 9.16 or (c) was available to the Opioid Trust (or such successor or assign, in part or in whole) from a third party having, to the Opioid Trust's (or such successor's or assign's, in part or in whole) knowledge, no obligations of confidentiality to the Parent, any Primary Obligor or any other Subsidiary) and shall not reveal the same except: (A) to the extent necessary to comply with applicable laws or any legal process or the requirements of any Governmental Authority purporting to have jurisdiction over such the Opioid Trust (or such successor or assign, in part or in whole) or its Related Parties, (B) as part of normal reporting or review procedures to, or examinations by, Governmental Authorities or self-regulatory authorities, (C) to its Beneficiaries and Related Parties, including auditors, accountants, legal counsel and other advisors (so long as each such person shall have agreed to keep the same confidential in accordance with this Section 9.16), (D) in connection with the exercise of any remedies under this Agreement or any other Settlement Document or

any suit, action or proceeding relating to this Agreement or any other Settlement Document or the enforcement of rights hereunder or thereunder, (E) to any prospective assignee of any of its rights under this Agreement (so long as such person shall have agreed to keep the same confidential in accordance with this Section 9.16), (F) [reserved,] (G) with the prior written consent of the Parent, and (H) to the extent required by a potential or actual insurer or reinsurer in connection with providing insurance, reinsurance or credit risk mitigation coverage under which payments are to be made or may be made by reference to this Agreement (so long as such person shall have agreed to keep the same confidential in accordance with this Section 9.16). For the avoidance of doubt, the confidentiality obligations of the Opioid Trust and its Related Parties and Beneficiaries with respect to any Cooperation Agreement Information shall be governed by the Opioid MDT II Cooperation Agreement and not by this Section 9.16.

#### Section 8. Expense Reimbursement.

On or before the Final Amendment Effective Date, the Primary Obligors shall pay or reimburse all reasonable and documented fees and out-of-pocket expenses of Brown Rudnick LLP and Houlihan Lokey as determined by their respective engagement letters in connection with this Final Amendment and the Cooperation Agreement Amendment (the “Expense Reimbursement”); provided, that the Expense Reimbursement shall be paid only if invoiced to the Primary Obligors at least five (5) Business Days prior to the Final Amendment Effective Date and such invoice shall be sent to the designated email address provided to Brown Rudnick LLP by the Primary Obligors.

#### Section 9. Snap-Back.

(a) If the Primary Obligors’ payment obligation under Section 2.01 of the Agreement, as amended by the Final Amendment, or any payment made thereunder, is avoided, in whole or in part, for any reason before the Plan Effective Date (as defined in the RSA) (including, but not limited to, through any avoidance action under the Bankruptcy Code (as defined in the RSA) in the Chapter 11 Cases) or in any other case, proceeding or action before the Plan Effective Date (as defined in the RSA), then (i) the amendments set forth in Section 1 herein shall be deemed void *ab initio*, automatically rescinded and otherwise terminated and of no force and effect and (ii) the release set forth in Section 7 herein shall be deemed void *ab initio*, automatically rescinded and otherwise terminated and of no force and effect, and the Opioid Trust will be permitted to submit a claim or institute an action or proceeding against the Primary Obligors in the Chapter 11 Cases or otherwise in the absence of the Chapter 11 Cases for the claims that would otherwise be covered by the release contained in Section 7 herein (collectively, the “Snap-Back Provision”); provided, that any such claims shall be reduced by the amount of any payments received pursuant to this Final Amendment and not otherwise avoided.

(b) Notwithstanding anything to the contrary herein, the Snap-Back Provision shall survive the Payment Date; provided, however, the Snap-Back Provision shall be extinguished, null, void, and of no further force or effect upon assumption of this Final Amendment on the Plan Effective Date (as defined in the RSA) in accordance with Section 10 herein.

#### Section 10. Additional Obligations.

(a) Subject to Section 9 herein, the Primary Obligors in their Chapter 11 Cases will (1) assume, and will cause their affiliate Debtors or Reorganized Debtors (each as defined in the RSA), as applicable, to assume, this Final Amendment on the Plan Effective Date (as defined in the RSA) and (2) retain and subsequently release and/or waive any and all Claims and/or estate causes of action, including but not limited all causes of action under Chapter 5 of Title 11 of the U.S. Code and state analogues, that may exist against the Opioid Trust, its officers, advisors, professionals, agents, trustees, and beneficiaries, and will cause their affiliate Reorganized Debtors (as defined in the RSA) to do the same.

