2016 IRISH STATUTORY ACCOUNTS

MALLINCKRODT PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements
For the Year Ended September 30, 2016

MALLINCKRODT PLC

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DIRECTORS' REPORT

For the Fiscal Year Ended September 30, 2016

(dollars in millions, except share data and where indicated)

The directors present their report on the audited consolidated financial statements for the financial year ended September 30, 2016, which are set out on pages 36 to 108, and audited parent company financial statements for the financial year ended September 30, 2016, which are set out on pages 110 to 119.

The directors have elected to prepare the Irish statutory group consolidated financial statements of Mallinckrodt plc in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position, and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of part 6 of the Companies Act 2014 or of any regulations made thereunder.

The directors have elected to prepare the Mallinckrodt plc parent company financial statements in accordance with generally accepted accounting practices in Ireland ("Irish GAAP FRS 102"), comprising the financial reporting standards issued by the Financial Reporting Council ("FRC") and published by the Institute of Chartered Accountants in Ireland ("ICAI") together with the Companies Act 2014.

Basis of Presentation

The accompanying financial statements reflect the consolidated financial position of the parent company ("Mallinckrodt plc" or "the Company") and its subsidiaries (Mallinckrodt plc and all its subsidiaries, hereinafter referred to as "Mallinckrodt", "the Group", "us", "we", or "our") as an independent, publicly-traded company.

We report our results based on a "52-53 week" year ending on the last Friday of September. Financial year 2016 consisted of 53 weeks and ended on September 30, 2016 ("fiscal 2016"), while financial year 2015 consisted of 52 weeks and ended on September 25, 2015 ("fiscal 2015").

Beginning in the first quarter of fiscal year 2016, we revised the presentation of certain medical affairs costs to better align with industry practice, which were previously included in distribution and administrative ("D&A") expenses and are now included in R&D costs. As a result, $56.4 million of expenses previously included in D&A expenses for the fiscal year ended September 25, 2015 have been classified as R&D costs to conform to this change. No other financial statement line items were impacted by this change in classification.

Trademarks and Trade Names

Mallinckrodt owns or has rights to use trademarks and trade names that it uses in conjunction with the operation of its business. One of the more important trademarks that it owns or has rights to use that appears in this Directors' Report 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, we only use the ™ or ® symbols the first time any trademark or trade name is mentioned. Such references are not intended to indicate in any way that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks and trade names. Each trademark or trade name of any other company appearing in this Directors' Report is, to our knowledge, owned by such other company.

Forward-Looking Statements

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

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

The principal risks and uncertainties included in this Directors' Report could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

These forward-looking statements are made as of September 30, 2016. We expressly disclaim any obligation to update these forward-looking statements other than as required by law.

Principal Activities

Mallinckrodt plc is the parent company of a group whose principal activity is to develop, manufacture, market and distribute specialty branded and generic pharmaceutical products and therapies. Therapeutic areas of focus include autoimmune and rare disease specialty areas (including neurology, rheumatology, nephrology, opthalmology and pulmonology); immunotherapy and neonatal critical care respiratory therapies; analgesics and hemostasis products; and central nervous system drugs.

On August 24, 2016, the Group announced that it had entered into a definitive agreement to sell its Nuclear Imaging business to IBA Molecular ("IBAM"), which is expected to be completed during the first half of calendar 2017. The Nuclear Imaging business was deemed to be held for sale. As a result, the financial results of this business are presented as a discontinued operation.

The Group completed the sale of its global contrast media and delivery systems ("CMDS") business on November 27, 2015. The financial results of this business are presented as a discontinued operation.

Prior year amounts have been recast to conform to current presentation.

The two reportable segments are further described below:

- *Specialty Brands* produces and markets branded pharmaceutical products and therapies; and
- *Specialty Generics* produces and markets specialty generic pharmaceuticals and active pharmaceutical ingredients ("API") consisting of biologics, medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients.

In May 2015, the Board of Directors of Mallinckrodt plc approved the migration of the Group's principal executive offices from Ireland to the United Kingdom. The Group remains incorporated in Ireland and continues to be subject to U.S. Securities and Exchange Commission ("SEC") reporting requirements and the applicable corporate governance rules of the New York Stock Exchange.

Key Performance Indicators

The financial measures discussed below are considered "non-U.S. GAAP" financial measures and should be considered supplemental to, and not a substitute for, financial information prepared in accordance with U.S. GAAP and Irish GAAP FRS 102. The Group has provided these adjusted financial measures because they are used by management, along with financial measures in accordance with U.S. GAAP, to evaluate the Group's operating performance. In addition, management believes that they will be used by certain investors to measure Mallinckrodt's operating results. Management believes that presenting these adjusted measures provides useful information about the company's performance across reporting periods on a consistent basis by excluding items that the Group does not believe are indicative of its core operating performance. These adjusted measures are also utilized in the determination of management incentive compensation.

These adjusted measures should be considered supplemental to and not a substitute for financial information prepared in accordance with U.S. GAAP or Irish GAAP FRS 102. The Group's definition of these adjusted measures may differ from similarly titled measures used by others.

We calculate our key performance indicators based upon results from ordinary activities as they reflect the ongoing operating performance of the Group and provide the best insight into current and future performance.

Turnover on a constant currency basis, which measures the change in turnover between current- and prior-year periods using a constant currency, the exchange rate in effect during the applicable prior-year period, was 16.1% in fiscal 2016. A reconciliation of this non-U.S. GAAP financial measure to turnover, the most directly comparable U.S. GAAP financial measure, is as follows:

	Fiscal Year				
	2016	2015	Increase in Turnover	Currency Impact	Turnover on a Constant Currency Basis
Turnover from Ordinary Activities	$ 3,380.8	$ 2,923.1	15.7%	(0.4)%	16.1%

Adjusted net income, adjusted gross profit and adjusted SG&A represent amounts prepared in accordance with U.S. GAAP and adjusted for certain items that management believes are not reflective of the operational performance of the business. The adjustments for these items are on a pre-tax basis for adjusted gross profit and adjusted SG&A and on an after-tax basis for adjusted net income. Adjustments to U.S. GAAP amounts include, as applicable to each measure, restructuring and related charges, net; amortization and impairment charges; discontinued operations; acquisition-related expenses; changes in fair value of contingent consideration obligations; inventory step-up expenses; significant legal and environmental charges; recurrent cash tax payments to the U.S. Internal Revenue Service associated with internal installment sales transactions; and other items identified by the Group. Adjusted diluted earnings per share represent adjusted net income divided by the number of diluted shares. A reconciliation of these historical adjusted financial measures to the most directly comparable U.S. GAAP financial measures is included in the following tables:

	Fiscal Year End							
	September 30, 2016				September 25, 2015			
	Gross profit	Selling, general and administrative expenses [3]	Net income	Diluted net income per share	Gross profit	Selling, general and administrative expenses [3]	Net income	Diluted net income per share
U.S. GAAP, as filed in Annual Report on Form 10-K	$ 1,855.0	$ 925.3	$ 643.7	$ 5.77	$ 1,622.9	$ 1,023.8	$ 324.7	$ 2.75
Adjustments:								
Intangible asset amortization	692.8	(7.3)	700.1	6.28	544.0	(6.3)	550.3	4.70
Restructuring and related charges, net [4]	1.8	(3.1)	38.2	0.34	—	—	45.3	0.39
Inventory step-up expense	24.3	—	24.3	0.22	44.1	—	44.1	0.38
Incremental equity conversion costs	—	—	—	—	—	(80.6)	80.6	0.69
Income from discontinued operations	—	—	(154.7)	(1.39)	—	—	(88.1)	(0.75)
Non-restructuring impairment charges	—	—	16.9	0.15	—	—	—	—
Change in contingent consideration fair value	—	(4.4)	4.4	0.04	—	—	—	—
Acquisition related expenses	—	(6.9)	6.9	0.06	—	(53.4)	53.4	0.46
Significant legal and environmental changes	—	(14.5)	14.5	0.13	—	(86.3)	86.3	0.74
Income taxes [1]	—	—	(418.6)	(3.75)	—	—	(294.7)	(2.51)
Dilutive share impact [2]	—	—	—	—	—	—	(6.6)	(0.06)
As adjusted	$ 2,573.9	$ 889.1	$ 875.7	$ 7.85	$ 2,211.0	$ 797.2	$ 795.3	$ 6.79

(1) Includes tax effect of above adjustments as well as the elimination of deferred tax benefits recognized upon pay down of intercompany installment notes created by internal sales of acquired intangible assets.

(2) For the fiscal year ended September 25, 2015, the diluted net income per share on a U.S. GAAP basis was required to be calculated using the two-class method of calculating net income per share. This method required $2.7 million of net income be allocated to participating securities for the fiscal year ended September 25, 2015. This adjustment reflects this allocation and a similar allocation of the above adjustments. Using the two-class method, the weighted-average number of shares were 117.2 million for the fiscal year ended September 25, 2015. Due to the fiscal 2015 vesting of equity awards that qualified as participating securities, the Group is no longer required to use the two-class method, and therefore applied the treasury stock method for the fiscal year ended September 30, 2016.

(3) Selling, general and administrative expenses represents distribution and administrative expenses, as presented in the consolidated profit and loss account, excluding gains from divestiture and licenses of $3.0 million for fiscal year 2015.

(4) Includes pre-tax accelerated depreciation.

Further information regarding non-GAAP financial measures can be found on the Investor Relations page of the Group's website.

Acquisitions

In August 2016, we acquired Stratatech Corporation, through the acquisition of all outstanding common stock for upfront consideration of $76.0 million and contingent milestone payments, which are primarily regulatory and royalty obligations that could result in up to $121.0 million of additional consideration ("the Stratatech Acquisition"). The acquisition was funded with cash on hand. Stratatech is a regenerative medicine company focused on the development of unique, proprietary skin substitute products. Developmental products include StrataGraft® regenerative skin tissue and a technology platform for genetically enhanced skin tissues.

In February 2016, we acquired three commercial stage topical hemostasis drugs from The Medicines Company ("the Hemostasis Acquisition") - RECOTHROM® Thrombin topical (Recombinant) ("Recothrom"), PreveLeakTM Surgical Sealant ("PreveLeak"), and RAPLIXATM (Fibrin Sealant (Human)) ("Raplixa") - for upfront consideration of $173.5 million, inclusive of existing inventory, and contingent sales-based milestone payments that could result in up to $395.0 million of additional consideration. The acquisition was funded with cash on hand.

In September 2015, we acquired Therakos, Inc. ("Therakos"), through acquisition of all outstanding common stock of TGG Medical Solutions, Inc., the parent holding company of Therakos, in a transaction valued at approximately $1.3 billion, net of cash acquired ("the Therakos Acquisition"). Consideration for the transaction consisted of approximately $1.0 billion in cash paid to TGG Medical Solutions, Inc. shareholders and the assumption of approximately $0.3 billion of Therakos third-party debt, which was repaid in conjunction with the Therakos Acquisition. The acquisition and immediate repayment of debt was funded through the issuance of $750.0 million aggregate principal amount of senior unsecured notes, a $500.0 million borrowing under a revolving credit facility and cash on hand. Therakos' primary immunotherapy products relate to the administration of extracorporeal photopheresis-therapies through their UVAR XTS® and CELLEX™ Photopheresis Systems.

In April 2015, we acquired Ikaria, Inc. ("Ikaria") through acquisition of all outstanding common stock of Compound Holdings II, Inc., the parent holding company of Ikaria, in a transaction valued at approximately $2.3 billion, net of cash acquired ("the Ikaria Acquisition"). Consideration for the transaction consisted of approximately $1.2 billion in cash paid to Compound Holdings II, Inc. shareholders and the assumption of approximately $1.1 billion of Ikaria third-party debt, which was repaid in conjunction with the Ikaria Acquisition. The acquisition and immediate repayment of debt was funded through the issuance of $1.4 billion aggregate principal amount of senior unsecured notes, a $240.0 million borrowing under a revolving credit facility, which was subsequently repaid following the transaction, and cash on hand. Ikaria's primary product is INOMAX® (nitric oxide) gas for inhalation ("Inomax"), a vital respiratory treatment option in neonatal critical care.

Consolidated Results of Operations

Profit after taxation of $590.0 million and $313.0 million for fiscal 2016 and 2015, respectively, were credited to capital and reserves. No profits were distributed as dividends and the Company spent $652.9 million and $92.2 million acquiring its own shares during fiscal 2016 and 2015, respectively. The following table presents the consolidated results of operations, inclusive of discontinued operations, with percentage of turnover:

	Fiscal Year			
	2016		2015	
Turnover	$ 3,860.4	100.0%	$ 3,760.7	100.0%
Cost of sales	1,789.3	46.4	1,799.7	47.9
Gross profit	2,071.1	53.6	1,961.0	52.1
Distribution and administrative expenses	1,119.3	29.0	1,195.8	31.8
Research and development costs	269.2	7.0	245.8	6.5
Restructuring charges, net	35.6	0.9	40.7	1.1
Non-restructuring impairment charges	16.9	0.4	—	—
Profit on disposal of operations	(95.3)	(2.5)	—	—
Operating profit	725.4	18.8	478.7	12.7
Interest payable and similar charges	(384.6)	(10.0)	(255.6)	(6.8)
Interest receivable and similar income	1.4	—	1.0	—
Other (loss) income, net	(1.1)	—	7.7	0.2
Profit before taxation	341.1	8.8	231.8	6.2
Taxation credit	(248.9)	(6.4)	(81.2)	(2.2)
Profit after taxation	$ 590.0	15.3	$ 313.0	8.3

Turnover. Our turnover in fiscal 2016 increased $99.7 million, or 2.7%, to $3,860.4 million, compared with $3,760.7 million in fiscal 2015. This increase was primarily driven by the full year inclusion of Inomax and Therakos immunotherapy turnover along with Acthar turnover growth, which drove a $677.8 million increase in Specialty Brands turnover. These increases were partially offset by decreased turnover of $226.4 million in the Specialty Generics segment and a $358.0 million decrease in discontinued operations. Specialty Generics decreased across all product categories due to increased market competition and the U.S. Food and Drug Administration ("FDA") reclassification of Methylphenidate ER products to therapeutically inequivalent status. Turnover from discontinued operations was primarily driven by the $352.8 million decrease following the sale of the CMDS business in November 2015. We expect decreased turnover in fiscal 2017 due to the anticipated sale of the Nuclear Imaging business and continuing market competition in the Specialty Generics Segment.

Turnover generated by our businesses in the U.S. was $3,388.6 million and $3,097.5 million in fiscal 2016 and 2015, respectively. Our non-U.S. businesses generated turnover of $471.8 million and $663.2 million in fiscal 2016 and 2015, respectively. Our businesses outside the U.S. represented approximately 12.2% of our turnover in fiscal 2016 and 17.6% of our turnover in fiscal 2015.

Gross profit. Gross profit for fiscal 2016 increased $110.1 million, or 5.6%, to $2,071.1 million, compared with $1,961.0 million in fiscal 2015. The increase in gross profit primarily resulted from a shift in the mix of net sales toward the higher-margin Specialty Brands segment due to the inclusion of Inomax and Therakos immunotherapy products and the disposal of the CMDS business. These increases were partially offset by a $148.8 million increase in amortization, primarily associated with Inomax and Therakos immunotherapy intangibles, and a $178.4 million decrease in gross profit from the Specialty Generics segment. During fiscal 2016 and 2015, gross profit included $24.3 million and $44.1 million, respectively, of expense associated with fair value adjustments of acquired inventory. Gross profit margin was 53.6% during fiscal 2016, compared with 52.1% during fiscal 2015.

Distribution and administrative ("D&A") expenses. D&A expenses for fiscal 2016 were $1,119.3 million compared with $1,195.8 million for fiscal 2015, a decrease of $76.5 million, or 6.4%. The decrease was primarily attributable to fiscal 2015 charges of $73.0 million of legal settlements (including Questcor Pharmaceuticals, Inc. ("Questcor") and Synacthen related litigation), $80.6 million of share-based compensation associated with Questcor equity awards that were converted into Mallinckrodt awards at the date of the Questcor Acquisition, that subsequently vested in September 2015, $53.4 million of transaction costs, primarily related to the Ikaria Acquisition, and a $13.3 million environmental charge. Fiscal 2016 included $116.5 million of legal reserve charges, including $102.0 million for the settlement with the Federal Trade Commission ("FTC") and a small number of states (collectively, "the States") around Questcor's acquisition of Synacthen. The remaining

change primarily resulted from the addition of $65.8 million of D&A expenses associated with the Ikaria and Therakos acquisitions and higher stock compensation expense; partially offset by a $60.0 million decrease in discontinued operations primarily attributable to the sale of the CMDS business. D&A expenses were 29.0% of our turnover for fiscal 2016 and 31.8% of our turnover for fiscal 2015.

Research and development ("R&D") costs. R&D costs increased $23.4 million, or 9.5%, to $269.2 million in fiscal 2016, compared with $245.8 million in fiscal 2015. Current R&D activities focus on performing clinical studies and publishing clinical and non-clinical experiences and evidence that support health economic and patient outcomes. As a percentage of our turnover, R&D costs were 7.0% and 6.5% in fiscal 2016 and 2015, respectively.

Restructuring and related charges, net. During fiscal 2016, we recorded $40.5 million of restructuring and related charges, net, of which $4.9 million related to accelerated depreciation and was included in cost of sales. The remaining $35.6 million primarily related to employee severance and benefits across the Specialty Brands segment and corporate functions. During fiscal 2015, we recorded restructuring and related charges, net, of $41.0 million, of which $0.3 million related to accelerated depreciation and was included in cost of sales. The remaining $40.7 million primarily related to $9.8 million of accelerated share-based compensation associated with Questcor unvested equity awards that were converted into Mallinckrodt awards at the date of our August 2014 acquisition of Questcor ("the Questcor Acquisition") and employee severance and benefits within the Specialty Brands and Specialty Generics segments.

Non-restructuring impairment charges. Non-restructuring impairment charges were $16.9 million for fiscal 2016. The impairments related to in-process research and development intangible assets associated with the CNS Therapeutics acquisition in fiscal 2013. The impairments resulted from delays in anticipated FDA approval, higher than expected development costs and lower than previously anticipated commercial opportunities.

Profit on disposal of operations. On November 27, 2015, the Company completed the sale of the CMDS business to Guerbet S.A. ("Guerbet") for cash consideration of approximately $270.0 million, subject to net working capital adjustments, which resulted in a profit on disposal of $95.3 million.

Interest payable and similar charges and interest receivable and similar income. During fiscal 2016 and 2015, interest payable and similar charges were $384.6 million and $255.6 million, respectively. The increase in interest payable and similar charges was primarily related to the issuance of approximately $1.4 billion of debt associated with the Ikaria Acquisition, approximately $1.3 billion of debt associated with the Therakos Acquisition and a $37.3 million increase in interest accrued on deferred tax liabilities associated with outstanding installment notes. Interest expense during fiscal 2016 and 2015 included $26.4 million and $23.4 million, respectively, of non-cash interest expense. Interest receivable and similar income was $1.4 million and $1.0 million during fiscal 2016 and 2015, respectively.

Other losses and income, net. During fiscal 2016 we recorded other losses, net of $1.1 million and during fiscal 2015 we recorded other income, net of $7.7 million, which represents miscellaneous items, including gains and losses on intercompany financing foreign currency transactions and related hedging instruments.

Taxation. In fiscal 2016, we recognized a taxation benefit of $248.9 million on a profit on ordinary activities before taxation of $341.1 million. In fiscal 2015, we recognized a taxation benefit of $81.2 million on a loss on ordinary activities before taxation of $231.8 million. Our effective tax rate was negative 73.0% compared with negative 35.0% for fiscal 2016 and 2015, respectively. Our effective tax rate for fiscal 2016 was impacted by receiving a $8.4 million of tax benefit associated with $42.7 million of restructuring costs, $6.2 million of tax benefit associated with $16.9 million of impairments, $19.0 million of tax benefit associated with accrued income tax liabilities and uncertain tax positions, $33.7 million of tax benefit associated with primarily U.K. and U.S. tax credits, $36.6 million of tax benefit related to the settlement with the FTC and the States, and $285.6 million of tax benefit associated with the rate difference between U.K. and non-U.K. jurisdictions. Our effective tax rate for fiscal 2015 was impacted by receiving a $10.4 million tax benefit on $53.4 million of transaction costs, $14.1 million of tax benefit associated with $41.0 million of restructuring costs, $6.8 million of tax benefit associated with accrued income tax liabilities and uncertain tax positions, $8.1 million of tax benefit associated with U.S. credits, and $125.0 million of tax benefit associated with the rate difference between U.K. and non-U.K. jurisdictions.

Principal Risks and Uncertainties

You should carefully consider the risks described below in addition to all other information provided to you in this Directors' Report and accompanying financial statements. Our competitive position, business, financial condition, results of operations and cash flows could be affected by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. The risks and uncertainties described below are those that we currently believe may materially affect our company.

Risks Related to Our Business

We operate in a rapidly changing global environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of these risks and others are discussed elsewhere in this report and accompanying financial statements. These and other risks could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Extensive laws and regulations govern the industry in which we operate and changes to those laws and regulations may materially adversely affect us.