#### Section 11. Opioid Operating Injunction and Monitor Agreement Reaffirmation.

MLLC and SpecGx hereby reaffirm the covenants and agreements contained in the Opioid Operating Injunction to which each is a party and each acknowledge and agree that this Final Amendment shall in no manner impair or otherwise adversely affect the terms of the Opioid Operating Injunction and each confirm that the Opioid Operating Injunction shall continue to be in full force and effect, and the same is ratified and confirmed in all respects. MLLC and SpecGx shall cause their successors, including affiliate Mallinckrodt Enterprises LLC to assume and/or reaffirm the Opioid Operating Injunction under the Plan of Reorganization (as defined in the RSA). The Primary Obligors in their Chapter 11 Cases will assume, and will cause their affiliate Debtors or Reorganized

Debtors (each as defined in the RSA), as applicable, to assume, the Monitor Agreement (as defined in the 2020-2022 Plan), which shall remain in full force and effect upon the Plan Effective Date (as defined in the RSA), unless amended or superseded by further order of the Bankruptcy Court, which order may be the Confirmation Order (as defined in the RSA); provided, however, that the Parties shall not move to amend or discharge the Monitor Agreement or Opioid Operating Injunction.

Section 12. Payment Date Failure to Occur & Voiding of Final Amendment.

Notwithstanding anything else herein, if the Payment Date fails to occur on or prior to September 30, 2023, then this Final Amendment to the Opioid Deferred Cash Payments Agreement is wholly and completely void, all amendments made herein are void and of no effect, and the Agreement shall be reinstated as in effect immediately prior to the Final Amendment Effective Date such that all references to the Agreement in the Agreement or any other Settlement Document shall be a reference to the Agreement immediately prior to the Final Amendment Effective Date.

Section 13. Counterparts.

This Final Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Final Amendment by delivering by facsimile, email or other electronic transmission a signature page of this Final Amendment signed by such party, and any such facsimile, email or other electronic signature shall be treated in all respects as having the same effect as an original signature.

Section 14. Governing Law and Waiver of Right to Trial by Jury.

This Final Amendment shall be governed by, and construed and interpreted in accordance with, the law of the State of New York. Sections 9.07, 9.11, and 9.15 of the Agreement are incorporated herein by reference *mutatis mutandis*. Solely for purposes of enforcing this Final Amendment and not for any other purpose, the Parties consent to the jurisdiction of the Bankruptcy Court.

Section 15. Headings.

The headings of this Final Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 16. Notice.

All notices, requests, and demands to or upon the respective Parties hereto shall be given in accordance with the RSA.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties hereto have caused this Final Amendment to be duly executed as of the date first above written.

**PRIMARY OBLIGORS:**

MALLINCKRODT PLC

By: /s/ Bryan M. Reasons  
Name: Bryan M. Reasons  
Title: EVP & Chief Financial Officer

MALLINCKRODT LLC  
SPECGX LLC  
SPECGX HOLDINGS LLC

By: /s/ Stephen A. Welch  
Name: Stephen A. Welch  
Title: EVP & Head of Specialty Generics

OPIOID MASTER DISBURSEMENT TRUST II

By: /s/ Jennifer E. Peacock  
Name: Jennifer E. Peacock  
Title: Trustee

By: /s/ Michael Atkinson  
Name: Michael Atkinson  
Title: Trustee

By: /s/ Anne Ferazzi  
Name: Anne Ferazzi  
Title: Trustee

## AMENDMENT TO OPIOID MDT II COOPERATION AGREEMENT

This AMENDMENT TO THE OPIOID MDT II COOPERATION AGREEMENT, dated as of August 23, 2023 (this "Amendment"), is entered into by and among MALLINCKRODT PLC and its undersigned affiliates (each individually a "Mallinckrodt Entity" and collectively "Mallinckrodt"), and the Opioid Master Disbursement Trust II (the "Trust"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the original Cooperation Agreement (as defined below). Mallinckrodt and the Trust are sometimes individually referred to herein as "Party" and collectively as the "Parties".

## PRELIMINARY STATEMENTS:

WHEREAS, on October 12, 2020, Mallinckrodt plc and its undersigned affiliates were debtors in chapter 11 cases in the United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court") under the caption *In re Mallinckrodt plc, et al.*, Lead Case No. 20-12522 (JTD) (the "2020-2022 Chapter 11 Cases").

WHEREAS, pursuant to the *Fourth Amended Joint Plan of Reorganization (With Technical Modifications) of Mallinckrodt and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code* [Docket No. 6510], which was filed in final, effective form at Docket No. 7670 (including all appendices, exhibits, schedules and supplements thereto, as the same may be altered, amended or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules and the terms thereof, the "2020-2022 Plan"), Mallinckrodt and the Trust agreed to cooperate with respect to sharing and transferring certain books and records with the Trust subject to certain protections and limitations.

WHEREAS, on March 2, 2022, the Delaware Bankruptcy Court entered the *Findings of Fact, Conclusions of Law, and Order Confirming Fourth Amended Joint Plan of Reorganization (with Technical Modifications) of Mallinckrodt plc and its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code* [Docket No. 6660] (including all appendices, exhibits, schedules and supplements thereto, as the same may be altered, amended or modified from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules and the terms thereof, the "2020-2022 Confirmation Order") confirming the 2020-2022 Plan, including the global settlement of all Opioid Claims (as defined in the 2020-2022 Plan) against Mallinckrodt and authorizing Mallinckrodt and the Trust to enter into a cooperation agreement providing for a process to share and transfer certain books and records with the Trust subject to certain protections and limitations.

WHEREAS, pursuant to the 2020-2022 Plan and 2020-2022 Confirmation Order, on June 16, 2022, Mallinckrodt and the Trust entered into that certain Opioid MDT II Cooperation Agreement (the "Cooperation Agreement") (as so ordered by the Delaware Bankruptcy Court on June 6, 2022 [Docket No. 7586]) in connection with, among other things, the sharing and transferring of certain books and records with the Trust under the 2020-2022 Plan.

WHEREAS, the Initial Transfer Period under the Cooperation Agreement ended on February 27, 2023.

WHEREAS, pursuant to the 2020-2022 Plan and 2020-2022 Confirmation Order, on June 16, 2022, certain Mallinckrodt Entities and the Trust entered into that certain deferred cash payments agreement (the "Opioid Deferred Cash Payments Agreement") (as so ordered by the Delaware Bankruptcy Court on June 7, 2022 [Docket No. 7598]) in connection with, among other things, Mallinckrodt's deferred payment obligations under the 2020-2022 Plan.

WHEREAS, the Parties have in good faith and at arm's length negotiated and agreed to the terms of a restructuring (the "Restructuring") intended to be consummated through voluntary prepackaged cases under chapter 11 of the Bankruptcy Code (as defined in the RSA) (the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on the terms set forth in that certain *Restructuring Support Agreement*, dated as of August 23, 2023 (the "RSA").

WHEREAS, pursuant to the Restructuring, certain Mallinckrodt Entities and the Trust have agreed to, among other things, amend certain terms of the Opioid Deferred Cash Payments Agreement to satisfy Mallinckrodt's deferred payment obligations under the Opioid Deferred Cash Payments Agreement, 2020-2022 Plan, and 2020-2022 Confirmation Order (the "Deferred Payment Amendment").

WHEREAS, in connection with the Restructuring, the Parties have in good faith and at arm's length negotiated and agreed to amend the Cooperation Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the Parties hereto hereby agree as follows:

Section 1. Amendments.

(a) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 1.1.c. of the Cooperation Agreement is hereby amended solely to revise the definition of “Supplemental Transfer Period” from “nine (9) months following the Initial Transfer Period, subject to extension upon agreement of the Parties” to the following: “. . . twelve (12) months following the Amendment Effective Date . . .”