The development, manufacture, marketing, sale, promotion, and distribution of our products are subject to comprehensive government regulations that govern and influence the development, testing, manufacturing, processing, packaging, holding, record keeping, safety, efficacy, approval, advertising, promotion, sale, distribution and import/export of our products. Under these laws and regulations, we are subject to periodic inspection of our facilities, procedures and operations and/or the testing of our products by the FDA, the U.S. Drug Enforcement Administration ("DEA") and similar authorities within and outside the U.S., which conduct periodic inspections to confirm that we are in compliance with all applicable requirements. If we are found to have violated one or more applicable laws or regulations, we could be subject to a variety of fines, penalties, and related administrative sanctions, and our competitive position, business, financial condition, results of operations and cash flows could be materially adversely affected. We are also required to report adverse events associated with our products to the FDA and other regulatory authorities. Unexpected or serious health or safety concerns associated with our products, including H.P. Acthar® Gel ("Acthar"), could result in reduced turnover of the affected products, product liability claims, labeling changes, recalls, market withdrawals or other regulatory actions, including withdrawal of product approvals, any of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

In addition, changes in laws, regulations and regulatory actions could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may be unable to identify, acquire or close acquisition targets successfully.

Part of our business strategy includes evaluating potential business development opportunities to grow the business through merger, acquisition or other business combinations. The process to evaluate potential targets may be complex, time-consuming and expensive. Once a potential target is identified, we may not be able to conclude negotiations of a potential transaction on terms that are satisfactory to us, which could result in a significant diversion of management and other employee time, as well as substantial out-of-pocket costs. In addition, there are a number of risks and uncertainties relating to our ability to close a potential transaction.

Any acquisitions of technologies, products and businesses may be difficult to integrate in the expected time frame and may adversely affect our business, financial condition and the results of operations.

We regularly review potential acquisitions of technologies, products and businesses complementary to our business. Acquisitions typically entail many risks and could result in difficulties in integrating operations, personnel, technologies and products. If we are not able to successfully integrate our acquisitions in the expected time frame, we may not obtain the advantages and synergies that such acquisitions were intended to create, which may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Moreover, the due diligence that we conduct in conjunction with an acquisition may not sufficiently discover risks and contingent liabilities associated with the acquisition target and, consequently, we may consummate an acquisition for which the risks and contingent liabilities are greater than were projected. In addition, in connection with acquisitions, we could experience disruption in our business, technology and information systems, and our customers, licensors, suppliers and employees and may face difficulties in managing the expanded operations of a significantly larger and more complex company. There is also a risk that key employees of companies that we acquire or key employees necessary to successfully commercialize technologies and products that we

acquire may seek employment elsewhere, including with our competitors. Furthermore, there may be overlap between our products or customers and the companies which we acquire that may create conflicts in relationships or other commitments detrimental to the integrated businesses. Additionally, the time between our expenditures to acquire new products, technologies or businesses and the subsequent generation of turnover from those acquired products, technologies or businesses (or the timing of revenue recognition related to licensing agreements and/or strategic collaborations) could cause fluctuations in our financial performance from period to period. Finally, if we are unable to successfully integrate products, technologies, businesses or personnel that we acquire, we could incur significant impairment charges or other adverse financial consequences. Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact our business, financial condition and results of operations.

We have significant levels of goodwill and intangible assets which utilize our future projections of cash flows in impairment testing. Should we experience unfavorable variances from these projections these assets may have an increased risk of future impairment charges.

Our recent acquisitions have significantly increased goodwill and intangible assets, which were $3,705.3 million and $9,182.3 million, respectively, at September 30, 2016. At least annually, we review the carrying value of our goodwill and non-amortizing intangible assets, and for amortizing intangible assets when indicators of impairment are present. Conditions that could indicate impairment and necessitate an evaluation of goodwill and/or intangible assets include, but are not limited to, a significant adverse change in the business climate, legal or regulatory environment, or the deterioration of our market capitalization.

In performing our impairment tests, we utilize our future projections of cash flows. Projections of future cash flows are inherently subjective and reflect assumptions that may or may not ultimately be realized. Significant assumptions utilized in our projections include, but are not limited to, our evaluation of the market opportunity for our products, the current and future competitive landscape and resulting impacts to product pricing, future regulatory actions or the lack thereof, planned strategic initiatives, the ability to achieve cost synergies from acquisitions, the realization of benefits associated with our existing and anticipated patents and regulatory approvals. Given the inherent subjectivity and uncertainty in projections, we could experience significant unfavorable variances in future periods or revise our projections downward. This would result in an increased risk that our goodwill and intangible assets may be impaired. If an impairment were recognized, this could have a material impact to our financial condition and results of operations.

We may be unable to successfully develop or commercialize new products or expand commercial opportunities for existing products or adapt to a changing technology and diagnostic treatment landscape and, as a result, our results of operations may suffer.

Our future results of operations will depend, to a significant extent, upon our ability to successfully develop and commercialize new products or expand commercial opportunities for existing products in a timely manner. There are numerous difficulties in developing and commercializing new products, including:

- developing, testing and manufacturing products in compliance with regulatory and quality standards in a timely manner;
- receiving requisite regulatory approvals for such products in a timely manner, or at all;
- the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients;
- developing and commercializing a new product is time-consuming, costly and subject to numerous factors, including legal actions brought by our competitors, that may delay or prevent the development and commercialization of new products;
- unanticipated costs;
- payment of prescription drug user fees to the FDA to defray the costs of review and approval of marketing applications for branded and generic drugs;
- experiencing delays as a result of limited resources at the FDA or other regulatory authorities;
- changing review and approval policies and standards at the FDA or other regulatory authorities;
- potential delays in the commercialization of generic products by up to 30 months resulting from the listing of patents with the FDA; and

- effective execution of the product launches in a manner that is consistent with anticipated costs.

As a result of these and other difficulties, products currently in development by us may or may not receive timely regulatory approvals, or approvals at all, as to one or more dosage strengths. This risk is heightened with respect to the development of proprietary branded products due to the uncertainties, higher costs and length of time associated with R&D of such products and the inherent unproven market acceptance of such products. Moreover, the FDA regulates the facilities, processes and procedures used to manufacture and market pharmaceutical products in the U.S. Manufacturing facilities must be registered with the FDA and all products made in such facilities must be manufactured in accordance with current good manufacturing practice ("cGMP") regulations enforced by the FDA. Compliance with cGMP regulations requires the dedication of substantial resources and requires significant expenditures. The FDA periodically inspects both our facilities and procedures to ensure compliance. The FDA may cause a suspension or withdrawal of product approvals if regulatory standards are not maintained. In the event an approved manufacturing facility for a particular drug is required by the FDA to curtail or cease operations, or otherwise becomes inoperable, obtaining the required FDA authorization to manufacture at the same or a different manufacturing site could result in production delays, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

With respect to generic products for which we are the first developer to have its application accepted for filing by the FDA, and which filing includes a certification that the applicable patent(s) are invalid, unenforceable and/or not infringed (known as a "Paragraph IV Certification"), our ability to obtain and realize the full benefits of 180-days of market exclusivity is dependent upon a number of factors, including, for example, being the first to file, the status of any litigation that might be brought against us as a result of our filing or our not meeting regulatory, manufacturing or quality requirements or standards. If any of our products are not timely approved, or if we are unable to obtain and realize the full benefits of market exclusivity period for our products, or if our products cannot be successfully manufactured or timely commercialized, our results of operations could be materially adversely affected. In addition, we cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products. Finally, once developed and approved, new products may fail to achieve commercial acceptance due to the price of the product, third-party reimbursement of the product and the effectiveness of sales and marketing efforts to support the product.

We may be unable to protect our intellectual property rights, intellectual property rights may be limited or we may be subject to claims that we infringe on the intellectual property rights of others.

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, most notably in relation to Acthar, Ofirmev, Inomax and Therakos immunotherapy products. 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, our competitiveness could be impaired, which could adversely affect our business, financial condition and results of operations.

The composition patent for Acthar has expired and we have no patent-based market exclusivity with respect to any indication or condition we might target. We rely on trade secrets and proprietary know-how to protect the commercial viability and value of Acthar. We currently obtain such protection, in part, through confidentiality and proprietary information agreements. These agreements may not provide meaningful protection or adequate remedies for proprietary technology in the event of unauthorized use or disclosure of confidential and proprietary information. The parties may not comply with or may breach these agreements. Furthermore, our trade secrets may otherwise become known to, or be independently developed by, competitors.

Certain patents related to the use of therapeutic nitric oxide for treating or preventing bronchoconstriction or reversible pulmonary vasoconstriction expired in 2013. Prior to their expiration, Ikaria, Inc. ("Ikaria") depended, in part, upon these patents to provide it with exclusive marketing rights for its product for some period of time. Ikaria has obtained new patents, which expire at various dates through 2041, on methods of identifying patients at risk of serious adverse events when nitric oxide is administered to patients with particular heart conditions which the FDA has approved for inclusion on the Inomax warning label, on inhaled nitric oxide gas delivery systems as well as methods of using such systems, and on use of nitric oxide gas sensors, such patents that may have the effect of inhibiting development of competitive generic products.

The active ingredient in Ofirmev is acetaminophen. Patent protection is not available for the acetaminophen molecule itself in the territories licensed to us, which include the U.S. and Canada. As a result, competitors who obtain the requisite regulatory approval can offer products with the same active ingredient as Ofirmev so long as the competitors do not infringe any process or formulation patents that Cadence has in-licensed from Bristol-Myers Squibb Company ("BMS") and its licensor, SCR Pharmatop S.A. ("Pharmatop") or any patents that are subsequently obtained. The latest expiring of the in-licensed patents expires in 2021.

Extracorporeal photopheresis ("ECP") is autologous immune cell therapy for skin manifestations of cutaneous T-cell lymphoma ("CTCL"). In the ECP process, blood is drawn from the patient, the leukocytes are separated, and the plasma and red blood cells are immediately returned to the patient. The separated leukocytes are treated with UVADEX followed by UVA radiation in the photopheresis instrument. Patents related to the methoxsalen composition have expired. UVADEX is sold as a sterile solution of 20 mcg/mL in 10 mL amber glass vials and is approved to be used in combination with the Therakos ECP Systems to extracorporeally treat leukocytes. Therakos manufactures two systems, the CELLEX® Photopheresis System ("CELLEX"), which is the only FDA-approved closed ECP system, and the UVAR XTS® Photopheresis System ("UVAR XTS"). In addition, disposable, sterile kits are supplied to be used with each of the systems. The kits are single use and discarded after a treatment. Certain key patents related to the UVAR XTS system, disposable kit and overall photopheresis method expire in 2020. Key patents related to the CELLEX system, disposable kit and overall photopheresis method expire in 2023. We continue to pursue additional patentable enhancements to the Therakos ECP system. Four patent applications were filed in 2016 relating to improvements to the CELLEX system, disposable kit and overall photopheresis method, that, if approved, may offer patent protection through approximately 2036.

Our pending patent applications may not result in the issuance of patents, or the patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors. Existing patents may be found to be invalid or insufficiently broad to preclude our competitors from using methods or making or selling products similar or identical to those covered by our patents and patent applications. Regulatory agencies may refuse to grant us the market exclusivity that we were anticipating, or may unexpectedly grant market exclusivity rights to other parties. In addition, our ability to obtain and enforce intellectual property rights is limited by the unique laws of each country. In some countries it may be particularly difficult to adequately obtain or enforce intellectual property rights, which could make it easier for competitors to capture market share in such countries by utilizing technologies and product features that are similar or identical to those developed or licensed by us. Competitors also may harm our turnover by designing products that mirror the capabilities of our products or technology without infringing our patents. Competitors may diminish the value of our trade secrets by reverse engineering or by independent invention. Additionally, current or former employees may improperly disclose such trade secrets to competitors or other third parties. We may not become aware of any such improper disclosure, and, in the event we do become aware, we may not have an adequate remedy available to us.

We operate in an industry characterized by extensive patent litigation, and we may from time to time be a party to such litigation. Such litigation and related matters are described in Note 21 of the Notes to the Consolidated Financial Statements.

The pursuit of or defense against patent infringement is costly and time-consuming and we may not know the outcomes of such litigation for protracted periods of time. We may be unsuccessful in our efforts to enforce our patent or other intellectual property rights. In addition, patent litigation can result in significant damage awards, including the possibility of treble damages and injunctions. Additionally, we could be forced to stop manufacturing and selling certain products, or we may need to enter into license agreements that require us to make significant royalty or up-front payments in order to continue selling the affected products. Given the nature of our industry, we are likely to face additional claims of patent infringement in the future. A successful claim of patent or other intellectual property infringement against us could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The DEA regulates the availability of controlled substances that are API, drug products under development and marketed drug products. At times, the procurement and manufacturing quotas granted by the DEA may be insufficient to meet our commercial and R&D needs.

The DEA is the U.S. federal agency responsible for domestic enforcement of the U.S. Controlled Substances Act of 1970 ("CSA"). The CSA classifies drugs and other substances based on identified potential for abuse. Schedule I controlled substances, such as heroin and LSD, have a high abuse potential and have no currently accepted medical use; thus, they cannot be lawfully marketed or sold. Schedule II controlled substances include molecules such as oxycodone, oxymorphone, morphine, fentanyl, and hydrocodone. The manufacture, storage, distribution and sale of these controlled substances are permitted, but highly regulated. The DEA regulates the availability of API, products under development and marketed drug products that are Schedule II by setting annual quotas. Every year, we must apply to the DEA for manufacturing quota to manufacture API and procurement quota to manufacture finished dosage products. Given that the DEA has discretion to grant or deny our manufacturing and procurement quota requests, the quota the DEA grants may be insufficient to meet our commercial and R&D needs. To date in calendar 2016, manufacturing and procurement quotas granted by the DEA have been sufficient to meet our turnover and inventory requirements on most products. In October 2016, the DEA reduced the amount of almost every Schedule II opiate and opioid medication that may be manufactured in the U.S. in calendar year 2017 by more than 25 percent. Certain medicines were reduced by more, such as hydrocodone, which will be 66 percent of calendar year 2016 level. Future delay or refusal by the DEA to grant, in whole or in part, our quota requests could delay or result in stopping the manufacture of our marketed drug products, new product launches or the conduct of bioequivalence studies and clinical trials. Such delay or refusal also could require us to allocate marketed drug products among our customers. These factors, along

with any delay or refusal by the DEA to provide customers who purchase API from us with sufficient quota, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our customer concentration may materially adversely affect our financial condition and results of operations.

We sell a significant amount of our products to a limited number of independent wholesale drug distributors, large pharmacy chains and specialty pharmaceutical distributors. In turn, these wholesale drug distributors, large pharmacy chains and specialty pharmaceutical distributors supply products to pharmacies, hospitals, governmental agencies and physicians. Turnover to four of our distributors that supply our products to many end user customers, AmerisourceBergen, Cardinal Health, Inc., CuraScript Inc. and McKesson Corporation, each accounted for 10% or more of our total turnover in at least one of the past three fiscal years. If we were to lose the business of these distributors, if these distributors failed to fulfill their obligations, if these distributors were to experience difficulty in paying us on a timely basis, or if these distributors negotiate lower pricing terms, the occurrence of one or more of these factors could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our product concentration may materially adversely affect our financial condition and results of operations.

We sell a wide variety of products including specialty branded and specialty generic pharmaceuticals, and API. However, our fiscal 2015 and 2014 acquisitions brought a small number of relatively significant products, most notably Acthar and to a lesser extent, Inomax, Ofirmev and Therakos, that represent a significant percentage of our turnover. Our ability to maintain and increase turnover from these products depends on several factors, including:

- our ability to increase market demand for products through our own marketing and support of our sales force;
- our ability to implement and maintain pricing and continue to maintain or increase market volume demand for these products;
- our ability to maintain confidentiality of the proprietary know-how and trade secrets relating to Acthar;
- our ability to maintain and defend the patent protection and regulatory exclusivity of Ofirmev and Inomax;
- our ability to continue to procure raw materials or finished goods, as applicable, for Acthar, Ofirmev, Inomax and Therakos immunotherapy from internal and third-party manufacturers in sufficient quantities and at acceptable quality and pricing levels in order to meet commercial demand;
- our ability to maintain fees and discounts payable to the wholesalers and distributors and group purchasing organizations, at commercially reasonable levels;
- whether the FTC, U.S. Department of Justice ("DOJ") or third parties seek to challenge and are successful in challenging patents or patent-related settlement agreements or our sales and marketing practices;
- warnings or limitations that may be required to be added to FDA-approved labeling;
- the occurrence of adverse side effects related to or emergence of new information related to the therapeutic efficacy of these products, and any resulting product liability claims or product recalls; and
- our ability to achieve hospital formulary acceptance, and maintain reimbursement levels by third-party payers.

Moreover, turnover of Acthar may also be materially impacted by the decrease in the relatively small number of prescriptions written for Acthar as compared to other products in our portfolio, given Acthar’s use in treating rare diseases. Any disruption in our ability to generate turnover from Acthar could have an adverse impact on our business, financial condition, results of operations and cash flows.

Cost-containment efforts of our customers, purchasing groups, third-party payers and governmental organizations could materially adversely affect our turnover and results of operations.

In an effort to reduce cost, many existing and potential customers for our products within the U.S. have become members of Group Purchasing Organizations ("GPOs") and integrated delivery networks ("IDNs"). GPOs and IDNs negotiate pricing arrangements with healthcare product manufacturers and distributors and offer the negotiated prices to affiliated hospitals and other members. GPOs and IDNs typically award contracts on a category-by-category basis through a competitive bidding process. Bids are generally solicited from multiple manufacturers with the intention of driving down pricing. Due to the highly competitive nature of the GPO and IDN contracting processes, there is no assurance that we will be able to obtain or maintain

contracts with major GPOs and IDNs across our product portfolio. Furthermore, the increasing leverage of organized buying groups may reduce market prices for our products, thereby reducing our profitability. While having a contract with a GPO or IDN for a given product can facilitate turnover to members of that GPO or IDN, having a contract is no assurance that sales volume of those products will be maintained. GPOs and IDNs increasingly are awarding contracts to multiple suppliers for the same product category. Even when we are the sole contracted supplier of a GPO or IDN for a certain product, members of the GPO or IDN generally are free to purchase from other suppliers. Furthermore, GPO and IDN contracts typically are terminable without cause upon 60 to 90 days prior notice. Accordingly, our turnover and results of operations may be negatively affected by the loss of a contract with a GPO or IDN. In addition, although we have contracts with many major GPOs and IDNs, the members of such groups may choose to purchase from our competitors, which could result in a decline in our turnover and results of operations. Distributors of our products are also forming strategic alliances and negotiating terms of sale more aggressively in an effort to increase their profitability. An example of such a strategic alliance is the arrangement between McKesson Corporation and Wal-Mart Stores, Inc. that was announced in May 2016 for the sourcing of generic pharmaceuticals. McKesson represents our largest wholesale customer in the Specialty Generics segment. Failure to negotiate distribution arrangements having advantageous pricing and other terms of sale could cause us to lose market share to our competitors or result in lower pricing on volume we retain, both of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Outside the U.S., we have experienced pricing pressure due to the concentration of purchasing power in centralized governmental healthcare authorities and increased efforts by such authorities to lower healthcare costs. We frequently are required to engage in competitive bidding for the sale of our products to governmental purchasing agents. Our failure to maintain volume and pricing with historical or anticipated levels could materially adversely affect our business, financial condition, results of operations and cash flows.

Turnover of our products is affected by the reimbursement practices of governmental health administration authorities, private health coverage insurers and other third-party payers. In addition, reimbursement criteria or policies and the use of tender systems outside the U.S. could reduce prices for our products or reduce our market opportunities.

Turnover of our products, depend, in part, on the extent to which the costs of our products are reimbursed by governmental health administration authorities, private health coverage insurers and other third-party payers. The ability of patients to obtain appropriate reimbursement for products and services from these third-party payers affects the selection of products they purchase and the prices they are willing to pay. In the U.S., there have been, and we expect there will continue to be, a number of state and federal proposals that limit the amount that third-party payers may pay to reimburse the cost of drugs, for example with respect to Acthar. We believe the increasing emphasis on managed care in the U.S. has and will continue to put pressure on the usage and reimbursement of Acthar.

Reimbursement of highly-specialized products, such as Acthar, is typically reviewed and approved or denied on a patient-by-patient, case-by-case basis, after careful review of details regarding a patient's health and treatment history that is provided to the insurance carriers through a prior authorization submission, and appeal submission, if applicable. During this case-by-case review, the reviewer may refer to coverage guidelines issued by that carrier. These coverage guidelines are subject to on-going review by insurance carriers. Because of the large number of carriers, there are a large number of guideline updates issued each year.

In addition, demand for new products may be limited unless we obtain reimbursement approval from governmental and private third-party payers prior to introduction. Reimbursement criteria, which vary by country, are becoming increasingly stringent and require management expertise and significant attention to obtain and maintain qualification for reimbursement.

In addition, a number of markets in which we operate have implemented or may implement tender systems in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for products. The company that wins the tender receives preferential reimbursement for a period of time. Accordingly, the tender system often results in companies underbidding one another by proposing low pricing in order to win the tender. Certain other countries may consider implementation of a tender system. Even if a tender system is ultimately not implemented, the anticipation of such could result in price reductions. Failing to win tenders, or the implementation of similar systems in other markets leading to price declines, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We are unable to predict what additional legislation or regulation or changes in third party coverage and reimbursement policies may be enacted or issued in the future or what effect such legislation, regulation and policy changes would have on our business.

We may experience pricing pressure on certain of our products due to legal changes or changes in insurers' reimbursement practices resulting from recent increased public scrutiny of healthcare and pharmaceutical costs, which could reduce our future revenue and profitability.

Recent public and governmental scrutiny of the cost of healthcare generally and pharmaceuticals in particular, especially in connection with price increases of certain products, could affect our ability to maintain or increase the prices of one or more of our products, which could negatively impact our future revenue and profitability. Certain press reports and other commentary have criticized the substantial increases in the price of Acthar that occurred prior to our acquisition of the product. Acthar represented 34% of our turnover from ordinary activities for fiscal 2016. In addition, U.S. federal prosecutors recently issued subpoenas to another pharmaceutical company seeking information about its drug pricing practices, among other issues, and members of the U.S. Congress have sought information from certain pharmaceutical companies (not including Mallinckrodt) relating to drug price increases. We cannot predict whether any particular legislative or regulatory changes or changes in insurers' reimbursement practices may result from any such public scrutiny, what the nature of any such changes might be or what impact they may have on us. If legislative or regulatory action were taken or insurers changed their reimbursement practices to limit our ability to maintain or increase the prices of our products, our future revenue and profitability could be negatively affected.

Clinical trials demonstrating the efficacy for Acthar are limited. The absence of such clinical trial data could cause physicians not to prescribe Acthar, which could negatively impact our business, financial condition, results of operations and cash flows.

Our turnover of Acthar, which has and is expected to comprise a significant portion of our overall product portfolio, could be negatively impacted by the level of clinical data available on the product. Acthar was originally approved by the FDA in 1952, prior to the enactment of the U.S. 1962 Kefauver Harris Amendment, or the "Drug Efficacy Amendment," to the U.S. Food, Drug, and Cosmetic Act. This Amendment introduced the requirement that drug manufacturers provide proof of the effectiveness (in addition to the previously required proof of safety) of their drugs in order to obtain FDA approval. As such, the FDA's original approval in 1952 was based on safety data as clinical trials evaluating efficacy were not then required. In the 1970s, the FDA reviewed the safety and efficacy of Acthar during its approval of Acthar for the treatment of acute exacerbations in multiple sclerosis and evaluated all other previous indications on the label through the Drug Efficacy Study Implementation ("DESI") process. In this process, the medical and scientific merits of the label and each indication on the label were evaluated based on publications, information from sponsors, and the judgment of the FDA. The label obtained after the DESI review and the addition of the multiple sclerosis indication is the Acthar label that was used until the most recent changes in 2010.

In 2010, in connection with its review of a supplemental New Drug Application ("NDA") for use of Acthar in treatment of infantile spasms, the FDA again reviewed evidence of safety and efficacy of Acthar, and added the IS indication to the label of approved indications while maintaining approval of Acthar for treatment of acute exacerbations in multiple sclerosis and 17 other indications. In conjunction with its decision to retain these 19 indications on a modernized Acthar label, the FDA eliminated approximately 30 other indications from the label. The FDA review included a medical and scientific review of Acthar and each indication and an evaluation of available clinical and non-clinical literature as of the date of the review. The FDA did not require additional clinical trials for Acthar.

Accordingly, evidence of efficacy is based on physician's clinical experience with Acthar and does not include clinical trials except for the multiple sclerosis and infantile spasms indications. Despite recent increases in Acthar prescriptions for several of its on-label indications, this limited clinical data of efficacy could impact future turnover of Acthar. We have initiated Phase 4 clinical trials to supplement the non-clinical evidence supporting the use of Acthar in the treatment of the on-label indications of idiopathic membranous nephropathy and systemic lupus erythematosus. The completion of such ongoing or future clinical trials to provide further evidence on the efficacy of Acthar in the treatment of its approved indications could take several years to complete and will require the expenditure of significant time and financial and management resources. Such clinical trials may not result in data that supports the use of Acthar to treat any of its approved indications. In addition, a clinical trial to evaluate the use of Acthar to treat indications not on the current Acthar label may not provide a basis to pursue adding such indications to the current Acthar label.

Our reporting and payment obligations under the U.S. Medicare and Medicaid rebate programs, and other governmental purchasing and rebate programs, are complex. Any determination of failure to comply with these obligations or those relating to healthcare fraud and abuse laws could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The regulations regarding reporting and payment obligations with respect to Medicare and Medicaid reimbursement programs, and rebates and other governmental programs, are complex. Because our processes for these calculations and the judgments used in making these calculations involve subjective decisions and complex methodologies, these accruals may have a higher inherent risk for material changes in estimates. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material adjustments to amounts previously paid.

Any governmental agencies that have commenced, or may commence, an investigation of Mallinckrodt relating to the sales, marketing, pricing, quality or manufacturing of pharmaceutical products could seek to impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal healthcare programs including Medicare and Medicaid. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments, and even in the absence of any such ambiguity, a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. For example, from time to time, state attorneys general have brought cases against us that allege generally that we and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid, resulting in overpayment by state Medicaid programs for those drugs, and generally seek monetary damages and attorneys' fees. Any such penalties or sanctions that we might become subject to in this or other actions could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve the anticipated benefits of price increases initiated on our pharmaceutical products, which may adversely affect our business.

From time to time, we may initiate price increases on certain of our pharmaceutical products. There is no guarantee that our customers will be receptive to these price increases and continue to purchase the products at historical quantities. In addition, it is unclear how market participants will react to price increases. For example, following pricing actions in our Specialty Generics segment in fiscal 2015, additional competitors entered the marketplace for several of these products and prices subsequently decreased. If customers do not maintain or increase existing sales volumes or market participants do not take similar actions after price increases are enacted, we may be unable to replace lost turnover with orders from other customers, and it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve some or all of the expected benefits of our restructuring activities and our restructuring activities may adversely affect our business.

From time to time, we initiate restructuring activities as we continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies that will reduce costs. We may not be able to obtain the cost savings and benefits that were initially anticipated when we initiated such restructuring activities. Additionally, as a result of our restructuring activities we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganizations and restructurings can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of our restructuring activities, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The manufacture of our products is highly exacting and complex, and our business could suffer if we, or our suppliers, encounter manufacturing or supply problems.

The manufacture of our products is highly exacting and complex, due in part to strict regulatory and manufacturing requirements. Problems may arise during manufacturing for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, defective raw materials and environmental factors. If a batch of finished product fails to meet quality standards during a production run, then that entire batch of product may have to be discarded. These problems could lead to backorders, increased costs (including contractual damages for failure to meet supply requirements), lost revenue, damage to customer relationships, time and expense spent investigating, correcting and preventing the root causes and, depending on the root causes, similar losses with respect to other products. If manufacturing problems are not discovered

before the product is released to the market, we also could incur product recall and product liability costs. If we incur a product recall or product liability costs involving one of our products, such product could receive reduced market acceptance and thus reduced product demand and could harm our reputation and our ability to market our products in the future. Significant manufacturing problems could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We face significant competition and may not be able to compete effectively.

The industries in which we operate are highly competitive. Competition takes many forms, such as price reductions on products that are comparable to our own, development, acquisition or in-licensing of new products that may be more cost-effective than or have performance superior to our products, and the introduction of generic versions when our proprietary products lose their patent protection or market exclusivity. This competition may limit the effectiveness of any price increases we initiate. Following any price increase by us, competitors may elect to maintain a lower price point that may result in a decline in our sales volume. We are currently experiencing and expect continued increased competition in our Specialty Generics segment, which we expect to decrease turnover in this segment compared with fiscal 2016 results. Our failure to compete effectively could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may incur product liability losses and other litigation liability.

We are or may be involved in various legal proceedings and certain government inquiries and investigations, including with respect to, but not limited to, patent infringement, product liability, personal injury, antitrust matters, securities class action lawsuits, breach of contract, Medicare and Medicaid reimbursement claims, promotional practices and compliance with laws relating to the manufacture and sale of controlled substances, such as those relating to the operation of a suspicious order monitoring program. Such proceedings, inquiries and investigations may involve claims for, or the possibility of, fines and penalties involving substantial amounts of money or other relief, including but not limited to civil or criminal fines and penalties, changes in business practices and exclusion from participation in various government healthcare-related programs. If any of these legal proceedings, inquiries or investigations were to result in an adverse outcome, the impact could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

With respect to product liability and clinical trial risks, in the ordinary course of business we are subject to liability claims and lawsuits, including potential class actions, alleging that our marketed products or products in development have caused, or could cause, serious adverse events or other injury. Any such claim brought against us, with or without merit, could be costly to defend and could result in an increase in our insurance premiums. We retain liability for $10.0 million per claim of the first $25.0 million of a loss in our primary liability policies and purchase an additional $150.0 million using a combination of umbrella/excess liability policies. We believe this coverage level is adequate to address our current risk exposure. However, some claims brought against us might not be covered by our insurance policies. Moreover, where the claim is covered by our insurance, if our insurance coverage is inadequate, we would have to pay the amount of any settlement or judgment that is in excess of our policy limits. We may not be able to obtain insurance on terms acceptable to us or at all since insurance varies in cost and can be difficult to obtain. Our failure to maintain adequate insurance coverage or successfully defend against product liability claims could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We are involved in an ongoing government investigation by the United States Department of Justice involving Questcor's promotional practices and related matters, the results of which may have a material adverse effect on our turnover, financial condition, results of operations and cash flows.

In September 2012, Questcor received a subpoena from the United States Attorney's Office ("USAO") for the Eastern District of Pennsylvania, requesting documents pertaining to an investigation of its promotional practices. Additionally, the USAO for the Southern District of New York and the SEC are also participating in the investigation to review Questcor's promotional practices and related matters. We are cooperating with the USAO and the SEC with regard to this investigation.

If some of Questcor's existing business practices are found to be unlawful, we will have to change those practices, which could have a material adverse effect on our business, financial condition and results of operations. If, as a result of this investigation, we are found to have violated one or more applicable laws, we could be subject to a variety of fines, penalties, and related administrative sanctions, and our business, financial condition and results of operations could be materially adversely affected.

Our operations expose us to the risk of material health, safety and environmental liabilities, litigation and violations.

We are subject to numerous U.S. federal, state, and local and non-U.S. environmental protection and health and safety laws and regulations governing, among other things:

- the generation, storage, use and transportation of hazardous materials;
- emissions or discharges of substances into the environment;
- investigation and remediation of hazardous substances or materials at various sites;
- chemical constituents in products and end-of-life disposal, mandatory recycling and take-back programs; and
- the health and safety of our employees.

We may not have been, or we may not at all times be, in full compliance with environmental and health and safety laws and regulations. In the event a regulatory authority concludes that we are not in full compliance with these laws, we could be fined, criminally charged or otherwise sanctioned. Environmental laws are becoming more stringent, including outside the U.S., resulting in increased costs and compliance burdens.

Certain environmental laws assess liability on current or previous owners of real property and current or previous owners or operators of facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remediation costs under certain federal and state laws is retroactive, strict (i.e., can be imposed regardless of fault) and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from the U.S. Environmental Protection Agency ("EPA") and similar state environmental agencies that conditions at a number of sites where the disposal of hazardous substances requires investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims arising from such sites.

In the ordinary course of our business planning process, we take into account our known environmental matters as we plan for our future capital requirements and operating expenditures. The ultimate cost of site cleanup and timing of future cash outflows 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.

We concluded that, as of September 30, 2016, it was probable that we would incur remediation costs in the range of $38.7 million to $121.3 million. We also concluded that, as of September 30, 2016, the best estimate within this range was $75.9 million. For further information on our environmental obligations, refer to Note 21 of the Notes to Consolidated Financial Statements. Based upon information known to date, we believe our current capital and operating plans are adequate to address costs associated with the investigation, cleanup and potential remedial action for our known environmental matters.

While we have planned for future capital and operating expenditures to comply with environmental laws, our costs of complying with current or future environmental protection and health and safety laws and regulations, or our liabilities arising from past or future releases of, or exposures to, hazardous substances may exceed our estimates or could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

If we are unable to retain our key personnel, we may be unable to maintain or expand our business.

Because of the specialized scientific nature of our business, our ability to develop products and to compete with our current and future competitors will remain highly dependent, in large part, upon our ability to attract and retain qualified scientific, technical, regulatory and commercial personnel. The loss of key scientific, technical, regulatory and commercial personnel, or the failure to recruit additional key scientific, technical, regulatory and commercial personnel, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. There is intense competition for qualified personnel in the areas of our activities, and we may not be able to continue to attract and retain the qualified personnel necessary for the development of our business.

Our global operations expose us to risks and challenges associated with conducting business internationally.

We operate globally with offices or activities in Europe, Africa, Asia, South America, Australia and North America. We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act of 1977 and local laws which also prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, there is a risk that some provisions may be violated, for example inadvertently or through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements or otherwise. Violations of these laws and regulations could result in fines or criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our results of operations.

In addition to the foregoing, engaging in international business inherently involves a number of other difficulties and risks, including:

- potentially longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain non-U.S. legal systems;
- political and economic instability;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and trade barriers;
- failure to successfully implement our new non-U.S. operating structure, and difficulties and costs of staffing and managing non-U.S. operations;
- exposure to global economic conditions; and
- exposure to potentially unfavorable movements in foreign currency exchange rates associated with international turnover and operating expense and intercompany debt financings.

These or other factors or any combination of them may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Inomax and ECP are each marketed by us in the U.S. for only one indication. We will not be permitted to market these products in the U.S. for any other indication unless we receive FDA approval for any such indication. If we do not receive approval to market these products for additional uses, our ability to grow revenues may be materially adversely affected.

Inomax is approved for sale in the U.S. only for the treatment of hypoxic respiratory failure ("HRF") associated with pulmonary hypertension in term and near-term infants, and ECP is approved for sale in the U.S. only for the palliative treatment of the skin manifestations of CTCL in persons who have not been responsive to other forms of treatment. In order to market these products in the U.S. for any other indications, we will need to conduct appropriate clinical trials, obtain positive results from those trials, and obtain regulatory approval for such proposed indications. Obtaining regulatory approval is uncertain, time consuming and expensive. Even well-conducted studies of effective drugs will sometimes appear to be negative in either safety or efficacy results. The regulatory review and approval process to obtain marketing approval for a new indication can take many years, often requires multiple clinical trials and requires the expenditure of substantial resources. This process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved. The FDA and other regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that any data submitted is insufficient for approval and require additional studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a new indication for a product candidate. If we do not receive approval to market these products in the U.S. for additional indications, we will not be permitted to market them for any other indication and our ability to grow revenues may be materially adversely affected.

A significant portion of our revenues from Inomax and ECP is derived from unapproved uses. We have no control over physicians' use of these products for unapproved uses, we are not permitted to promote or market these products for unapproved uses and we cannot assure you that physicians will continue to prescribe these products for unapproved uses at the same rate, or at all.

The FDA and other foreign regulatory authorities approve drugs and medical devices for the treatment of specific indications, and products may only be promoted or marketed for the indications for which they have been approved. However, the FDA does not attempt to regulate physicians' use of approved products, and physicians are free to prescribe most approved products for purposes outside the indication for which they have been approved. This practice is sometimes referred to as "off-label" use. While physicians are free to prescribe approved products for unapproved uses, it is unlawful for drug and device manufacturers to market or promote a product for an unapproved use. The laws and regulations relating to the promotion of products for unapproved uses are complex and subject to substantial interpretation by the FDA and other government agencies. Promotion of a product for unapproved use is prohibited; however, certain activities that we and others in the pharmaceutical industry engage in are permitted by the FDA.

Over the past several years, a significant number of pharmaceutical and biotechnology companies have been the target of inquiries and investigations by various federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales practices, including the Department of Justice and various U.S. Attorneys' Offices, the Office of Inspector General of the U.S. Department of Health and Human Services, the FDA, the U.S. Federal Trade Commission and various U.S. state Attorneys General offices. These investigations have alleged violations of various U.S. federal and state laws and regulations, including claims asserting antitrust violations, violations of the Food, Drug and Cosmetic Act, the False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, and other alleged violations in connection with the promotion of products for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. Many of these investigations originate as "qui tam" actions under the False Claims Act. Under the False Claims Act, any individual can bring a claim on behalf of the government alleging that a person or entity has presented a false claim, or caused a false claim to be submitted, to the government for payment. The person bringing a "qui tam" suit is entitled to a share of any recovery or settlement. Qui tam suits, also commonly referred to as "whistleblower suits," are often brought by current or former employees. In a qui tam suit, the government must decide whether to intervene and prosecute the case. If the government declines to intervene and prosecute the case, the individual may pursue the case alone.

If the FDA or any other governmental agency initiates an enforcement action against us or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses in connection with past or future activities, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions could have an adverse effect on our revenue, business, financial prospects and reputation.

Our business depends on the continued effectiveness and availability of our information technology infrastructure, and failures of this infrastructure could harm our operations.

To remain competitive in our industry, we must employ information technologies to support manufacturing processes, quality processes, distribution, R&D and regulatory applications that capture, manage and analyze, in compliance with applicable regulatory requirements, the large streams of data generated in our clinical trials. We rely extensively on technology to allow concurrent work sharing around the world. As with all information technology, our systems are vulnerable to potential damage or interruptions from fires, blackouts, telecommunications failures and other unexpected events, as well as physical and electronic break-ins, sabotage, piracy or intentional acts of vandalism. Given the extensive reliance of our business on technology, any substantial disruption or resulting loss of data that is not avoided or corrected by our backup measures could harm our business, operations and financial condition. In addition, any unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, and damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business.

We are increasingly dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity and data leakage risks.

Significant disruptions to our information technology systems or breaches of information security could adversely affect our business. We are increasingly dependent on sophisticated information technology systems and infrastructure to operate our business. In the ordinary course of business, we collect, store and transmit large amounts of confidential information, and it is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also

have outsourced significant elements of our operations to third parties, some of which are outside the U.S., including significant elements of our information technology infrastructure, and as a result we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of our third party vendors with whom we contract, make such systems potentially vulnerable to service interruptions. The size and complexity of our and our vendors' systems and the large amounts of confidential information that is present on them also makes them potentially vulnerable to security breaches from inadvertent or intentional actions by our employees, partners or vendors, or from attacks by malicious third parties. We and our vendors could be susceptible to third party attacks on our information security systems, which attacks are of ever increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups, “hackers” and others. Maintaining the secrecy of this confidential, proprietary, and/or trade secret information is important to our competitive business position. However, such information can be difficult to protect. While we have taken steps to protect such information and invested heavily in information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches in our systems or the unauthorized or inadvertent wrongful use or disclosure of confidential information that could adversely affect our business operations or result in the loss, dissemination, or misuse of critical or sensitive information. A breach of our security measures or the accidental loss, inadvertent disclosure, unapproved dissemination, misappropriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, fraud, trickery or other forms of deception, or for any other cause, could enable others to produce competing products, use our proprietary technology or information, and/or adversely affect our business position. Further, any such interruption, security breach, loss or disclosure of confidential information, could result in financial, legal, business, and reputational harm to us and could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or share price.

Potential indemnification liabilities to Covidien pursuant to the separation and distribution agreement could materially adversely affect us.

The separation and distribution agreement that we entered into with Covidien in connection with the legal separation of the Group from Covidien on June 28, 2013 ("the Separation") provided for, among other things, the principal corporate transactions required to effect the Separation, certain conditions to the distribution and provisions governing the relationship between us and Covidien following the Separation. The separation and distribution agreement was filed with the SEC as Exhibit 2.1 to the Group's Current Report on Form 8-K on July 1, 2013. Among other things, the separation and distribution agreement provides for indemnification obligations principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities. If we are required to indemnify Covidien under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities. These potential indemnification obligations could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

We have substantial indebtedness, which could adversely affect our ability to fulfill our financial obligations and have a negative impact on our financing options and liquidity position. As of September 30, 2016, we had $6,135.6 million of total debt.

Our degree of debt leverage could have significant consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- 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, acquisitions and other general corporate purposes;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- imposing restrictive covenants on our operations;

- 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 in the industry in which we compete; and
- increasing our costs of borrowing.

In addition, the documents that govern the terms of our indebtedness contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of repayment of our debt.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt 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.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, 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. 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. The agreements governing our indebtedness restrict (a) our ability to dispose of assets and use the proceeds from any such dispositions 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 then due.

Our inability to generate sufficient cash flows to satisfy our debt 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, we will be in default and, as a result, lenders under any of our indebtedness could declare essentially all outstanding principal and interest to be due and payable, the lenders under our existing credit facilities could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

Despite current and anticipated indebtedness levels, we may still be able to incur substantially 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 indebtedness 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.

The terms of the agreements that govern our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies.

The agreements that govern the terms of our indebtedness 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 debt;
- 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 leaseback transactions; and
- consolidate or merge with or into, or sell all or substantially all of our assets to, another person or entity.

In addition, the restrictive covenants in the credit agreement governing our senior secured credit facilities require us to comply with a financial maintenance covenant in certain circumstances. Our ability to satisfy this financial maintenance covenant can be affected by events beyond our control and we cannot assure you that we will be able to comply.