(b) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 1.2 of the Cooperation Agreement is hereby amended and restated in its entirety as follows:

“Section 1.2. The Debtors shall preserve, or cause to be preserved, unless and until they are transferred to the Trust, Documents or information known or reasonably believed, or that upon reasonable inquiry the Debtors should know or reasonably believe to be relevant to Opioid Claims (including Opioid Demands) and/or the Assigned Claims for a period of twelve (12) months following the Amendment Effective Date. Notwithstanding Section 3.4 and subject to the Supplemental Transfer Cap (defined below), any cost or expense solely associated with such preservation shall be at the Debtors’ cost and expense. For the avoidance of doubt, the Debtors shall have no continuing obligations under this Agreement to preserve any Claim Records that have been transferred to the Trust. For the avoidance of doubt, the Debtors have a continuing obligation to preserve Claim Records that were produced to the Trust with redactions, in the event that the Trust or any other party in an action relating to the Assigned Claims will seek to challenge such redactions. In the event that the Trust or any other party in an action relating to the Assigned Claims seek to challenge such redactions and are successful and such Claim Records are later produced without such redactions, the Debtors’ obligation to continue to preserve such Claim Records shall immediately terminate.”

(c) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 2.1 of the Cooperation Agreement is hereby amended by adding the following new subsection “f.” immediately following subsection “e.” thereto to read as follows:

“f. The Debtors agree to use their reasonable best efforts to assist the Trust with coordinating and/or setting up non-adversarial meetings and/or interviews with current and former employees (to the extent the Debtors are able to locate applicable former employees) for the sole purpose of assisting the Trust with prosecuting, defending, investigating, or resolving the Assigned Claims (the “Employee Meetings”); *provided* that (i) all such Employee Meetings shall be conducted on a reasonable basis (reasonable in duration as well as numerosity with respect to any employee), (ii) Debtors shall have their own designated counsel present at any Employee Meetings, (iii) Debtors and their counsel shall be responsible for coordinating and facilitating the Employee Meetings on a timeline that is reasonably acceptable to the Trust and the applicable Debtor employee, and (iv) all Employee Meetings shall otherwise be subject to the terms of this Agreement, as applicable.”

(d) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 2.1 of the Cooperation Agreement is hereby amended by adding the following new subsection “g.” immediately following subsection “f.” thereto to read as follows:

“g. Upon request by the Trust, the Debtors shall use reasonable best efforts to provide the Trust with a list of employees employed with the Debtors from 1996 through 2018 solely to the extent that the Debtors have access to such information and only for employees who were employed to perform the following functions: (1) risk management employees and supervisors with material knowledge of risk management functions regarding the Assigned Claims; (2) employees responsible for opioid marketing with material knowledge of opioid marketing functions regarding the Assigned Claims; (3) employees with material knowledge of and who also handled legal investigations related to the Debtors’ opioid operations in connection with the Assigned Claims; (4) employees with historic material knowledge of the Debtors’ corporate structure and operations relating to the Assigned Claims; (5) employees identified in connection with the Share

Repurchase Claims matter (*Opioid Master Disbursement Trust II v. Argos Capital Appreciation Master Fund LP, et al.*, Adv. Pro. No. 22-50435 (Bankr. D. Del.)); (6) employees identified in connection with the June 2013 spinoff matter (*Opioid Master Disbursement Trust II v. Covidien Unlimited Co., et al.*, Adv. Pro. No. 22-50433 (Bankr. D. Del.)); and (7) employees who worked from 2011-2013 (before and during the June 2013 spinoff) with material knowledge related to the Assigned Claims; *provided* that for any employees on such list no longer under employment by the Debtors, the Debtors agree to provide to the Trust all last known non-privacy law protected contact information (*e.g.*, phone, address, email) only for such former employees specifically requested by the Trust to participate in the Employee Meetings. With respect to subsections (5) and (6) of the preceding sentence, “employees identified” shall mean anyone specifically identified in the pleadings or in discovery as having relevant information (*e.g.*, persons from whom documents and emails were produced and persons identified in documents referenced in the pleadings). The Parties will endeavor to work constructively to develop and provide any such lists so as not to materially detract from or disrupt the Debtors’ commercial operations.

(e) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 3.2 of the Cooperation Agreement is hereby amended by adding the following new subsection “f.” immediately following subsection “e.” thereto to read as follows:

“Section 3.2.f. The Debtors hereby agree to withdraw any previously assigned “Confidential” designations from Documents or information with a date that is six (6) years (or longer than 6 years) prior to the Amendment Effective Date or that have otherwise been in existence for six (6) years (or longer than 6 years) prior to the Amendment Effective Date. The terms of this Agreement shall otherwise apply to any such Document or information that has undergone a change in designation under this provision.”