A breach of the covenants under the agreements that govern the terms of any of our indebtedness could result in an event of default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement that governs our senior secured credit facilities would permit the lenders under such facilities to terminate all commitments to extend further credit thereunder. Furthermore, if we are unable to repay the amounts due and payable under our senior secured credit facilities, those lenders will be able to proceed against the collateral granted to them to secure that indebtedness. If our debtholders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, 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; or
- unable to compete effectively, execute our growth strategy or take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

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

Certain of our indebtedness, including borrowings under our senior secured credit facilities and our receivables securitization, are 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 income would decrease, even though the amount borrowed under the facilities remained the same. As of September 30, 2016, we had $1,953.5 million outstanding variable-rate debt on our senior secured term loans and $235.0 million outstanding variable-rate debt on our receivables securitization. As of September 30, 2016, we had no outstanding borrowings on our revolving credit facility, but we would be subject to variable interest rate risk if we were to borrow in the future. An unfavorable movement in interest rates, primarily LIBOR, could result in higher interest expense and cash payments for the Group. Although we may enter into interest rate swaps, involving the exchange of floating for fixed-rate interest payments, to reduce interest rate volatility, we cannot provide assurance that we will enter into such arrangements or that they will successfully mitigate such interest rate volatility.

Our current 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 our current debt levels 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.

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, and may be dilutive to existing shareholders.

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. Depending on market conditions, 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.

A lowering or withdrawal of the ratings assigned to our debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating from Standard & Poor's Corporation ("S&P") and Moody's Investor Services, Inc. ("Moody's"). Any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Risks Related to Tax Matters

Our status as a foreign corporation for U.S. federal tax purposes could be affected by a change in law.

We believe that, under current law, we are treated as a foreign corporation for U.S. federal tax purposes. In April 2016, the U.S. Department of the Treasury issued Temporary Regulations promulgated under Internal Revenue Code Section 7874 to reduce the tax benefits of, or preclude entirely, certain inversion transactions. We do not believe these Temporary Regulations will have a material impact to our status as a foreign corporation for U.S. federal tax purposes. However, other changes in tax law, such as additional changes to the inversion rules in Section 7874 or the U.S. Treasury Regulations promulgated thereunder or other IRS guidance, could adversely affect our status as a foreign corporation for U.S. federal tax purposes, and any such changes could have prospective or retroactive application to us and our shareholders and affiliates. In addition, recent legislative proposals have aimed to expand the scope of U.S. corporate tax residence, and such legislation, if passed, could have an adverse effect on us. For example, the President, U.S. Department of the Treasury, and Congress have issued recent proposals that would amend the inversion rules. Although the proposals would generally apply to prospective transactions, no assurance can be given that such proposals will not be changed in the legislative process to apply to prior transactions.

Future changes to U.S. and foreign tax laws could adversely affect us.

The European Commission, U.S. Congress and Treasury Department, the Organization for Economic Co-operation and Development, and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations, particularly payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the European Union, U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Recent examples include the Organization for Economic Co-operation and Development’s recommendations on base erosion and profit shifting, the European Commission’s Anti-Tax Avoidance Directive and the Corporate Tax Package released in October 2016 which includes a Common Consolidated Corporate Tax Base and Switzerland’s Corporate Tax Reform III. These initiatives include recommendations and proposals that, if enacted in countries in which we and our affiliates do business, could adversely affect us and our affiliates.

We may not be able to maintain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the United Kingdom and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

The change in our tax residency could have a negative effect on our future profitability and taxes on dividends.

Under current Irish legislation, a company is regarded as resident in Ireland for tax purposes if it is centrally managed and controlled in Ireland, or, in certain circumstances, if it is incorporated in Ireland. Under current U.K. legislation, a company is regarded as resident in the U.K. for tax purposes if it is centrally managed and controlled in the U.K. Where a company is treated as tax resident under the domestic laws of both the U.K. and Ireland then the provisions of article 4(3) of the Double Taxation Convention between Ireland and the U.K. provide that such company shall be treated as resident only in the jurisdiction in which its place of effective management is situated. Since May 2015, we have managed, and we intend to continue to manage, the affairs of Mallinckrodt plc so that it is effectively managed and controlled in the U.K. and therefore be treated as resident only in the U.K. for tax purposes, by operation of the Double Taxation Convention. However, we cannot provide assurance that Mallinckrodt plc will continue to be resident only in the U.K. for tax purposes. It is possible that in the future, whether as a result of a change in law or a change in the practice or conduct of the affairs of any relevant tax authority, Mallinckrodt plc could become, or be regarded as having become resident in a jurisdiction other than the U.K. If Mallinckrodt plc were considered to be a tax resident of Ireland, it could become liable for Irish corporation tax and any dividends paid by it could be subject to Irish dividend withholding tax.

Our installment sale arrangements result in a deferral of tax obligations payable to the IRS, which are subject to variable-rate interest rate risk, which could result in higher cost associated with deferring these tax obligations.

As part of the integration of Questcor, we entered into an internal installment sale transaction related to certain Acthar intangible assets during the fiscal year ended September 25, 2015. During the fiscal year ended September 30, 2016, we entered into similar transactions with certain intangible assets acquired in the Ikaria Acquisition and Therakos Acquisition. These installment sale transactions resulted in a taxable gain. In accordance with Internal Revenue Code Section 453A the gain is considered taxable in the period in which installment payments are received. The U.S. Internal Revenue Service ("IRS") charges interest based on the deferred tax liability outstanding as of the end of a company's fiscal year, regardless of amounts outstanding during the fiscal year. The interest payable on the deferred tax liability is subject to fluctuations in interest rates, which may increase in future periods. As of September 30, 2016, we had an aggregate $1,883.7 million of interest bearing U.S. deferred tax liabilities associated with outstanding installment notes.

Risks Related to Our Jurisdiction of Incorporation

Irish law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against Mallinckrodt plc in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against Mallinckrodt plc or its directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against Mallinckrodt plc or those persons based on those laws. We have been advised the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against Mallinckrodt plc will be enforced by the courts of Ireland if the following general requirements are met: (i) U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule) and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (i) if the judgment is not for a definite sum of money; (ii) if the judgment was obtained by fraud; (iii) the enforcement

of the judgment in Ireland would be contrary to natural or constitutional justice; (iv) the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Ireland Superior Courts Rules.

As an Irish company, Mallinckrodt plc is governed by the Irish Companies Act 2014, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of Mallinckrodt plc's securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

Irish law imposes restrictions on certain aspects of capital management.

Irish law allows Mallinckrodt plc's shareholders to pre-authorize shares to be issued by our board of directors without further shareholder approval for up to a maximum of five years. Our current authorization will therefore lapse approximately five years after the date of the Separation, June 28, 2013, unless renewed by shareholders, and we cannot guarantee that such renewal will always be approved. Additionally, subject to specified exceptions, including the opt-out that is included in Mallinckrodt plc's articles of association, Irish law grants statutory pre-emptive rights to existing shareholders to subscribe for new issuances of shares for cash. This opt-out also expires approximately five years after the Separation, unless renewed by further shareholder approval, and we cannot guarantee that such renewal of the opt-out from pre-emptive rights will always be approved. We cannot provide assurance that these Irish legal restrictions will not interfere with our capital management.

Risks Related to the Company's Ordinary Shares

Our share price may fluctuate significantly.

The market price of our ordinary shares may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- perceived impacts to our results from acquisitions of products, license rights or businesses;
- the operating and share price performance of comparable companies;
- actual or anticipated sales of our ordinary shares;
- allegations by third parties (even if unsubstantiated) regarding our products or business practices;
- publicity and media reports regarding actual or potential competitive or other developments in the markets we serve;
- new regulations or legislation in the U.S. relating to the development, sale or pricing of pharmaceuticals or medical devices;
- political pressure to reduce the pricing of pharmaceuticals;
- continued consolidation in pharmacy networks and among insurers that may further increase their competitive market power;
- changes to the regulatory and legal environment in which we operate; and
- U.S. and worldwide economic conditions.

Third parties, some of whom may have taken investment positions that would increase in value if our share price declines (“short sellers”), may make allegations related to our products or business practices. These short sellers make a profit when our shares decline in value, and their actions and public statements, and the resulting publicity, may cause further volatility in our share price. In November 2015, one short seller publicly made assertions regarding Acthar that were not substantiated in any way. In March 2016 the short seller reiterated, again without any substantiation, many of the same assertions. On both occasions, the unsubstantiated assertions attracted media attention and our share price fluctuated. This volatility may cause the value of a shareholder’s investment to decline.

In addition, when the market price of a company's ordinary shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Furthermore, we cannot guarantee that an active trading market for our ordinary shares will continue to exist.

Percentages of ownership in Mallinckrodt may be diluted.

Your percentage ownership in Mallinckrodt may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards granted to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could materially adversely affect the market price of our ordinary shares. For example, we issued approximately 57 million ordinary shares in connection with the completion of our acquisition of Questcor in August 2014. In addition, our articles of association entitle our board of directors, without shareholder approval, to cause us to issue preferred shares with such terms as our board of directors may determine. Preferred shares may be preferred as to dividends, rights on a winding up or voting in such a manner as our board of directors may resolve. The preferred shares may also be redeemable at the option of the holder of the preferred shares or at the option of us, and may be convertible into or exchangeable for shares of any other class or classes of our shares, depending on the terms of such preferred shares. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our ordinary shares. For example, we could grant the holders of preferred shares the right to elect some number of our board of directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of our ordinary shares.

Certain provisions in our articles of association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares.

Our articles of association contain provisions that could have the effect of deterring coercive takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, among others:

- provisions of our articles of association which allow our board of directors to adopt a shareholder rights plan (commonly known as a "poison pill") upon such terms and conditions as the board of directors deems expedient and in the best interests of our company;
- a provision of our articles of association which generally prohibits us from engaging in a business combination with an interested shareholder for a period of three years following the date the person became an interested shareholder, subject to certain exceptions;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our board of directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and
- the ability of our board of directors to fill vacancies on our board of directors in certain circumstances.

We believe these provisions will provide some protection to our shareholders from coercive or otherwise unfair takeover tactics. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if a takeover offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our company and its shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We are also subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our ordinary shares in certain circumstances. Also, Irish companies, including us, may only alter their memorandum of association and articles of association with the approval of the holders of at least 75% of the company's shares present and voting in person or by proxy at a general meeting of the company.

The agreements that we entered into with Covidien in connection with the Separation generally required Covidien's consent to any assignment by us of our rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that shareholders may consider favorable.

Financial Risk Management

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 30, 2016, we had $1,953.5 million outstanding variable-rate debt on our senior secured term loans and $235.0 million outstanding variable-rate debt on our receivables securitization. As of September 30, 2016, we had no outstanding borrowings on our revolving credit facility, but we would be subject to variable interest rate risk if we were to borrow in the future. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, annual interest expense would increase by approximately $21.9 million.

The remaining outstanding debt as of September 30, 2016 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 turnover 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.

Research and Development

We devote significant resources to the research and development of products and proprietary drug delivery technologies. We incurred R&D expenses of $269.2 million and $245.8 million in fiscal 2016 and 2015, respectively. We expect to continue to invest in R&D activities, both for existing products and the development of new portfolio assets. We intend to focus our R&D investments in the specialty pharmaceuticals areas, specifically investments to support our Specialty Brands segment, where we believe there is the greatest opportunity for growth and profitability. Our Specialty Brands segment includes medicines for pain management, acute and critical care, and autoimmune and rare diseases. Our primary focus for the latter includes the therapeutic areas of neurology, rheumatology, nephrology, ophthalmology and pulmonology.

Specialty Brands. We devote significant R&D resources for our branded products. Our R&D investments center on building a diverse, durable portfolio of innovative therapies that provide value to patients, physicians and payers. We are leveraging both organic development and acquiring late-stage development assets through the execution of our “acquire to invest” strategy to facilitate organic growth. Under this strategy, we look to acquire durable, but currently under-resourced assets for which we believe we can accelerate growth and expand reach to patients with substantial unmet medical needs.

Data generation is an important strategic driver for key products in order to extend evidence in approved uses, label enhancements and new indications. Our strategy is realized through investments in both clinical and health economic activities. We are committed to supporting research that helps advance the understanding and treatment of a variety of different disease states that will further the understanding and development of our currently marketed products, including Acthar, Ofirmev®, Inomax, and Therakos immunotherapy.

Our "acquire to invest" strategy also includes the acquisition of early and late stage development products to meet the needs of underserved patient populations. Under our strategy we continue the development process and perform clinical trials to support FDA approval of new products. The most significant development products in our pipeline include Terlipressin, StrataGraft and Synacthen Depot® in the U.S. Terlipressin is being investigated for the treatment of Hepatorenal Syndrome ("HRS") type1, an acute, rare and life-threatening condition requiring hospitalization, with no currently approved therapy in the U.S. In July 2016, the Company enrolled the first patient in the company's Phase 3 clinical study to evaluate the efficacy and safety of terlipressin (for injection) in subjects with HRS type 1. StrataGraft is an investigational product in Phase 3 development for treatment of severe, deep partial thickness burns and Phase 2 development for treatment of severe, full thickness burns. In 2012, the FDA granted StrataGraft orphan product status, and the product is being developed as a biologic to be filed under a biologic license application that would confer regulatory protection until 2032. Synacthen Depot is a depot

formulation of Synacthen (tetracosactide), a synthetic 24 amino acid melanocortin receptor agonist. In August 2016, we announced that the FDA has granted the company's request for a fast track designation for its Investigational New Drug ("IND") application for Synacthen Depot in the treatment of Duchenne muscular dystrophy ("DMD"). The FDA's fast track designation is a process designed to facilitate the development, and expedite the review of drugs to treat serious conditions and fill an unmet medical need. The purpose is to get potentially important new drugs to the patient earlier.

Specialty Generics. Specialty Generics development is focused on hard-to-manufacture pharmaceuticals with difficult-to-replicate pharmacokinetic profiles. Our Specialty Generics pipeline portfolio consists of several products in various stages of development. We currently do most of our development work at our Specialty Generics technical development center in Webster Groves, Missouri.

Acquisition of Own Shares

On November 19, 2015, the Company's board of directors authorized a $500.0 million share repurchase program (the "November 2015 Program"). The November 2015 Program commenced after the $300.0 million share repurchase program authorized by the board of directors on January 23, 2015 (the "January 2015 Program") was completed in the first fiscal quarter of 2016. On March 16, 2016, the board of directors authorized an additional $350.0 million share repurchase program (the "March 2016 Program") which will commence upon the completion of the November 2015 Program. These programs have no time limit or expiration date, and the Company currently expects to fully utilize each program. Repurchases under each program are effected by redemption.

During fiscal 2016, the Company acquired 9,739,383 shares at an average market price of $67.04, which were accounted for as treasury shares within shareholders' funds. Of the 9,739,383 shares acquired, 3,199,279 shares were acquired under the January 2015 Program at an average price of $70.33 and 6,510,824 shares were acquired under the November 2015 Program at an average price of $65.37. The remaining 29,280 shares at an average market price of $78.55 deemed acquisitions in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

The following table sets out the ordinary shares of the Company, which have a nominal value of $0.20 per share, held by the Company as of September 25, 2015 and September 30, 2016 and reconciles these two amounts by reference to acquisitions, disposals and cancellations of such ordinary shares over the course of the year:

	Number of ordinary shares held	Aggregate consideration paid or received
As of September 25, 2015	1,230,221	$ 109.7
Acquisitions	9,739,383	652.9
As of September 30, 2016	10,969,604	$ 762.6

Further information relating to the acquisition of our shares is set out at Note 17 of the Notes to the Consolidated Financial Statements.

Dividends

We currently do not anticipate paying any cash dividends for the foreseeable future, as we intend to retain earnings to finance R&D, acquisitions, the continued operation and expansion of our business and repurchase of shares. The recommendation, declaration and payment of any dividends in the future by us will be subject to the sole discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by our board of directors. Moreover, if we determine to pay dividends in the future, there can be no assurance that we will continue to pay such dividends. The payment of dividends is also subject to compliance with the Companies Act 2014, including the requirement for Mallinckrodt plc to have sufficient realized profits available for distribution.

Likely Future Developments

Decreased Net Sales in Specialty Generics In December 2012, we received approval from the FDA to manufacture Methylphenidate ER. In November 2014, we were informed by the FDA that it believes that our Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug and the FDA reclassified Methylphenidate ER from freely substitutable at the pharmacy level (class AB) to presumed to be therapeutically inequivalent (class BX). The FDA has indicated that it has not identified any serious safety concerns with the products. We continue to market our Methylphenidate ER products as class BX-rated drugs. The FDA's action to reclassify our Methylphenidate ER products had, and is expected to continue to have a negative impact on net sales and operating income unless the FDA reverses its decision. We are subject to the FDA's Approval Withdrawal Proceedings, which could result in our Methylphenidate ER products losing their FDA approval. The loss of FDA approval could have a material, negative impact to our Specialty Generics segment, which could result in impairment of goodwill and other long-lived assets associated with this segment. Net sales of Methylphenidate ER were $103.5 million, $136.5 million and $209.6 million in fiscal 2016, 2015 and 2014, respectively.

Furthermore, our Specialty Generics segment faces intense competition from other generic drug manufacturers, brand-name pharmaceutical companies marketing authorized generics, existing branded equivalents and manufacturers of therapeutically similar drugs. As a result of consolidation among wholesale distributors and rapid growth of large retail drug store chains, a small number of large wholesale distributors and retail drug store chains control a significant share of the market, and the number of independent drug stores and small drug store chains has decreased. This has resulted in customers gaining more purchasing power. Consequently, there is heightened competition among generic drug producers for the business of this smaller and more selective customer base, which may further impact financial results in the Specialty Generics segment during fiscal 2017.

Therakos Production Issues Our Therakos immunotherapy business has recently experienced temporary, third-party manufacturer production complications with kits supporting its first-generation UVAR XTS® photopheresis system. We are working diligently to mitigate the shortage. While it is possible the situation could continue into the second fiscal quarter of 2017, we believe our efforts will successfully resolve the issue sooner. Overall revenue impact is expected to be between $5.0 to $10.0 million in each of the transition period ending December 30, 2016 and the first fiscal quarter of 2017.

Pension Plan Termination During fiscal 2016 we terminated six of our previously frozen U.S. pension plans. We are evaluating alternatives to settle the outstanding obligations of these pension plans, and expect final settlement to occur during fiscal 2017, subject to customary regulatory approvals. The ultimate settlement obligation will depend upon the nature of participant settlements and the prevailing market conditions. We do not anticipate making material involuntary contributions in fiscal 2017; however, should we settle all outstanding obligations associated with the terminated plans it is expected that contributions will be needed associated with the unfunded portions of these obligations. We expect this final settlement to occur in the first half of calendar 2017.

Divestitures. In August 2016, we announced we had reached a definitive agreement with IBA Molecular to sell the Nuclear Imaging business for approximately $690.0 million. The sale of this business is expected to close in the first half of calendar 2017, and we expect the sale of the business to impact our financial statements in fiscal 2017.

Restructuring Initiatives. We continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies. In July 2013 the Company's Board of Directors approved a restructuring program in the amount of $100.0 million to $125.0 million ("the 2013 Mallinckrodt Program") that was planned to occur over a three-year period from the approval of the program, with a two-year cost recovery period. Through September 30, 2016, we incurred restructuring charges of $125.4 million under the 2013 Mallinckrodt Program, which have and are expected to continue to generate savings, substantially within our SG&A expenses. In addition to the 2013 Mallinckrodt Program, we have taken restructuring actions to generate synergies from our acquisitions.

In July 2016, the Company's Board of Directors approved a $100.0 million to $125.0 million restructuring program ("the 2016 Mallinckrodt Program") designed to further improve its cost structure, as we continue to transform our business. The 2016 Mallinckrodt Program is expected to include actions across both the Specialty Brands and Specialty Generics segments, as well as within corporate functions. There is no specified time period associated with the 2016 Mallinckrodt Program. Through September 30, 2016, we incurred restructuring charges of $8.3 million under the 2016 Mallinckrodt Program, which are expected to generate savings, substantially within our D&A expenses.

Research and Development Investment. We expect to continue to invest in R&D activities, as well as enter into license agreements to supplement our internal R&D initiatives. We intend to focus our R&D investments in the specialty pharmaceutical areas, specifically investments to support our Specialty Brands segment, where we believe there is the greatest opportunity for growth and profitability.

Company Books of Account

The directors are responsible for ensuring that the Company and Group keep adequate accounting records and appropriate accounting systems. The measures taken by the directors to ensure compliance with the Company's and Group's obligation to keep adequate accounting records include the use of appropriate systems and procedures and the employment of competent persons. The directors have appointed a Chief Financial Officer who makes regular reports to the directors and ensures compliance with the requirements of Sections 281 to 285 of the Companies Act 2014. The Company also has a Controller, who works closely with the Chief Financial Officer and who makes regular reports to the Audit Committee. In addition, the head of the Group's internal audit department makes regular reports to the Audit Committee regarding fraud and other financial-related irregularities. The Audit Committee, in turn, briefs the directors on significant financial matters arising from reports of the Chief Financial Officer, the Controller, the head of internal audit and the external auditor**.**

The books and accounting records of Mallinckrodt plc are maintained at 3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG, United Kingdom. In accordance with Section 283(2) of the Companies Act 2014, sufficient books of account are also maintained in the Republic of Ireland to disclose, with reasonable accuracy, the financial position of the company. The books of account are available at College Business & Technology Park, Cruiserath Road, Blanchardstown, Dublin 15, Ireland.