(f) Effective as of the Amendment Effective Date and notwithstanding anything to the contrary in the Cooperation Agreement, Section 3.4 of the Cooperation Agreement is hereby amended and restated in its entirety as follows:

“Costs. During the Supplemental Transfer Period, the Trust and the Debtors shall bear their own costs associated with any obligations arising out of this Agreement; *provided* that the Debtors shall under no circumstances be responsible to pay any such costs (including legal fees) relating to any of the Debtors’ obligations under this Agreement during the Supplemental Transfer Period in excess of \$2 million (the “Supplemental Transfer Cap”). Following the exhaustion of the Supplemental Transfer Cap, the Trust and/or the Opioid Creditor Trust, as applicable, shall reimburse the Debtors for their documented and reasonable out-of-pocket costs and expenses (including legal fees) incurred in connection with any cooperation obligations under this Agreement. The Parties agree to use good faith efforts to resolve any disputes with respect to the reasonableness of costs (including legal fees) and any unresolved disputes shall be litigated in the Bankruptcy Court for the District of Delaware for as long as the 2020-2022 Chapter 11 Cases are pending and otherwise, in any federal or state court in the Borough of Manhattan, the City of New York and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such proceeding, which may be brought on an expedited basis. For costs (including legal costs) incurred by the Company after the exhaustion of the Supplemental Transfer Cap, the Company shall provide the Trust with a summary of the services rendered (with redactions for privilege), a list of timekeepers with hours billed and applicable billing rates on a monthly basis. Notwithstanding anything to the contrary herein, the Debtors shall under no circumstances be responsible to pay the costs of the Trust, the Opioid Creditor Trusts, or their respective professionals (solely in their capacities as professionals for the Trust or Opioid Creditor Trusts, as applicable) for the review or analysis of any Claim Records transferred pursuant to this Agreement. Notwithstanding anything to the contrary herein, the Trust shall be entitled to reimbursement from the applicable Opioid Creditor Trust of all actual, reasonable, and documented fees and expenses incurred in connection with any searches, reviews, and productions of any Documents in connection with any request by such Opioid Creditor Trust for Claim Records. For the avoidance of doubt, nothing in this Section 3.4 shall modify any right or obligation of any Opioid Creditor Trust under this Agreement.”

## Section 2. Representations and Warranties.

On the date hereof, the Parties hereby represent and warrant as follows:

(a) Organization; Powers. The Parties have the power and authority to execute, deliver and perform their obligations under this Amendment.

(b) Authorization. The execution, delivery and performance by the Parties of this Amendment has been duly authorized by all necessary corporate or other organizational action.

Section 3. Conditions to Effectiveness.

(a) This Amendment shall be effective on the date (the "Amendment Effective Date") that each of the following conditions have been satisfied or waived by the applicable Party, in each case as determined by the applicable Party in its sole discretion:

- i. The Parties shall have received counterparts of this Amendment duly executed by each of the other Parties.
- ii. The Trust shall have received (or shall receive substantially concurrently with the occurrence of the Amendment Effective Date) its expense reimbursement in accordance with the terms of the Deferred Payment Amendment.
- iii. The Deferred Payment Amendment shall have become effective in accordance with its terms.
- iv. The RSA shall have become effective in accordance with its terms.

(b) Upon the Amendment Effective Date, the Cooperation Agreement shall thereupon be deemed to be amended as set forth herein as fully and with the same effect as if the amendments made hereby were originally set forth in the Cooperation Agreement, and this Amendment and the Cooperation Agreement shall henceforth respectively be read, taken and construed as one and the same instrument, but such amendments shall not operate so as to render invalid or improper any action heretofore taken under the Cooperation Agreement.

Section 4. [Reserved].

Section 5. Assumption Obligation.

Mallinckrodt and/or the Reorganized Debtors (as defined in the RSA) will assume this Amendment in their Chapter 11 Cases on the Plan Effective Date (as defined in the RSA).

Section 6. Counterparts.