Important Events Since Year End

In December 2016, the Group received a subpoena from the United States Attorney’s Office for the District of Massachusetts for documents related to the Group’s provision of financial and other support to patients, including through charitable foundations, and related matters. We are in the process of responding to the subpoena and we intend to cooperate fully in the investigation.

In January 2017, the FTC, the States and the Group entered into an agreement to resolve the ongoing FTC investigation into Questcor's acquisition of Synacthen for a one-time cash payment of $102.0 million and an agreement to license Synacthen Depot to a third party designated by the FTC for possible development in Infantile Spasms (IS) and Nephrotic Syndrome (NS) in the U.S.

In December 2016, the Group entered into an equity purchase agreement with Mesoblast Limited ("Mesoblast"). In consideration for the purchase of Mesoblast's shares, the Group will receive an exclusive period of up to nine months to conclude commercial and development agreements for Mesoblast's therapy products used to treat chronic low back pain and acute graft versus host disease. In January 2017, $21.5 million of consideration was remitted to Mesoblast in exchange for the equity shares.

Directors

Directors' remuneration is set forth in Note 25 of Notes to Consolidated Financial Statements. No director or company secretary of the Company had an interest in shares required to be disclosed under Section 329 of the Companies Act 2014 either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year. Note that where the aggregate interest in shares of any director or secretary (and his or her spouse (or civil partner) and children) represents less than 1% in nominal value of the Company's ordinary shares, the only interests of that director or secretary that are required to be disclosed constitute a right to subscribe for shares in the Company or that arise as a result of the exercise of such a right. Performance stock units where the director or secretary is an employee of the Company and does not make any payment to the Company in respect of the shares are not considered to be rights to subscribe for the purposes of this disclosure and no disclosure is required where they form part of an aggregate less than 1% holding.

Set forth below are the names of the individuals serving as directors during fiscal 2016.

Name
Melvin D. Booth
Don M. Bailey [(1)]
David R. Carlucci
J. Martin Carroll
Diane H. Gulyas
Nancy S. Lurker [(2)]
JoAnn A. Reed
Angus C. Russell
Virgil D. Thompson
Kneeland C. Youngblood, M.D.
Joseph A. Zaccagnino

(1) Mr. Bailey retired from the Board on March 16, 2016.

(2) Ms. Lurker resigned from the Board on July 21, 2016.

Political Donations

No political contributions that require disclosure under Irish law were made during the year.

Subsidiary Companies and Branches

Information regarding subsidiary undertakings, including information regarding branches, is provided in Note 32 of Notes to Consolidated Financial Statements.

Audit Committee

In accordance with Section 167 of the Companies Act 2014, the Company has established an audit committee for the full financial year.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Directors' Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that they are responsible for securing Mallinckrodt plc's compliance with its "relevant obligations" (as defined in that legislation). The directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. A review of some of those arrangements and structures was conducted in the financial year to which this report relates. The review of the other arrangements and structures was conducted after the end of such financial year. In discharging their responsibilities under section 225, the directors relied on the advice of persons who the directors believe have the requisite knowledge and experience to advise Mallinckrodt plc on compliance with its relevant obligations.

Going Concern

The directors have a reasonable expectation that Mallinckrodt plc and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Directors

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director
19 January 2017	

MALLINCKRODT PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the Irish statutory group consolidated financial statements of Mallinckrodt plc in accordance with U.S. GAAP, in accordance with Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of Part 6 of the Companies Act 2014 or of any regulations made thereunder. The directors have elected to prepare the Mallinckrodt plc parent company financial statements in accordance with Accounting Standards issued by the Financial Reporting Council, and promulgated by the Institute of Chartered Accountants in Ireland for periods beginning before January 1, 2015 ("relevant financial reporting framework, FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and company as at the financial year end date and of the profit or loss of the group for the financial year and otherwise comply with the Companies Act 2014.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the group and company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company; enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014; and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of financial information included on the company's website. Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALLINCKRODT PLC

We have audited the group financial statements of Mallinckrodt plc for the year ended 30 September 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 32 except for the unaudited pro-forma financial information set out in note 5. The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and US Generally Accepted Accounting Principles (US GAAP), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provisions of the Companies Act ("Relevant Financial Reporting Framework").

We have reported separately on the parent company financial statements of Mallinckrodt plc for the year ended 30 September 2016.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion
In our opinion the group financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group as at 30 September 2016 and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the information given in the directors' report is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

/s/Philip Barton
Philip Barton
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin
Date: 19 January 2017

MALLINCKRODT PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
(in millions, except per share data)

	Note	Fiscal Year					
		2016			2015		
		Ordinary Activities	Discontinued Operations	Total	Ordinary Activities	Discontinued Operations	Total
Turnover	23	$ 3,380.8	$ 479.6	$ 3,860.4	$ 2,923.1	$ 837.6	$ 3,760.7
Cost of sales		1,525.8	263.5	1,789.3	1,300.2	499.5	1,799.7
Gross profit		1,855.0	216.1	2,071.1	1,622.9	338.1	1,961.0
Distribution and administrative expenses		1,015.8	103.5	1,119.3	1,032.3	163.5	1,195.8
Research and development costs		262.2	7.0	269.2	203.3	42.5	245.8
Restructuring charges, net	6	33.3	2.3	35.6	45.0	(4.3)	40.7
Non-restructuring impairment charges	12	16.9	—	16.9	—	—	—
Profit on disposal of operations	4	—	(95.3)	(95.3)	—	—	—
Operating profit		526.8	198.6	725.4	342.3	136.4	478.7
Interest payable and similar charges	7	(384.6)	—	(384.6)	(255.6)	—	(255.6)
Interest receivable and similar income		1.3	0.1	1.4	1.0	—	1.0
Other income (loss), net		(0.6)	(0.5)	(1.1)	8.1	(0.4)	7.7
Profit on ordinary activities before taxation		142.9	198.2	341.1	95.8	136.0	231.8
Taxation (credit) charge	8	(292.4)	43.5	(248.9)	(129.1)	47.9	(81.2)
Profit after taxation		$ 435.3	$ 154.7	$ 590.0	$ 224.9	$ 88.1	$ 313.0
Basic earnings per ordinary share:	9	$ 3.94	$ 1.40	$ 5.33	$ 1.93	$ 0.75	$ 2.68
Diluted earnings per ordinary share:	9	$ 3.90	$ 1.39	$ 5.29	$ 1.90	$ 0.75	$ 2.65

MALLINCKRODT PLC
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(in millions)

	Fiscal Year	
	2016	2015
Profit after taxation	$ 590.0	$ 313.0
Other comprehensive (loss) profit, net of taxation		
Currency translation adjustments	(58.6)	(70.8)
Unrecognized gain on derivatives, net of tax charge of $0.2 and $0.2	0.5	0.4
Unrecognized (loss) gain on benefit plans, net of tax (credit) charge of $(15.0) and $(2.1)	(28.4)	5.6
Total other comprehensive loss, net of taxation	(86.5)	(64.8)
Comprehensive profit	$ 503.5	$ 248.2

MALLINCKRODT PLC
CONSOLIDATED BALANCE SHEET
(in millions)

	Note	September 30, 2016	September 25, 2015
Fixed Assets			
Intangible assets	12	$ 12,887.6	$ 13,343.5
Tangible assets	11	1,033.0	1,053.5
Financial assets	27	124.2	172.6
		14,044.8	14,569.6
Current Assets			
Stocks	10	354.6	368.0
Debtors	28	817.8	1,100.6
Cash at bank and in hand		280.5	365.9
		1,452.9	1,834.5
Creditors (amounts falling due within one year)	13	1,034.5	728.4
Net Current Assets		418.4	1,106.1
Total Assets Less Current Liabilities		14,463.2	15,675.7
Creditors (amounts falling due after more than one year)	14	5,922.5	6,627.0
Provisions for Liabilities	29	3,335.4	3,749.2
Net Assets		$ 5,205.3	$ 5,299.5
Capital and Reserves			
Called-up share capital presented as equity	17	$ 23.6	$ 23.5
Share premium account	17	3,996.5	3,982.6
Other reserves	17	1,330.6	1,375.9
Profit and loss account		(145.4)	(82.5)
Shareholders' Funds		$ 5,205.3	$ 5,299.5

Approved by the board of directors on 19 January 2017 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Fiscal Year	
	2016	**2015**
Cash Flows From Ordinary Operating Activities:		
Profit (loss) after taxation	$ 590.0	$ 313.0
Adjustments to reconcile net cash provided by ordinary operating activities:		
Depreciation and amortization	834.5	672.5
Share-based compensation	42.9	117.0
Deferred taxation	(469.7)	(191.4)
Non-cash impairment charges	16.9	—
Stocks provisions	29.2	—
Gain on disposal of discontinued operations	(95.3)	—
Other non-cash items	29.6	(59.6)
Changes in assets and liabilities, net of the effects of acquisitions:		
Trade debtors	31.2	0.7
Stocks	(17.3)	61.3
Trade creditors	(9.7)	20.4
Taxation	93.9	30.2
Other	108.4	(67.7)
Net cash provided by ordinary operating activities	1,184.6	896.4
Cash Flows From Ordinary Investing Activities:		
Capital expenditures	(182.9)	(148.0)
Acquisitions and intangibles, net of cash acquired	(245.4)	(2,154.7)
Proceeds from disposal of discontinued operations	267.0	—
Restricted cash	47.3	3.1
Other	6.0	3.0
Net cash used in ordinary investing activities	(108.0)	(2,296.6)
Cash Flows From Ordinary Financing Activities:		
Issuance of external debt	98.3	3,010.0
Repayment of external debt and capital leases	(568.6)	(1,848.4)
Debt financing costs	(0.1)	(39.9)
Excess tax benefit from share-based compensation	—	34.1
Proceeds from exercise of share options	14.0	34.4
Repurchase of shares	(652.9)	(92.2)
Other	(53.0)	(28.1)
Net cash (used in) provided by ordinary financing activities	(1,162.3)	1,069.9
Effect of currency rate changes on cash at bank and in hand	0.3	(11.6)
Net decrease in cash at bank and in hand	(85.4)	(341.9)
Cash at bank and in hand at beginning of period	365.9	707.8
Cash at bank and in hand at end of period	$ 280.5	$ 365.9
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest, net	$ 332.4	$ 200.5
Cash paid for taxation, net	165.4	123.8

MALLINCKRODT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in millions)

	Called-up Share Capital			Other Reserves			
	Number	Amount	Share Premium Account (Note 17)	Other (Note 17)	Accumulated Other Comprehensive Profit (Note 17)	Profit and Loss Account	Total
Balance at September 26, 2014	116.2	$ 23.2	$ 3,948.4	$ 1,224.0	$ 65.7	$ (303.3)	$ 4,958.0
Profit after taxation	—	—	—	—	—	313.0	313.0
Other comprehensive loss, net of tax	—	—	—	—	(64.8)	—	(64.8)
Share options exercised	1.2	0.2	34.2	—	—	—	34.4
Vesting of restricted shares	1.3	0.3	—	(0.3)	—	—	—
Shares canceled	(1.2)	(0.2)	—	0.2	—	—	—
Excess tax benefit from share-based compensation	—	—	—	34.1	—	—	34.1
Share-based compensation	—	—	—	117.0	—	—	117.0
Repurchase of ordinary shares	—	—	—	—	—	(92.2)	(92.2)
Balance at September 25, 2015	117.5	23.5	3,982.6	1,375.0	0.9	(82.5)	5,299.5
Profit after taxation	—	—	—	—	—	590.0	590.0
Other comprehensive loss, net of tax	—	—	—	—	(86.5)	—	(86.5)
Share options exercised	0.4	0.1	13.9	—	—	—	14.0
Vesting of restricted shares	0.2	—	—	—	—	—	—
Excess tax benefit from share-based compensation	—	—	—	(1.7)	—	—	(1.7)
Share-based compensation	—	—	—	42.9	—	—	42.9
Repurchase of ordinary shares	—	—	—	—	—	(652.9)	(652.9)
Balance at September 30, 2016	118.1	$ 23.6	$ 3,996.5	$ 1,416.2	$ (85.6)	$ (145.4)	$ 5,205.3

1. Background and Basis of Presentation

Background

Mallinckrodt plc and its subsidiaries (collectively, "Mallinckrodt" or "the Group"), is a global business that develops, manufactures, markets and distributes branded and generic specialty pharmaceutical products and therapies. Therapeutic areas of focus include autoimmune and rare disease specialty areas (including neurology, rheumatology, nephrology, opthalmology and pulmonology); immunotherapy and neonatal critical care respiratory therapies; analgesics and hemostasis products and central nervous system drugs.

On August 24, 2016, the Group announced that it had entered into a definitive agreement to sell its Nuclear Imaging business to IBA Molecular ("IBAM"), which is expected to be completed during the first half of calendar 2017. The Nuclear Imaging business was deemed to be held for sale. As a result, the financial results of this business are presented as a discontinued operation.

The Group completed the sale of the contrast media and delivery systems ("CMDS") business on November 27, 2015. The financial results of this business are presented as a discontinued operation.

Prior year amounts have been recast to conform to current presentation.

The two reportable segments are further described below:

- *Specialty Brands* produces and markets branded pharmaceuticals and therapies; and
- *Specialty Generics* produces and markets specialty generic pharmaceuticals and active pharmaceutical ingredients ("API") consisting of biologics, medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients.

In May 2015, the Board of Directors of Mallinckrodt plc approved the migration of the Group’s principal executive offices from Ireland to the United Kingdom. The Group remains incorporated in Ireland and continues to be subject to U.S. Securities and Exchange Commission ("SEC") reporting requirements and the applicable corporate governance rules of the New York Stock Exchange.

Basis of Presentation

The directors have elected to prepare the consolidated financial statements of Mallinckrodt plc in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014. The directors have elected to prepare the Mallinckrodt plc parent company financial statements under Irish GAAP FRS 102 as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of Mallinckrodt plc, which is incorporated and registered in the Republic of Ireland.

These financial statements were prepared in accordance with the Companies Act 2014, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these financial statements include disclosures required by the Companies Act 2014, in addition to those required under U.S. GAAP as well as any other adjustment required by Irish law.

The consolidated financial statements have been prepared in U.S. dollars and in accordance with U.S. GAAP. The preparation of the consolidated financial statements in conformity with U.S. 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 turnover and expenses. Actual results may differ from those estimates. The consolidated financial statements include the accounts of the Mallinckrodt plc, its wholly-owned subsidiaries and entities in which they own or control more than fifty percent of the voting shares, or have the ability to control through similar rights. The results of entities disposed of are included in the consolidated financial statements up to the date of disposal and, where appropriate, these operations have been reflected as discontinued operations. Divestitures of product lines not representing businesses have been reflected in operating profit. All intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management all normal recurring adjustments necessary for a fair presentation have been included in the results reported.

Beginning in the first quarter of fiscal year 2016, we revised the presentation of certain medical affairs costs to better align with industry practice, which were previously included in distribution and administrative ("D&A") expenses and are now included in research and development ("R&D") costs. As a result, $56.4 million of expenses previously included in D&A for the fiscal year ended September 25, 2015 have been classified as R&D costs to conform to this change. No other financial statement line items were impacted by this change in classification.

Under Irish law, the Group can only pay dividends and repurchase shares out of distributable reserves. Net profit has been included in the profit and loss account and is included in distributable reserves.

Preferred Shares

Mallinckrodt plc is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 30, 2016. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Mallinckrodt plc, the holders of any preferred shares then outstanding would, if issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to payment to them of the amount for which the preferred shares were subscribed and any unpaid dividends prior to any payment to the ordinary shareholders.

Fiscal Year

The Group reports its results based on a "52-53 week" year ending on the last Friday of September. Fiscal 2016 consisted of 53 weeks and 2015 consisted of 52 weeks. Unless otherwise indicated, fiscal 2016 and 2015 refer to the Group's fiscal years ended September 30, 2016 and September 25, 2015, respectively.

2. Summary of Significant Accounting Policies

Turnover Recognition

The Group recognizes turnover for product sales when title and risk of loss have transferred from the Group to the buyer, which may be upon shipment, delivery to the customer site, consumption of the product by the customer, or over the period in which the customer has access to the product and any related services, based on contract terms or legal requirements in non-U.S. jurisdictions. The Group sells products through independent channels, including directly to retail pharmacies, end user customers and through distributors who resell the products to retail pharmacies, institutions and end user customers. Certain products are sold and distributed directly to hospitals. Chargebacks and rebates represent credits that are provided to certain distributors and customers for either the difference between the Group's contracted price with a customer and the distributor's invoice price paid to the Group or for contractually agreed volume price discounts. When the Group recognizes turnover, it simultaneously records an adjustment to revenue for estimated chargebacks, rebates, product returns and other sales deductions. These provisions are estimated based upon historical experience, estimated future trends, estimated customer inventory levels, current contracted sales terms with customers, level of utilization of the Group's products and other competitive factors. The Group adjusts these reserves to reflect differences between estimated activity and actual experience. Such adjustments impact the amount of turnover recognized by the Group in the period of adjustment.

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

Shipping and Handling Costs

Shipping costs, which are costs incurred to physically move product from the Group's premises to the customer's premises, are classified as distribution and administrative expenses. Handling costs, which are costs incurred to store, move and prepare product for shipment, are classified as cost of sales. Shipping costs included in D&A expenses were $43.5 million and $49.5 million in fiscal 2016 and 2015, respectively.

Research and Development

Internal R&D costs are expensed as incurred. R&D costs include salary and benefits, allocated overhead and occupancy costs, clinical trial and related clinical manufacturing costs, contract services, medical affairs and other costs.

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

Currency Translation

For the Group's non-U.S. subsidiaries that transact in a functional currency other than U.S. dollars, assets and liabilities are translated into U.S. dollars using fiscal year-end exchange rates. Turnover and expenses are translated at the average exchange rates in effect during the related month. The net effect of these translation adjustments is shown in the consolidated financial statements as a component of accumulated other comprehensive profit. For subsidiaries operating in highly inflationary environments or where the functional currency is different from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date the assets and liabilities were acquired or assumed, while monetary assets and liabilities are translated at fiscal year-end exchange rates. Translation adjustments of these subsidiaries are included in profit after taxation. Gains and losses resulting from foreign currency transactions are included in profit after taxation. During fiscal 2016 and 2015, $5.9 million of foreign currency losses and $13.5 million of foreign currency gains, respectively, were included within profit after taxation. The Group entered into derivative instruments to mitigate the exposure of movements in certain of these foreign currency transactions and recognized losses of $0.7 million and $21.5 million in fiscal 2016 and 2015, respectively.

Cash at Bank and In Hand

The Group 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 to the Group of three months or less, as cash at bank and in hand.

Trade Debtors and Allowance for Doubtful Accounts

Trade debtors are presented net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects an estimate of losses inherent in the Group's portfolio of trade debtors determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. Trade debtors are written off when management determines they are uncollectible. Trade debtors are also presented net of reserves related to chargebacks and non-branded rebates payable to customers for whom we have trade debtors and the right of offset exists.

Stocks

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

Tangible Assets

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

Buildings	10	to	45 years
Leasehold improvements	1	to	20 years
Capitalized software	1	to	10 years
Machinery and equipment	1	to	20 years

The Group capitalizes certain computer software and development costs incurred in connection with developing or obtaining software for internal use.

Upon retirement or other disposal of tangible assets, the cost and related amount of accumulated depreciation are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is included in the account of Profit and Loss.

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

Acquisitions

Amounts paid for acquisitions are allocated to the tangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group then allocates the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including acquired in-process research and development ("IPR&D"). The fair value of identifiable intangible assets is based on detailed valuations. The Group allocates any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

The Group's acquired IPR&D represents the estimated fair value as of the acquisition date of in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval.

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

The fair value attributable to IPR&D projects at the time of acquisition is capitalized as an indefinite-lived intangible asset and tested for impairment until the project is completed or abandoned. Upon completion of the project, the indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life. If the project is abandoned, the indefinite-lived intangible asset is charged to expense.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets and liabilities assumed in a business combination. Irish company law requires indefinite-lived intangible assets and goodwill to be amortized; however, the directors do not believe that this gives a true and fair view because not all goodwill and intangible assets decline in value. In addition, goodwill that does decline in value rarely declines on a straight-line basis, as such straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, to present a true and fair view of the economic reality, under U.S. GAAP, goodwill and certain other intangible assets are considered indefinite-lived and are not amortized. Rather, the Group tests goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise. The impairment test is comprised of a two-step approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Group estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach (a level three measurement technique) based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Group will perform the

second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined, with the Group allocating the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Intangible assets acquired in a business combination are recorded at fair value, while intangible assets acquired in other transactions are recorded at cost. Intangible assets with finite useful lives are subsequently amortized generally using the straight-line method over the following estimated useful lives of the assets, except for customer relationships, which are amortized over the estimated pattern of benefit from these relationships:

Completed technology	5	to	25 years
License agreements	8	to	30 years
Trademarks	13	to	30 years
Customer relationships			12 years

Amortization expense related to completed technology and certain other intangible assets is included in cost of sales, while amortization expense related to intangible assets that contribute to the Group's ability to sell, market and distribute products is included in D&A expenses.

When a triggering event occurs, the Group evaluates potential impairment of finite-lived intangible assets by first comparing undiscounted cash flows associated with the asset, or the asset group they are part of, to its carrying value. If the carrying value is greater than the undiscounted cash flows, the amount of potential impairment is measured by comparing the fair value of the assets, or the asset group they are part of, with their carrying value. The fair value of the intangible asset, or the asset group they are part of, is estimated using an income approach. If the fair value is less than the carrying value of the intangible asset, or the asset group they are part of, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the fair value of the asset. The Group assesses the remaining useful life and the recoverability of finite-lived intangible assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The Group annually tests the indefinite-lived intangible assets for impairment by comparing the fair value of the assets, estimated using an income approach, with their carrying value, and records an impairment when the carrying value exceeds the fair value.

Contingencies

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

Share-Based Compensation

The Group recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, the requisite service period (generally the vesting period). For more information about the Group's share-based awards, refer to Note 18.

Taxation

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

assets will not be realized. Deferred tax liabilities are also recorded for deferred tax obligations related to installment sale arrangements. The deferral of tax payments to the IRS are subject to interest, which is accrued and included within interest expense.

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

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

3. Recently Issued Accounting Standards

The U.S. Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," in May 2014. The issuance of ASU 2014-09 and International Financial Reporting Standards ("IFRS") 15, "Revenue from Contracts with Customers," completes the joint effort by FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and develop a common revenue standard for U.S. GAAP and IFRS. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance is effective for the Group in the first quarter of fiscal year 2018 (following the change in fiscal year). The FASB subsequently issued additional ASUs to clarify the guidance of ASU 2014-09. The ASUs issued include ASU 2016-08, "Revenue from Contracts with Customers;" ASU 2016-10 "Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing;" and ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients." The Group is assessing the transition approach it will utilize and potential impact of adoption.

The FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," in July 2015. The issuance of ASU 2015-11 is part of the FASB's initiative to more closely align the measurement of inventory between U.S. GAAP and IFRS. Under the new guidance, inventory must be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for the Group in the first quarter of fiscal 2017 (following the change in fiscal year). The Group does not anticipate the adoption of this update to have a material impact.

The FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," in September 2015. This update requires an acquirer to recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjusting amounts are determined. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for the Group in the first quarter of fiscal 2017 (following the change in fiscal year). The update is not expected to have a material impact for historical acquisitions.

The FASB issued ASU 2015-17, "Balance Sheet Reclassification of Deferred Taxes," in November 2015. This update requires all deferred tax assets and liabilities, along with any related valuation allowance, to be classified as noncurrent on the consolidated balance sheets. Each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The Group elected to early adopt this guidance as of September 30, 2016 on a prospective basis. As such, the Group reclassified $122.6 million of current deferred income taxes to noncurrent as of September 30, 2016.

The FASB issued ASU 2016-02, "Leases," in February 2016. This update was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). This guidance is effective for the Group in the first quarter of fiscal 2019 (following the change in fiscal year). Upon adoption, the lessee will apply the new standard using a modified

retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Group is assessing the potential impact of this guidance.

The FASB issued ASU 2016-09, "Stock Compensation," in March 2016. This update simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification of certain tax effects within the statement of cash flows. This guidance is effective for the Group in the first quarter of fiscal 2017 (following the change in fiscal year). Upon adoption, the Group will recognize the incremental income tax expense or benefit related to share option exercises and restricted share unit vesting in the statement of income, whereas these tax effects are presently recognized directly in shareholders' equity. In addition, the incremental tax benefit associated with these events will be classified as a cash inflow from operating activity as compared with a financing activity, as required under current guidance.

The FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,” in August 2016 and ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash," in November 2016. These updates provide guidance for nine targeted clarifications with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The guidance is effective for the Group in the first quarter of fiscal 2018 (following the change in fiscal year), with early adoption permitted. The Group is assessing the potential impact of this guidance.

The FASB issued ASU 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory," in October 2016. This update simplifies the practice in how income tax consequences of an intra-entity transfer of an asset other than inventory should be recognized. Upon adoption, the entity must recognize such income tax consequences when the intra-entity transfer occurs rather than waiting until such time as the asset has been sold to an outside party. The guidance is effective for the Group in the first quarter of fiscal 2018 (following the change in fiscal year). The Group is assessing the potential impact of this guidance.

4. Discontinued Operations and Divestitures

Discontinued Operations

Nuclear Imaging: During the fourth quarter of fiscal 2016, the Group announced that it had entered into a definitive agreement to sell its Nuclear Imaging business to IBAM, which is expected to be completed during the first half of calendar 2017. The Nuclear Imaging business was deemed to be held for sale and the financial results of this business are presented as a discontinued operation.

The following table summarizes the financial results of the Nuclear Imaging business for fiscal years 2016 and 2015 as presented in the consolidated statements of income:

	Fiscal Year	
Major line items constituting profit from discontinued operations	**2016**	**2015**
Turnover	$ 418.6	$ 423.8
Cost of sales	216.6	193.1
Distribution and administrative expenses	83.2	89.0
Restructuring charges, net	2.3	(4.6)
Non-restructuring impairment charges	—	—
Other	6.2	38.3
Profit from discontinued operations before taxation	110.3	108.0
Taxation charge	49.0	36.4
Profit from discontinued operations net of taxation	$ 61.3	$ 71.6

The Group reports the U.K. tax jurisdiction as its Domestic jurisdiction and the International jurisdiction represents countries outside the U.K. tax jurisdiction. The fiscal 2016 income tax expense of $49.0 million was impacted by a tax expense of $11.7 million associated with the rate difference between Domestic and International jurisdictions, $14.4 million of tax expense associated with accrued income tax liabilities and uncertain tax positions, and $0.9 million of tax expense associated with permanently nondeductible, nontaxable, and other items. The fiscal 2015 income tax expense of $36.4 million was impacted by $14.3 million of tax expense associated with the rate difference between Domestic and International jurisdictions

and $0.4 million of tax expense associated with permanently nondeductible, nontaxable, and other items. Fiscal 2016 reflects $0.1 million of Domestic current income tax expense, $52.5 million of International current income tax expense, and $3.6 million of International deferred income tax benefit. Fiscal 2015 reflects $0.1 million of Domestic current income tax expense, $27.8 million of International current income tax expense, and $8.6 million of International deferred income tax expense.

The following table summarizes the assets and liabilities of the Nuclear Imaging business that were included in the Group's consolidated balance sheet as of September 30, 2016:

	September 30, 2016
Carrying amounts of major classes of assets:	
Debtors	$ 99.7
Stocks	19.0
Tangible assets	189.0
Financial assets	1.1
Total assets	$ 308.8
Carrying amounts of major classes of liabilities:	
Creditors (amounts falling due within one year)	$ 67.5
Creditors (amounts falling due after one year)	3.7
Provisions for liabilities	49.6
Total liabilities	$ 120.8

The following table summarizes significant cash and non-cash transactions of the Nuclear Imaging business that are included within the consolidated statements of cash flows for the fiscal years ended September 30, 2016 and September 25, 2015:

	Fiscal Year	
	2016	2015
Depreciation	$ 20.9	$ 13.1
Capital expenditures	9.7	7.6

CMDS: On November 27, 2015, the Group completed the sale of the CMDS business to Guerbet S.A. ("Guerbet") for cash consideration of approximately $270.0 million, subject to net working capital adjustments.

Subsequent to the sale of the CMDS business, the Group continues to supply certain products under a supply agreement with Guerbet.

The following table summarizes the financial results of the CMDS discontinued operations for the fiscal years 2016 and 2015 as presented in the consolidated statements of profit and loss:

	Fiscal Year	
Major line items constituting profit (loss) from discontinued operations	**2016**	**2015**
Turnover	$ 61.0	$ 413.8
Cost of sales	46.9	306.4
Distribution and administrative expenses	20.3	97.5
Restructuring charges, net	—	0.3
Non-restructuring impairment charges	—	—
Other	1.2	4.7
Profit (loss) from discontinued operations	(7.4)	4.9
Profit on disposal of discontinued operations	95.3	—
Profit (loss) from discontinued operations before taxation	87.9	4.9
Taxation charge (credit)	(2.5)	10.8
Profit (loss) from discontinued operations net of taxation	$ 90.4	$ (5.9)

The fiscal 2016 income tax benefit of $2.5 million was impacted by a $0.4 million benefit related to adjust the fiscal 2015 accrual for taxes paid in connection with the $95.3 million gain on the disposition and a $2.1 million benefit related to the $7.4 million loss from discontinued operations. The fiscal 2015 income tax expense of $10.8 million was impacted by approximately $10.0 million of tax expense related to taxes paid, or anticipated to be paid, in connection with the disposition. Fiscal 2016 reflects $0.9 million of International current income tax expense, $3.4 million of International deferred income tax benefit, and none being allocable to the Domestic income tax provision. Fiscal 2015 reflects $14.9 million of International current income tax expense, $4.4 million of International deferred income tax benefit, and none being allocable to the Domestic income tax provision. Domestic reflects U.K. in fiscal 2016 and 2015.

The following table summarizes the assets and liabilities of the CMDS business, for which the sale was completed on November 27, 2015, that were included in the Group's consolidated balance sheet as of September 25, 2015:

	September 25, 2015
Carrying amounts of major classes of assets:	
Debtors	$ 121.6
Stocks	86.3
Tangible assets	62.2
Intangible assets	27.7
Financial assets	2.1
Total assets	$ 299.9
Carrying amounts of major classes of liabilities:	
Creditors (amounts falling due within one year)	$ 61.3
Creditors (amounts falling due after one year)	3.5
Provisions for liabilities	8.0
Total liabilities	$ 72.8

The following table summarizes significant cash and non-cash transactions of the CMDS business that are included within the consolidated statements of cash flows for the fiscal years ended September 30, 2016 and September 25, 2015:

	Fiscal Year	
	2016	2015
Depreciation	$ —	$ 15.5
Amortization	—	2.3
Capital expenditures	1.6	9.5

Mallinckrodt Baker: During fiscal 2010, the Specialty Chemicals business (formerly known as Mallinckrodt Baker) was sold because its products and customer bases were not aligned with the Group's long-term strategic objectives. This business met the discontinued operations criteria and, accordingly, was included in discontinued operations for all periods presented. During fiscal 2016 and 2015, the Group recorded a gain, net of tax, of $3.0 million and a loss, net of tax, of $0.1 million, respectively. These losses were primarily related to indemnification obligations to the purchaser, which are discussed in Note 20.

Other: Prior to the legal separation of the Group from Covidien on June 28, 2013 ("the Separation"), the Group provided and accrued for an indemnification, to the purchaser of a certain legal entity, to indemnify it for tax obligations should the tax basis of certain assets not be recognized. The Group believes that, under the terms of the agreement between the parties, this indemnification obligation has expired. As such, the Group eliminated this liability and recorded a $22.5 million benefit, during fiscal 2015, in D&A expenses within the discontinued operations portion of the consolidated profit and loss account.

5. Acquisitions and License Agreements

Business Acquisitions

Stratatech

On August 31, 2016, the Group acquired a developmental program from Stratatech Corporation - StrataGraft®: a regenerative skin tissue and a technology platform for genetically enhanced skin tissues - for upfront consideration of $76.0 million, and contingent milestone payments, which are primarily regulatory, and royalty obligations that could result in up to $121.0 million of additional consideration ("the Stratatech Acquisition"). Stratatech is a regenerative medicine company focused on the development of unique, proprietary skin substitute products. Developmental products include StrataGraft® regenerative skin tissue ("StrataGraft") and a technology platform for genetically enhanced skin tissues. The Stratatech Acquisition was funded through cash on hand.

Hemostasis Products

On February 1, 2016, the Group acquired three commercial stage topical hemostasis drugs from The Medicines Company ("the Hemostasis Acquisition") - RECOTHROM® Thrombin topical (Recombinant) ("Recothrom"), PreveLeak™ Surgical Sealant ("Preveleak"), and RAPLIXA™ (Fibrin Sealant (Human)) ("Raplixa") - for upfront consideration of $173.5 million, inclusive of existing inventory, and contingent sales-based milestone payments that could result in up to $395.0 million of additional consideration. The fair value of the contingent consideration and acquired contingent liabilities associated with the transaction were $52.0 million and $10.6 million, respectively, at February 1, 2016. The Hemostasis Acquisition was funded through cash on hand.

Therakos, Inc.

On September 25, 2015, the Group acquired Therakos, Inc. ("Therakos") through the acquisition of all outstanding common stock of TGG Medical Solutions, Inc., the parent holding company of Therakos, in a transaction valued at approximately $1.3 billion, net of cash acquired ("the Therakos Acquisition"). Consideration for the transaction consisted of approximately $1.0 billion in cash paid to TGG Medical Solutions, Inc. shareholders and the assumption of approximately $0.3 billion of Therakos third-party debt, which was repaid in conjunction with the Therakos Acquisition. The acquisition and repayment of debt was funded through the issuance of $750.0 million aggregate principal amount of senior unsecured notes, a

$500.0 million borrowing under a revolving credit facility and cash on hand. Therakos' primary immunotherapy products relate to the administration of extracorporeal photopheresis therapies through its UVAR XTS® and Cellex™ Photopheresis Systems.

Ikaria, Inc.

On April 16, 2015, the Company acquired Ikaria, Inc. ("Ikaria") through the acquisition of all outstanding common stock of Compound Holdings II, Inc., the parent holding company of Ikaria, in a transaction valued at approximately $2.3 billion, net of cash acquired ("the Ikaria Acquisition"). Consideration for the transaction consisted of approximately $1.2 billion in cash paid to Compound Holdings II, Inc. shareholders and the assumption of approximately $1.1 billion of Ikaria third-party debt, which was repaid in conjunction with the Ikaria Acquisition. The acquisition and repayment of debt was funded through the issuance of $1.4 billion aggregate principal amount of senior unsecured notes, a $240.0 million borrowing under a revolving credit facility, which was repaid subsequent to the transaction, and cash on hand. Ikaria's primary product is INOMAX® (nitric oxide) for inhalation ("Inomax"), a vital respiratory treatment option in neonatal critical care.

Fair Value Allocation

The following amounts represent the preliminary allocation of the fair value of the identifiable assets acquired and liabilities assumed for the above acquisitions:

	Stratatech	Hemostasis	Therakos	Ikaria
Cash	$ 0.2	$ 3.3	$ 41.3	$ 77.3
Stocks	—	94.6	23.5	26.3
Intangible assets	99.8	132.7	1,170.0	1,971.0
Goodwill (non-tax deductible)	57.3	3.3	429.9	795.0
Other assets, current and non-current [(1)]	3.2	7.9	40.2	174.3
Total assets acquired	160.5	241.8	1,704.9	3,043.9
Current liabilities	4.3	3.6	24.7	33.0
Other liabilities (non-current)	—	10.6	0.6	15.8
Deferred taxation liabilities, net (non-current)	24.3	2.1	315.7	620.5
Contingent consideration (non-current)	54.9	52.0	—	—
Total debt	1.0	—	344.8	1,121.0
Total liabilities assumed	84.5	68.3	685.8	1,790.3
Net assets acquired	$ 76.0	$ 173.5	$ 1,019.1	$ 1,253.6

(1) This amount includes $1.3 million, zero, $22.0 million and $73.8 million of accounts receivable for the Stratatech Acquisition, Hemostasis Acquisition, Therakos Acquisition and Ikaria Acquisition, respectively, which is also the gross contractual value.

The following reconciles the total consideration to net assets acquired:

	Stratatech	Hemostasis	Therakos	Ikaria
Total consideration, net of cash	$ 130.7	$ 222.2	$ 977.8	$ 1,176.3
Plus: cash assumed in acquisition	0.2	3.3	41.3	77.3
Total consideration	130.9	225.5	1,019.1	1,253.6
Less: contingent consideration	(54.9)	(52.0)	—	—
Net assets acquired	$ 76.0	$ 173.5	$ 1,019.1	$ 1,253.6

Intangible assets acquired consist of the following:

Stratatech	**Amount**	**Amortization Period**
In-process research and development - StrataGraft	$ 99.8	Non-Amortizable

The IPR&D intangible asset relates to StrataGraft. The fair value of the IPR&D was determined using the income approach, which is a valuation technique that provides an estimate of fair value of the assets based on the market participant expectations of cash flows the asset would generate. The cash flows were discounted at a rate of 16.5%. The IPR&D discount rate for StrataGraft was developed after assigning a probability of success to achieving the projected cash flows based on the current stage of development, inherent uncertainty in the FDA approval process and risks associated with commercialization of a new product. Based on the Company's preliminary estimate, the excess of purchase price over net tangible and intangible assets acquired resulted in goodwill, which represents future product development, the assembled workforce, and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Brands segment.

Hemostasis Products	**Amount**	**Amortization Period**
Raplixa - Completed technology	$ 73.0	15 years
Recothrom - Completed technology	42.7	13 years
PreveLeak - Completed technology	17.0	13 years
	$ 132.7	

The completed technology intangible assets relate to each of the acquired drugs. The fair value of the intangible assets were determined using the income approach. The cash flows were discounted commensurate with the level of risk associated with each asset or its projected cash flows. The completed technology intangible assets utilized a discount rate of 17.0%, 16.0% and 17.0% for Raplixa, Recothrom and PreveLeak, respectively. All assets acquired are included within the Group's Specialty Brands segment.

Therakos	**Amount**	**Amortization Period**
Completed technology	$ 1,170.0	15 years

The completed technology intangible asset relates to extracorporeal photopheresis treatment therapies. The fair value of the intangible asset was determined using the income approach. The completed technology intangible asset utilized a discount rate of 17.0%. The excess of purchase price over net tangible and intangible assets acquired resulted in goodwill, which represents the assembled workforce, future product and device development, anticipated synergies and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Brands segment.

Ikaria	**Amount**	**Amortization Period**
Completed technology	$ 1,820.0	15 years
Trademark	70.0	22 years
In-process research and development - terlipressin	81.0	Non-Amortizable
	$ 1,971.0	

The completed technology and trademark intangible assets relate to Inomax. The fair value of the intangible assets were determined using the income approach. Completed technology, trademark and IPR&D terlipressin intangibles utilized discount rates of 14.5%, 14.5%, and 17.0%, respectively. The IPR&D discount rate for terlipressin was developed after assigning a probability of success to achieving the projected cash flows based on the current stage of development, inherent uncertainty in the FDA approval process and risks associated with commercialization of a new product. The excess of purchase price over net tangible and intangible assets acquired resulted in goodwill, which represents the assembled workforce, future product and device development, anticipated synergies and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Brands segment.

Financial Results - The amount of turnover and earnings included in the Group's results for the periods presented were as follows:

Turnover	**2016**	**2015**
Therakos	$ 207.6	$ —
Ikaria	491.5	191.9
	$ 699.1	$ 191.9
Operating profit		
Therakos	$ 12.5	$ —
Ikaria	201.1	47.1
	$ 213.6	$ 47.1

The amount of amortization on acquired intangible assets included within operating profit (loss) for the periods presented was as follows:

Intangible asset amortization	**2016**	**2015**
Therakos	$ 78.0	$ —
Ikaria	124.5	57.1
	$ 202.5	$ 57.1

During fiscal 2016 and 2015, the Group recognized $24.3 million and $44.1 million, respectively, of expense primarily associated with fair value adjustments of acquired inventory. This expense was included within cost of sales.

Acquisition-Related Costs - Acquisition-related costs incurred in fiscal 2016 and 2015 for each of the acquisitions discussed above were as follows:

	2016	**2015**
Stratatech	$ 3.7	$ —
Hemostasis Products	2.7	—
Therakos	0.3	22.5
Ikaria	0.2	30.9
	$ 6.9	$ 53.4

Unaudited Pro Forma Financial Information - The following unaudited pro forma information presents a summary of the results of operations for the periods indicated as if the fiscal year 2014 acquisitions of Questcor Pharmaceuticals, Inc. ("the Questcor Acquisition") and Cadence Pharmaceuticals, Inc. ("the Cadence Acquisition") had been completed as of September 29, 2012 and the Ikaria Acquisition and Therakos Acquisition as of September 28, 2013. The pro forma financial information is based on the historical financial information for the Group, Therakos and Ikaria, along with certain pro forma adjustments. These pro forma adjustments consist primarily of:

- non-recurring costs related to the step-up in fair value of acquired inventory and transaction costs related to the acquisitions;
- increased amortization expense related to the intangible assets acquired in the acquisitions;
- elimination of direct acquisition transaction costs from the period of acquisition;
- increased interest expense to reflect the fixed rate unsecured notes and revolving credit facility (utilizing the interest rate in effect at the date of the acquisition of 2.58%) entered into in connection with the Therakos Acquisition and the fixed rate unsecured notes entered into in connection with the Ikaria Acquisition (assuming no interest related to the revolving credit facility which was paid down subsequent to the Ikaria Acquisition), including interest and amortization of deferred financing costs and original issue discount; and
- the related income tax effects.