This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Amendment by delivering by facsimile, email or other electronic transmission a signature page of this Amendment signed by such party, and any such facsimile, email or other electronic signature shall be treated in all respects as having the same effect as an original signature.

Section 7. Governing Law and Waiver of Right to Trial by Jury.

This Amendment shall be governed by, and construed and interpreted in accordance with, the law of the State of New York. Solely for purposes of enforcing this Amendment and not for any other purpose, the Parties consent to the jurisdiction of the Bankruptcy Court.

Section 8. Headings.

The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 9. Notice.

All notices, requests, and demands to or upon the respective Parties hereto shall be given in accordance with the RSA.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed as of the date first above written.

**MALLINCKRODT ENTITIES:**

Mallinckrodt plc, Acthar IP Unlimited Company, IMC Exploration Company, INO Therapeutics LLC, Infacare Pharmaceutical Corporation, Ludlow LLC, MAK LLC, MCCH LLC, MEH, Inc., MHP Finance LLC, MKG Medical UK Ltd, MNK 2011 LLC, MUSHI UK Holdings Limited, Mallinckrodt ARD Holdings Inc., Mallinckrodt ARD Holdings Limited, Mallinckrodt ARD IP Unlimited Company, Mallinckrodt ARD LLC, Mallinckrodt Brand Pharmaceuticals LLC, Mallinckrodt Buckingham Unlimited Company, Mallinckrodt CB LLC, Mallinckrodt Critical Care Finance LLC, Mallinckrodt Enterprises UK Limited, Mallinckrodt Holdings GmbH, Mallinckrodt Hospital Products IP Unlimited Company, Mallinckrodt Hospital Products Inc., Mallinckrodt IP Unlimited Company, Mallinckrodt International Finance SA, Mallinckrodt International Holdings S.a.r.l., Mallinckrodt Lux IP S.a.r.l., Mallinckrodt Manufacturing LLC, Mallinckrodt Pharma IP Trading Unlimited Company, Mallinckrodt Pharmaceuticals Ireland Limited, Mallinckrodt Pharmaceuticals Limited, Mallinckrodt Quincy S.a.r.l., Mallinckrodt UK Finance LLP, Mallinckrodt UK Ltd, Mallinckrodt US Holdings LLC, Mallinckrodt US Pool LLC, Mallinckrodt Veterinary, Inc., Mallinckrodt Windor S.a.r.l., Mallinckrodt Windsor Ireland Finance Unlimited Company, Ocera Therapeutics, Inc., Petten Holdings Inc., ST Operations LLC, ST Shared Services LLC, ST US Holdings LLC, ST US Pool LLC, Stratatech Corporation, Sucampo Holdings Inc., Sucampo Pharma Americas LLC, Sucampo Pharmaceuticals, Inc., Therakos, Inc., Vtesse LLC,

By: /s/ Bryan M. Reasons

Name: Bryan M. Reasons

Title: EVP & Chief Financial Officer

Mallinckrodt APAP LLC, Mallinckrodt ARD Finance LLC, Mallinckrodt Enterprises Holdings, Inc., Mallinckrodt Enterprises LLC, Mallinckrodt Equinox Finance LLC, Mallinckrodt LLC, SpecGx Holdings LLC, SpecGx LLC, WebsterGx Holdco LLC

By: /s/ Stephen A. Welch

Name: Stephen A. Welch

Title: EVP & Head of Specialty Generics

OPIOID MASTER DISBURSEMENT TRUST II

By: /s/ Jennifer E. Peacock  
Name: Jennifer E. Peacock  
Title: Trustee

By: /s/ Michael Atkinson  
Name: Michael Atkinson  
Title: Trustee

By: /s/ Anne Ferazzi  
Name: Anne Ferazzi  
Title: Trustee

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

I, Sigurdur Olafsson, 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 7, 2023

By: /s/ Sigurdur Olafsson

**Sigurdur Olafsson**

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

**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 7, 2023

By: /s/ Bryan M. Reasons

**Bryan M. Reasons**

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

**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 29, 2023 ("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/ Sigurdur Olafsson

**Sigurdur Olafsson**

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

November 7, 2023

By: /s/ Bryan M. Reasons

**Bryan M. Reasons**

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

November 7, 2023