The following unaudited pro forma information has been prepared for comparative purposes only and is not necessarily indicative of the results of operations as they would have been had the acquisition occurred on the assumed date, nor is it necessarily an indication of future operating results. In addition, the unaudited pro forma information does not reflect the cost of any integration activities, benefits from any synergies that may be derived from the acquisition or revenue growth that may be anticipated.

	2016 (unaudited)	2015 (unaudited)
Turnover (from ordinary activities)	$ 3,380.8	$ 3,332.0
Profit (loss) after taxation	445.7	277.2
Basic earnings (loss) per ordinary share	$ 4.03	$ 2.39
Diluted earnings (loss) per ordinary share	4.00	2.37

License Agreements

Ofirmev

As part of the Cadence Acquisition, the Group acquired exclusive development and commercialization rights to Ofirmev in the U.S. and Canada, as well as the rights to the patents and technology, which were originally in-licensed by Cadence from Bristol-Myers Squibb Company ("BMS") in March 2006. BMS sublicensed these rights to Cadence under a license agreement with SCR Pharmatop S.A. ("Pharmatop"), and the Group has the right to grant sublicenses to third parties. Under this license agreement, the Group may be obligated to make future milestone payments of up to $25.0 million upon the achievement of certain levels of turnover, of which $10.0 million was paid during fiscal 2015. In addition, the Group is obligated to pay royalties on turnover of the product. During fiscal 2016 and 2015, the Group paid royalties of $46.3 million and $43.9 million respectively.

6. Restructuring and Related Charges

During fiscal 2013, the Group launched a restructuring program designed to improve its cost structure ("the 2013 Mallinckrodt Program"). The 2013 Mallinckrodt Program includes actions across all segments, as well as within corporate functions. The Group expects to incur charges of $100.0 million to $125.0 million under this program as the specific actions required to execute on these initiatives are identified and approved. As of September 30, 2016, the Group has substantially completed the 2013 Mallinckrodt Program.

In July 2016, the Company's Board of Directors approved a $100.0 million to $125.0 million restructuring program ("the 2016 Mallinckrodt Program") designed to further improve its cost structure, as the Group continues to transform its business. The 2016 Mallinckrodt Program is expected to include actions across the Specialty Brands and Specialty Generics segments, as well as within corporate functions. There is no specified time period associated with the 2016 Mallinckrodt Program.

In addition to the 2016 Mallinckrodt Program and the 2013 Mallinckrodt Program, the Group has taken restructuring actions to generate synergies from its acquisitions.

Net restructuring and related charges by segment are as follows:

	Fiscal Year	
	2016	2015
Specialty Brands	$ 23.3	$ 36.5
Specialty Generics	3.4	4.5
Discontinued Operations (including Nuclear and CMDS)	2.3	(4.3)
Corporate	11.5	4.3
Restructuring and related charges, net	40.5	41.0
Less: accelerated depreciation	(4.9)	(0.3)
Restructuring charges, net	$ 35.6	$ 40.7

Net restructuring and related charges are comprised of the following:

	Fiscal Year	
	2016	2015
2016 Mallinckrodt Program	$ 8.3	$ —
2013 Mallinckrodt Program	28.5	7.7
Acquisition programs	3.7	33.6
Other programs	—	(0.3)
Total programs	40.5	41.0
Less: non-cash charges, including impairments and accelerated share based compensation expense	(4.9)	(10.1)
Total charges expected to be settled in cash	$ 35.6	$ 30.9

Non-cash charges in fiscal 2015 included $9.8 million of accelerated share based compensation expense related to employee terminations, primarily related to the Questcor Acquisition.

The following table summarizes cash activity for restructuring reserves, substantially all of which related to employee severance and benefits:

	2016 Mallinckrodt Program	2013 Mallinckrodt Program	Acquisition Programs	Other Programs	Total
Balance at September 26, 2014	$ —	$ 26.6	$ 7.9	$ 0.4	$ 34.9
Charges	—	16.4	25.3	—	41.7
Changes in estimate	—	(8.9)	(1.5)	(0.3)	(10.7)
Cash payments	—	(22.5)	(21.7)	(0.1)	(44.3)
Reclassifications [1]	—	(3.0)	—	—	(3.0)
Currency translation	—	(0.6)	—	—	(0.6)
Balance at September 25, 2015	—	8.0	10.0	—	18.0
Charges	6.4	27.1	5.0	—	38.5
Changes in estimate	—	(1.7)	(1.3)	—	(3.0)
Cash payments	(0.2)	(20.3)	(13.2)	—	(33.7)
Reclassifications [1]	—	(1.3)	—	—	(1.3)
Balance at September 30, 2016	$ 6.2	$ 11.8	$ 0.5	$ —	$ 18.5

(1) Represents the reclassification of pension and other postretirement benefits from restructuring reserves to pension and postretirement obligations.

Net restructuring and related charges, including associated asset impairments, incurred cumulative to date related to the 2016 and 2013 Mallinckrodt Programs were as follows:

	2016 Mallinckrodt Program	2013 Mallinckrodt Program
Specialty Brands	$ 4.7	$ 18.8
Specialty Generics	0.5	18.3
Discontinued Operations (including Nuclear and CMDS)	—	69.9
Corporate	3.1	18.4
	$ 8.3	$ 125.4

Substantially all of the restructuring reserves are included in provision for liabilities on the Group's consolidated balance sheets.

7. Interest Payable and Similar Charges

Interest payable and similar charges were comprised of:

	2016	2015
Interest on debt repayable within five years, otherwise than by installment	$ 57.2	$ 30.6
Interest on debt repayable beyond five years, otherwise than by installment	160.3	100.6
Interest on debt repayable within five years, by installment	69.9	0.5
Interest on debt repayable beyond five years, by installment	—	67.2
Amortization of debt issue costs	20.2	16.1
Capitalized interest	(3.0)	(3.1)
Other [1]	80.0	43.7
Interest payable and similar charges	$ 384.6	$ 255.6

(1) Includes other non-cash interest and Section 453a interest.

8. Taxation

In May 2015, the activities of Mallinckrodt plc's principal executive offices were relocated from Ireland to the U.K., which resulted in a change in the tax residence of Mallinckrodt plc to the U.K. Mallinckrodt plc remains incorporated in Ireland. The tax regime applicable to holding companies resident in the U.K. allows Mallinckrodt plc to continue to have flexibility in structuring its subsidiary operations and enhanced global cash management. The Group continues to be subject to taxation in various tax jurisdictions worldwide. As a result of the integration of acquired intellectual property, the Group's income and assets are no longer concentrated in a single tax jurisdiction. Accordingly, in 2015 the Group reported the U.K. tax jurisdiction as its Domestic jurisdiction and the International jurisdiction represents countries outside the U.K. tax jurisdiction.

The Domestic and International components of income before income taxation were as follows[(1)]:

	2016	2015
Domestic	$ (275.0)	$ (107.0)
International	616.1	338.8
Total	$ 341.1	$ 231.8

(1) Domestic reflects U.K. in fiscal 2016 and 2015.

Significant components of taxation related to ordinary activities were as follows[(1)]:

	2016	2015
Current:		
Domestic [2]	$ 0.4	$ 0.3
International [2]	171.8	109.7
Current taxation charge	172.2	110.0
Deferred:		
Domestic	$ 0.7	$ (0.8)
International	(421.8)	(190.4)
Deferred taxation (credit) charge	(421.1)	(191.2)
	$ (248.9)	$ (81.2)

(1) Domestic reflects U.K. in fiscal 2016 and 2015.

(2) International taxation includes $5.9 million of tax benefit and $1.9 million of tax expense, of Irish corporation taxation charges for the year ended September 30, 2016 and September 25, 2015, respectively.

The fiscal 2016 Domestic current taxation charge reflects a utilization of $1.0 million of net operating losses. The Domestic net operating loss utilization is comprised of net operating losses carried forward from fiscal 2015. The fiscal 2016 International current taxation charge reflects a utilization of $29.2 million of net operating losses and $9.5 million of U.S. credits. The International net operating loss utilization is comprised of $17.9 million of net operating losses acquired in conjunction with the Hemostasis Acquisition and the remainder of the utilization relates to net operating losses carried forward from fiscal 2015. The U.S. credit utilization is comprised of credits carried forward from fiscal 2015 and generated during fiscal 2016.

The fiscal 2015 International current taxation charge reflects a utilization of $7.0 million of net operating losses (primarily in the U.S.) and $14.3 million of U.S. credits. The net operating loss utilization is comprised of $4.8 million of net operating losses acquired in conjunction with the Ikaria Acquisition and the remainder related to net operating losses carried forward from fiscal 2014. The U.S. credit utilization was comprised of $7.2 million of credits acquired in conjunction with the Ikaria Acquisition and the remainder utilization related to credits carried forward or generated during fiscal 2015.

The Group has a provincial tax holiday in Canada that expires on April 1, 2017. The tax holiday reduced International taxation charge by $1.0 million and $5.1 million for the fiscal years 2016 and 2015, respectively.

The reconciliation between Domestic taxation at the statutory rate and the Group's taxation on ordinary activities is as follows:

	2016	2015
Taxation charge (credit) at Domestic statutory taxation rate [1]	$ 68.2	$ 46.4
Adjustments to reconcile to taxation charge:		
U.S. state income taxation charge, net [5]	—	—
Rate difference between Domestic and International jurisdictions [2]	(285.6)	(125.0)
U.S. manufacturing deduction [5]	—	—
Valuation allowances, nonrecurring	2.1	(10.4)
Adjustments to accrued taxation liabilities and uncertain tax positions	(2.6)	(7.0)
Interest and penalties on accrued taxation liabilities and uncertain tax positions	(16.4)	0.2
Credits, principally research and orphan drug [3] [4]	(33.7)	(8.1)
Permanently nondeductible and nontaxable items	17.0	20.9
Other	2.1	1.8
Taxation charge (credit)	$ (248.9)	$ (81.2)

(1) The statutory tax rate reflects the U.K. statutory tax rate of 20% for fiscal 2016 and 2015.

(2) Includes the impact of certain recurring valuation allowances for Domestic and International jurisdictions.

(3) During fiscal 2015, the Research Credit legislation was extended, with a retroactive effective date of January 1, 2014. As such, fiscal 2015 includes approximately $3.6 million of credit related to the period January 1, 2014 through September 26, 2014.

(4) The Company realized a tax benefit of $27.4 million resulting from a U.K. tax credit on a dividend between affiliates.

(5) For fiscal 2016, U.S. state income tax benefit of $15.6 million was combined with the rate differences between Domestic and International jurisdictions. For fiscal 2015, U.S. state income tax benefit of $36.0 million, and U.S. manufacturing deduction benefit of $5.0 million were combined with the rate differences between Domestic and International jurisdictions.

The rate difference between Domestic and International jurisdictions changed from $125.0 million of tax benefit to $285.6 million of tax benefit for fiscal 2015 to fiscal 2016, respectively. This change was predominately related to recent acquisitions, which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction relative to income in all jurisdictions. The change in the lower tax rate jurisdictions was predominately due to recent acquisitions, which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction relative to income in all jurisdictions. The change in the lower tax rate jurisdictions was primarily attributable to increased operating income partially offset by amortization. The change in the U.S. jurisdiction was primarily attributable to increased amortization, the cost of financing recent acquisitions and the settlement with the FTC and a small number of states (collectively, "the States"). The $160.6 million increase in the tax benefit included increases of $210.8 million of tax benefit attributed to changes in operating income and settlement with the FTC and the States, and $32.0 million of tax benefit related to acquisition and other non-acquisition related items; partially offset by $57.3 million of taxation charge to the change in amortization and a $24.9 million decrease to the U.S. state tax benefit associated with the impact of recent acquisitions, integration thereof, and legislative changes.

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

	2016	2015
Balance at beginning of fiscal year	$ 89.2	$ 82.0
Additions related to current year tax positions	63.8	4.5
Additions related to prior period tax positions	10.8	19.9
Reductions related to prior period tax positions	(37.8)	(7.7)
Reductions related to disposition transactions	(6.6)	—
Settlements	(2.6)	(7.8)
Lapse of statute of limitations	(2.0)	(1.7)
Balance at end of fiscal year	$ 114.8	$ 89.2

During fiscal 2015, the Group made a payment of $8.9 million ($7.4 million of tax and $1.5 million of interest) to the U.S. Internal Revenue Service ("IRS") in connection with the settlement of certain tax matters for 2008 and 2009.

On January 19, 2016, Tyco International plc (“Tyco International”) announced it had entered into Stipulations of Settled Issues with the IRS to resolve certain disputes before the U.S. Tax Court. The disputes involved IRS audits of Tyco International for years in which companies that are now subsidiaries of Mallinckrodt were subsidiaries of Tyco International. On May 31, 2016, the U.S. Tax Court entered decisions consistent with the Stipulations of Settled Issues. As a result, all aspects of the disputes that were before the U.S. Tax court and Appeals Division of the IRS have been resolved for audit cycles from 1997-2007. Mallinckrodt is not a participant in the tax sharing agreement between Medtronic plc (as successor to Covidien plc), Tyco International and TE Connectivity and will not share in or be responsible for any payments to be made under the terms of the settlement.

Unrecognized tax benefits, excluding interest were reported in the following consolidated balance sheet captions in the amount shown:

	September 30, 2016	September 25, 2015
Creditors (amounts falling due within one year)	$ —	$ 1.3
Creditors (amounts falling due after more than one year)	55.4	80.0
Other reserves	59.4	7.9
	$ 114.8	$ 89.2

Included within total unrecognized tax benefits at September 30, 2016 and September 25, 2015 were $113.1 million and $87.4 million, respectively, of unrecognized tax benefits, which if favorably settled would benefit the effective tax rate. The remaining unrecognized tax benefits for each period would be offset by the write-off of related deferred and other tax assets, if recognized. During fiscal 2016, the Group recorded $4.1 million of additional interest through taxation and acquisition accounting and decreased interest $32.1 million related to cash payments related to settlements as well as reductions related to prior periods, and $6.5 million related to disposition transactions. During fiscal 2015, the Group accrued additional interest of $5.7 million. The total amount of accrued interest related to uncertain tax positions was $7.2 million and $41.7 million, in fiscal 2016 and 2015, respectively.

It is reasonably possible that within the next twelve months, as a result of the resolution of various Domestic and International examinations and appeals and the expiration of various statutes of limitation, that the unrecognized tax benefits could decrease by up to $14.6 million. Interest and penalties could decrease by up to $6.1 million.

Taxation payable, including uncertain tax positions and related interest accruals, was reported in the following consolidated balance sheet captions in the amounts shown.

	September 30, 2016	September 25, 2015
Creditors (amounts falling due within one year)	$ 124.0	$ 21.8
Creditors (amounts falling due after more than one year)	67.7	121.3
	$ 191.7	$ 143.1

At September 30, 2016, other assets included $86.6 million of tax payments associated with non-current deferred intercompany transactions. Prepaid expenses and other current assets included $10.0 million of tax payments associated with current deferred intercompany transactions, and $44.0 million of receivables associated with tax payments on account with the taxing authorities. At September 25, 2015, other assets included $52.2 million of tax payments associated with non-current deferred intercompany transactions. Prepaid expenses and other current assets included a receivable of $89.0 million and tax payments of $10.1 million associated with current deferred intercompany transactions.

	September 30, 2016	September 25, 2015
Other assets	$ 86.6	$ 52.2
Prepaid expenses and other current assets	54.0	99.1
	$ 140.6	$ 151.3

Covidien continues to be examined by various taxing authorities for periods in which the Group was included within the consolidated results of Covidien. In connection with the Separation, the Group entered into the Tax Matters Agreement with Covidien that generally governs Covidien's and Mallinckrodt's respective rights, responsibilities and obligations after the Separation with respect to certain taxes, including, but not limited to, ordinary course of business taxes. For further information on the Tax Matters Agreement, refer to Note 21.

As of September 30, 2016, the earliest open year for U.S. federal and state tax jurisdictions is 2010 and 2000, respectively. Additionally, a number of tax periods from 2009 to present are subject to examination by tax authorities in various jurisdictions, including Ireland, Luxembourg, Switzerland, and the U.K.

Deferred taxation results from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of deferred taxation at the end of each fiscal year were as follows:

	September 30, 2016	September 25, 2015
Deferred tax assets:		
Accrued liabilities and reserves	$ 117.6	$ 94.8
Stocks	36.3	29.2
Tax loss and credit carryforwards	332.5	173.5
Environmental liabilities	28.6	23.6
Rebate reserves	48.8	51.0
Expired product	12.2	26.7
Postretirement benefits	47.4	35.1
Federal and state benefit of uncertain tax positions and interest	17.4	32.7
Share-based compensation	23.8	19.1
Intangible assets	341.8	105.7
Other	18.6	21.5
	1,025.0	612.9
Deferred tax liabilities:		
Tangible assets	(123.2)	(139.0)
Intangible assets	(775.0)	(1,557.8)
Installment sale	(1,902.9)	(1,465.3)
Investment in partnership	(186.0)	(187.9)
	(2,987.1)	(3,350.0)
Deferred taxation before valuation allowances	(1,962.1)	(2,737.1)
Valuation allowances	(564.9)	(233.5)
Deferred taxation	$ (2,527.0)	$ (2,970.6)

Deferred taxation activity for fiscal 2016 was as follows:

At September 25, 2015	$ (2,970.6)
Provisions	465.6
Acquisitions	(15.4)
Currency translation and other	(6.6)
At September 30, 2016	$ (2,527.0)

Deferred taxation was reported in the following consolidated balance sheet captions in the amounts shown:

	September 30, 2016	September 25, 2015
Debtors (due within one year)	$ —	$ 151.9
Debtors (due after more than one year)	24.8	17.6
Provision for liabilities	(2,551.8)	(3,140.1)
	$ (2,527.0)	$ (2,970.6)

The Group's current deferred tax asset decreased from $151.9 million at September 25, 2015 to $0.0 million at September 30, 2016 due to tax credit utilization of $12.4 million in the current year, and the remainder primarily due to the recent FASB guidance in ASU 2015-17, "Balance Sheet Reclassification of Deferred Taxes," whereby deferred taxes are reclassified as non-current. Additionally, the Group's provision for liabilities decreased from $3,140.1 million at September 25, 2015 to $2,551.8 million at September 30, 2016, primarily due to $322.8 million of decreases associated with the payment of internal installment sale obligations, $122.6 million of decreases due to reclassification on the adoption of ASU 2015-17, $66.4 million of decreases associated with the amortization of intangibles, and $102.2 million of decreases related to other impacts of recent acquisitions and integration and normal operating activity. These factors were partially offset by a $25.7 million increase from current year acquisitions.

The Hemostasis Acquisition resulted in a net deferred tax liability increase of $1.4 million. Significant components of this increase include $20.3 million of deferred tax liabilities associated with intangibles and $4.1 million associated with inventory, partially offset by $23.0 million of deferred tax assets associated with non U.K. net operating losses and tax credits.

The Stratatech Acquisition resulted in a net deferred tax liability increase of $24.3 million. Significant components of this include $35.5 million of deferred tax liabilities associated with intangibles partially offset by $11.2 million of deferred tax assets associated with non U.K. net operating losses and tax credits.

As a part of the Ikaria integration, the Group entered into an internal installment sale transaction during fiscal 2016. The Ikaria internal installment sale transaction resulted in a decrease of $535.1 million to the deferred tax liability associated with the completed technology and IPR&D intangible assets, a $519.5 million increase to the deferred tax liability associated with an installment sale note receivable, a $42.8 million increase to the current income tax liability, a $23.8 million increase to deferred tax charges and a $1.0 million increase to prepaid taxes.

As part of the Therakos integration, the Group entered into an internal installment sale transaction during fiscal 2016. The Therakos internal installment sale transaction resulted in a decrease of $267.3 million to the deferred tax liability associated with the completed technology intangible asset, a $250.4 million increase to the deferred tax liability associated with an installment sale note receivable, a $17.3 million increase to the current income tax liability and a $0.3 million increase to prepaid taxes.

At September 30, 2016, the Group had approximately $246.3 million of net operating loss carryforwards in certain non-U.K. jurisdictions, of which $175.7 million have no expiration, and the remaining $70.6 million will expire in future years through 2036. The Group had $75.0 million of U.K. net operating loss carryforwards at September 30, 2016, which have no expiration date.

At September 30, 2016 the Group also had $11.2 million of tax credits available to reduce future income taxes payable, primarily in jurisdictions within the U.S., of which $4.0 million have no expiration and the remainder expire during fiscal 2017 through 2036.

The deferred tax asset valuation allowances of $564.9 million and $233.5 million at September 30, 2016 and September 25, 2015, respectively, relate principally to the uncertainty of the utilization of certain deferred tax assets, primarily International net operating losses and intangible assets. The Group believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets.

As of September 30, 2016, the cumulative amount of undistributed earnings of the Group's subsidiaries that may be subject to tax, but are considered to be indefinitely reinvested, was $355.1 million. It is not practicable to determine the cumulative amount of tax liability that would arise if these indefinitely reinvested earnings were remitted, due to a variety of factors including the complexity of the Group's global legal entity structure as well as the timing, extent and nature of any hypothetical repatriation of unremitted earnings. The net decrease in such undistributed earnings as compared to the period ended September 25, 2015 was attributable to unrepatriated earnings associated with income and losses attributed to the current year activity.

9. Earnings per Ordinary Share

In fiscal 2016, basic earnings per share was computed by dividing net income by the number of weighted-average shares outstanding during the period. Diluted earnings per share was computed using the weighted-average shares outstanding and, if dilutive, potential ordinary shares outstanding during the period. Potential ordinary shares represent the incremental ordinary shares issuable for restricted share units and share option exercises. The Group calculated the dilutive effect of outstanding restricted share units and share options on earnings per share by application of the treasury stock method.

In fiscal 2015, basic and diluted earnings per share were computed using the two-class method. The two-class method is an earnings allocation that determines earnings per share for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. The Group's restricted stock awards, issued in conjunction with the Questcor Acquisition in August 2014, were considered participating securities as holders were entitled to receive non-forfeitable dividends during the vesting term. Diluted earnings per share included securities that could potentially dilute basic earnings per share during a reporting period, for which the Group includes all share-based compensation awards other than participating securities.

Dilutive securities, including participating securities, are not included in the computation of loss per share when the Company reports a net loss from continuing operations as the impact would be anti-dilutive.

	2016	2015
Earnings (loss) per share numerator:		
Profit (loss) from ordinary operations attributable to common shareholders before allocation of earnings to participating securities	$ 435.3	$ 224.9
Less: earnings allocated to participating securities	—	1.9
Profit (loss) from ordinary operations attributable to common shareholders, after earnings allocated to participating securities	435.3	223.0
Profit (loss) from discontinued operations	154.7	88.1
Less: earnings from discontinued operations allocated to participating securities	—	0.7
Profit (loss) from discontinued operations attributable to common shareholders, after allocation of earnings to participating securities	154.7	87.4
Profit (loss) attributable to common shareholders, after allocation of earnings to participating securities	$ 590.0	$ 310.4
Earnings (loss) per share denominator:		
Weighted-average shares outstanding - basic	110.6	115.8
Impact of dilutive securities	0.9	1.4
Weighted-average shares outstanding - diluted	111.5	117.2
Basic earnings (loss) per share attributable to common shareholders:		
Profit (loss) from ordinary activities	$ 3.94	$ 1.93
Profit (loss) from discontinued operations	1.40	0.75
Profit (loss) attributable to common shareholders	$ 5.33	$ 2.68
Diluted earnings (loss) per share attributable to common shareholders:		
Profit (loss) from ordinary activities	$ 3.90	$ 1.90
Profit (loss) from discontinued operations	1.39	0.75
Profit (loss) attributable to common shareholders	$ 5.29	$ 2.65

The computation of diluted earnings per share for fiscal 2016 and 2015 excludes approximately 1.7 million and 0.1 million, respectively, of equity awards because the effect would have been anti-dilutive.

10. Stocks

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

	September 30, 2016	September 25, 2015
Raw materials and supplies	$ 74.5	$ 85.8
Work in process	190.5	152.7
Finished goods	89.6	129.5
Stocks	$ 354.6	$ 368.0

11. Tangible Assets

The gross carrying amount and accumulated depreciation of tangible assets at the end of each period was as follows:

	September 30, 2016	September 25, 2015
Land	$ 49.5	$ 61.0
Buildings	344.8	365.7
Capitalized software	119.8	123.8
Machinery and equipment	1,268.9	1,356.7
Construction in process	198.1	155.8
Demonstration equipment	—	23.7
	1,981.1	2,086.7
Less: accumulated depreciation	(948.1)	(1,033.2)
Total tangible assets	$ 1,033.0	$ 1,053.5

The amounts above include property under capital leases of $0.1 million and $14.8 million at September 30, 2016 and September 25, 2015, respectively, consisting primarily of buildings. There was no accumulated amortization of capitalized lease assets at the end of fiscal 2016 and $14.6 million at the end of fiscal 2015.

Depreciation expense, including amounts related to capitalized leased assets, was $134.5 million and $119.5 million for fiscal 2016 and 2015, respectively.

Tangible assets activity for fiscal 2016 was as follows:

	Land	Buildings	Capitalized Software	Machinery and Equipment	Construction in Process	Demonstration Equipment	Total Tangible Assets
Cost:							
At September 26, 2014	$ 59.9	$ 330.6	$ 97.6	$ 1,202.1	$ 198.2	$ 25.8	$ 1,914.2
Additions	2.0	1.8	0.2	5.8	138.6	3.8	152.2
Acquisitions	0.6	11.3	7.6	56.0	10.6	—	86.1
Disposals	(0.1)	(0.3)	(1.3)	(16.9)	(0.4)	(2.3)	(21.3)
Transfers	—	33.0	20.4	134.2	(187.6)	—	—
Currency translation and other	(1.4)	(10.7)	(0.7)	(24.5)	(3.6)	(3.6)	(44.5)
At September 25, 2015	61.0	365.7	123.8	1,356.7	155.8	23.7	2,086.7
Additions	0.2	1.1	1.1	13.7	160.1	0.1	176.3
Acquisitions	—	0.1	0.2	2.6	0.5	—	3.4
Disposal of tangible assets	(0.9)	(20.5)	(14.6)	(32.1)	(0.2)	(0.1)	(68.4)
Disposal of CMDS business	(10.5)	(31.7)	(3.7)	(139.6)	(7.9)	(24.1)	(217.5)
Transfers	—	30.0	13.0	67.6	(110.6)	—	—
Currency translation and other	(0.3)	0.1	—	—	0.4	0.4	0.6
At September 30, 2016	$ 49.5	$ 344.8	$ 119.8	$ 1,268.9	$ 198.1	$ —	$ 1,981.1
Depreciation:							
At September 26, 2014	$ —	$ 141.2	$ 57.6	$ 740.4	$ —	$ 22.1	$ 961.3
Depreciation expense	—	18.6	11.6	84.7	—	4.6	119.5
Disposal of tangible assets	—	(0.8)	(1.3)	(16.7)	—	(2.2)	(21.0)
Currency translation and other	—	(5.7)	(0.4)	(17.7)	—	(2.8)	(26.6)
At September 25, 2015	—	153.3	67.5	790.7	—	21.7	1,033.2
Depreciation expense	—	20.9	17.0	96.3	—	0.3	134.5
Disposal of tangible assets	—	(18.4)	(14.4)	(31.1)	—	(0.1)	(64.0)
Disposal of CMDS business	—	(22.6)	(2.8)	(105.4)	—	(22.3)	(153.1)
Transfers	—	0.2	(0.2)	—	—	—	—
Currency translation and other	—	0.1	0.1	(3.1)	—	0.4	(2.5)
At September 30, 2016	$ —	$ 133.5	$ 67.2	$ 747.4	$ —	$ —	$ 948.1
Net book value:							
At September 25, 2015	$ 61.0	$ 212.4	$ 56.3	$ 566.0	$ 155.8	$ 2.0	$ 1,053.5
At September 30, 2016	$ 49.5	$ 211.3	$ 52.6	$ 521.5	$ 198.1	$ —	$ 1,033.0

Gain or loss on disposal of tangible assets was immaterial in both fiscal 2016 and 2015.

12. Intangible Assets

Intangible asset activity for fiscal 2016 and 2015 was as follows:

	Goodwill	Completed Technology	Licenses	Trademarks	In-process Research and Development	Customer Relationships	Other	Total Intangible Assets
Cost:								
At September 26, 2014	$ 2,401.9	$ 7,040.1	$ 185.1	$ 48.0	$ 235.2	$ 33.8	$ 6.7	$ 9,950.8
Additions	1,247.5	2,990.0	—	70.0	81.0	—	—	4,388.5
Currency translation	—	—	—	(0.9)	—	(5.7)	—	(6.6)
At September 25, 2015	3,649.4	10,030.1	185.1	117.1	316.2	28.1	6.7	14,332.7
Additions	55.9	132.8	—	—	99.8	—	—	288.5
Disposal of CMDS business	—	(134.1)	—	—	—	—	—	(134.1)
Impairment	—	—	—	—	(16.9)	—	—	(16.9)
Currency translation	—	—	—	0.1	—	0.5	—	0.6
At September 30, 2016	$ 3,705.3	$ 10,028.8	$ 185.1	$ 117.2	$ 399.1	$ 28.6	$ 6.7	$ 14,470.8
Amortization:								
At September 26, 2014	$ —	$ 339.7	$ 87.3	$ 4.1	$ —	$ 0.6	$ 5.0	$ 436.7
Amortization expense	—	532.7	12.5	2.1	—	4.1	1.5	552.9
Currency translation	—	—	—	—	—	(0.4)	—	(0.4)
At September 25, 2015	—	872.4	99.8	6.2	—	4.3	6.5	989.2
Amortization expense	—	680.2	12.5	3.8	—	3.6	0.2	700.3
Disposal of CMDS business	—	(106.4)	—	—	—	—	—	(106.4)
Currency translation	—	—	—	—	—	0.1	—	0.1
At September 30, 2016	$ —	$ 1,446.2	$ 112.3	$ 10.0	$ —	$ 8.0	$ 6.7	$ 1,583.2
Net book value:								
At September 25, 2015	$ 3,649.4	$ 9,157.7	$ 85.3	$ 110.9	$ 316.2	$ 23.8	$ 0.2	$ 13,343.5
At September 30, 2016	$ 3,705.3	$ 8,582.6	$ 72.8	$ 107.2	$ 399.1	$ 20.6	$ —	$ 12,887.6

The changes in the carrying amount of goodwill by segment were as follows:

	September 30, 2016		September 25, 2015	
	Gross Carrying Amount	Accumulated Impairment	Gross Carrying Amount	Accumulated Impairment
Specialty Brands	$ 3,498.3	$ —	$ 3,442.4	$ —
Specialty Generics	207.0	—	207.0	—
Nuclear Imaging	119.5	(119.5)	119.5	(119.5)
Total	$ 3,824.8	$ (119.5)	$ 3,768.9	$ (119.5)

During the fiscal year ended September 30, 2016, the gross carrying value of goodwill in the Specialty Brands segment increased by $55.9 million, primarily attributable to $57.3 million from the Stratatech Acquisition. The remaining change in goodwill is a result of the Hemostasis Acquisition, offset by purchase accounting adjustments for the Therakos Acquisition and Ikaria Acquisition primarily attributable to changes in deferred tax balances.

Goodwill Impairment Analysis

As of the fiscal 2016 measurement date, the Group had identified the Specialty Brands, Specialty Generics and Nuclear Imaging businesses as representing the reporting units in our annual goodwill impairment analysis. For purposes of assessing impairment and the recoverability of goodwill for each reporting unit the Group makes various assumptions regarding estimated future cash flows, discount rates and other factors in determining the fair values of each reporting unit using the income approach. The Group's projections of future cash flows were then discounted based on a WACC determined from relevant market comparisons, adjusted upward for specific reporting unit risks (primarily the uncertainty of achieving projected operating cash flows). A terminal value growth rate was applied to the terminal year cash flows, both of which represent the

Group's estimate of stable, sustainable growth. The fair value of the reporting unit represents the sum of the discounted cash flows from the discrete period and the terminal year cash flows. The fair values of the reporting units were assessed for reasonableness by aggregating the fair values and comparing this to the Group's market capitalization with a control premium.

The Group's projections in its Specialty Brands reporting unit include long-term revenue and operating income at levels higher than historical levels, which is primarily associated with the Therakos Acquisition, Hemostasis Acquisition and revenue growth for Acthar. The projections also reflect the potential impacts from the future loss of exclusivity related to Ofirmev. The Group utilized a WACC of 12.5%. These assumptions resulted in a fair value of the Specialty Brands reporting unit in excess of its net book value. Should the Specialty Brands reporting unit fail to experience growth in the aforementioned products, revise its long-term projections for these products downward or market conditions dictate utilization of higher discount rates, the Specialty Brands reporting unit could be subject to impairment in future periods.

The Group's projections in its Specialty Generics reporting unit include long-term revenue and operating income at lower than historical levels primarily attributable to increased competition. The Specialty Generics segment has and may continue to experience customer consolidation, which could result in further downward pressure to our long-term revenue and operating income projections. The Group utilized a WACC of 11.0%. These assumptions resulted in a fair value of the Specialty Generics reporting unit in excess of its net book value.

In October 2016, the Group was notified that the FDA was initiating Withdrawal Proceedings on the Group's Methylphenidate ER products, which could result in these products losing their FDA approval. The Specialty Generics segment includes cash flows from the sale of the Group's Methylphenidate ER products. The loss of FDA approval could have a material, negative impact to our Specialty Generics segment. It is possible that if the Specialty Generics segment experiences greater downward pressure than projected or the Group loses FDA approval of its Methylphenidate ER products, or a combination of these factors, it could result in impairment of goodwill and other long-lived assets associated with this segment.

Long-Lived Asset Impairment Analysis

During fiscal 2016, the Group recorded impairment charges totaling $16.9 million related to certain Specialty Brands in-process research and development intangible assets acquired as part of the CNS Therapeutics acquisition in fiscal 2013. The valuation method used to approximate fair value was based on the estimated discounted cash flows for the respective asset, and the impairment charges resulted from delays in anticipated FDA approval, higher than expected development costs and lower than previously anticipated commercial opportunities.

Finite-lived intangible asset amortization expense was $700.1 million and $553.0 million in fiscal 2016 and 2015, respectively. The estimated aggregate amortization expense on intangible assets owned by the Group is expected to be as follows:

Fiscal 2017	$	701.4
Fiscal 2018		692.4
Fiscal 2019		692.1
Fiscal 2020		691.9
Fiscal 2021		691.6

13. Creditors (amounts falling due within one year)

At the end of fiscal 2016 and 2015, creditors (amounts falling due within one year) were comprised of:

	September 30, 2016	September 25, 2015
Debt (Note 15)	$ 256.3	$ 22.3
Trade creditors	127.7	155.0
Accrued payroll and employee benefits	123.8	111.6
Income taxes payable (Note 8)	124.0	21.8
Other taxes	33.0	41.7
Accrued interest	80.6	80.2
Accrued royalties	37.4	29.9
Accrued rebates	20.2	21.4
Accrued professional fees	22.1	22.9
Accruals and other creditors	209.4	221.6
	$ 1,034.5	$ 728.4

14. Creditors (amounts falling due after more than a year)

At the end of fiscal 2016 and 2015, creditors (amounts falling due after more than one year) were comprised of:

	September 30, 2016	September 25, 2015
Debt (Note 15)	$ 5,788.7	$ 6,474.3
Income taxes payable (Note 8)	67.7	121.3
Deferred compensation	26.8	20.0
Section 453A unrecognized benefit	25.7	—
Accruals and other creditors	13.6	11.4
	$ 5,922.5	$ 6,627.0

15. Debt

Debt was comprised of the following at the end of each period (all amounts are fully payable on their maturity date unless otherwise noted):

	September 30, 2016		September 25, 2015	
	Principal	Unamortized Discount and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
Current maturities of long-term debt:				
Variable rate receivable securitization [3]	$ 235.0	$ 0.4	$ —	$ —
Term loans due March 2021 [1]	20.0	0.4	20.0	—
4.00% term loan due February 2022 [1]	1.1	—	1.0	—
Capital lease obligation and vendor financing agreements [1]	1.0	—	1.3	—
Total current debt	257.1	0.8	22.3	—
Long-term debt:				
Variable rate receivable securitization [3]	—	—	153.0	0.8
3.50% notes due April 2018 [3]	300.0	1.1	300.0	1.7
4.88% notes due April 2020 [3]	700.0	8.8	700.0	11.3
Term loans due March 2021 [1] [2]	1,933.5	35.4	1,958.5	44.1
4.00% term loan due February 2022 [1] [2]	6.0	—	6.9	—
9.50% debentures due May 2022 [4]	10.4	—	10.4	—
5.75% notes due August 2022 [4]	884.0	12.1	900.0	14.4
8.00% debentures due March 2023 [4]	4.4	—	4.4	—
4.75% notes due April 2023 [4]	600.0	6.4	600.0	7.1
5.625% notes due October 2023 [4]	740.0	11.8	750.0	13.7
5.50% notes due April 2025 [4]	700.0	10.6	700.0	11.9
Revolving credit facility [3]	—	3.6	500.0	4.9
Capital lease obligation and vendor financing agreements [1]	0.2	—	1.0	—
Total long-term debt	5,878.5	89.8	6,584.2	109.9
Total debt	$ 6,135.6	$ 90.6	$ 6,606.5	$ 109.9

(1) Includes debt repayable within five years, by installment, of $1,960.6 million.
(2) Includes debt repayable beyond five years, by installment, of $1.2 million.
(3) Includes debt repayable within five years, otherwise than by installment, of $1,235.0 million.
(4) Includes debt repayable beyond five years, otherwise than by installment, of $2,938.8 million.

In November 2012, Mallinckrodt International Finance S.A. ("MIFSA") was formed as a 100% owned subsidiary of Covidien in connection with the Separation. MIFSA is a holding company established to own, directly or indirectly, substantially all of the operating subsidiaries of the Group, to issue debt securities and to perform treasury operations. At the time of the Separation, MIFSA became a 100% owned subsidiary of Mallinckrodt plc.

In April 2013, MIFSA issued $300.0 million aggregate principal amount of 3.50% senior unsecured notes due April 2018 and $600.0 million aggregate principal amount of 4.75% senior unsecured notes due April 2023 (collectively, "the Notes"). Mallinckrodt plc has fully and unconditionally guaranteed the Notes on an unsecured and unsubordinated basis. The Notes are subject to an indenture which contains covenants limiting the ability of MIFSA, its restricted subsidiaries (as defined in the Notes) and Mallinckrodt plc, as guarantor, to incur certain liens or enter into sale and lease-back transactions. It also restricts Mallinckrodt plc and MIFSA's ability to merge or consolidate with any other person or sell or convey all or substantially all of their assets to any one person. MIFSA may redeem all of the Notes at any time, and some of the Notes from time to time, at a redemption price equal to the principal amount of the Notes redeemed plus a make-whole premium. MIFSA pays interest on the Notes semiannually on April 15th and October 15th of each year, which commenced on October 15, 2013.

In March 2014, MIFSA and Mallinckrodt CB LLC ("MCB"), each a wholly-owned subsidiary of the Group, entered into senior secured credit facilities consisting of a $1.3 billion term loan facility due 2021 ("the Term Loan") and a $250.0 million revolving credit facility due 2019 ("the Revolver") (collectively, "the Facilities"). The Facilities are fully and unconditionally guaranteed by Mallinckrodt plc, certain of its direct or indirect wholly-owned U.S. subsidiaries and each of its direct or indirect wholly-owned subsidiaries that owns directly or indirectly any such wholly-owned U.S. subsidiary (collectively, "the

Guarantors"). The Facilities are secured by a security interest in certain assets of MIFSA, MCB and the Guarantors. The Facilities contain customary affirmative and negative covenants, which include, among other things, restrictions on the Group's ability to declare or pay dividends, create liens, incur additional indebtedness, enter into sale and lease-back transactions, make investments, dispose of assets and merge or consolidate with any other person. In addition, the Revolver contains a financial covenant that may limit the Group's total net debt leverage ratio, which is defined as the ratio of (i) the Group's consolidated debt, less any unrestricted cash and cash equivalents, to (ii) the Group's adjusted consolidated EBITDA, as defined in the credit agreement. The Facilities bear interest at LIBOR plus a margin based on the Company's total net debt leverage ratio, and the Term Loan is subject to a minimum LIBOR level of 0.75%. Interest payment dates are variable based on the LIBOR rate utilized, but the Group generally expects interest to be payable every 90 days. The Term Loan requires quarterly principal amortization payments in an amount equal to 0.25% of the original principal amount of the Term Loan payable on the last day of each calendar quarter, which commenced on June 30, 2014, with the remaining balance payable on the due date, March 19, 2021. The Group incurred an original issue discount of 0.25%, or $3.3 million, associated with the Term Loan. The Revolver contains a $150.0 million letter of credit provision, of which none had been issued as of September 30, 2016. On August 28, 2015, in connection with the Therakos Acquisition, Mallinckrodt Enterprises LLC and Mallinckrodt plc, two wholly owned subsidiaries of Mallinckrodt plc, MIFSA and MCB, entered into a $250.0 million replacement revolving credit facility (the "2015 Replacement Revolving Credit Facility"), which refinanced and replaced in full the existing revolving credit facility, and an additional $250.0 million incremental revolving credit facility (the "2015 Incremental Revolving Credit Facility" and, together with the 2015 Replacement Revolving Credit Facility, the "2015 Revolving Credit Facility"), such that the 2015 Revolving Credit Facility has an aggregate facility size of $500.0 million. Unused commitments on the 2015 Revolving Credit Facility are subject to an annual commitment fee, which was 0.275% as of September 30, 2016, and the fee applied to outstanding letters of credit is based on the interest rate applied to borrowings. As of September 30, 2016, there were no outstanding borrowings under the 2015 Revolving Credit Facility. The applicable interest rate was 3.10% as of September 30, 2016.

In July 2014, Mallinckrodt Securitization S.À.R.L. ("Mallinckrodt Securitization"), a wholly-owned special purpose subsidiary of Mallinckrodt plc, entered into a $160.0 million accounts receivable securitization facility that matures in July 2017 ("the Receivable Securitization"). In January 2015, Mallinckrodt Securitization amended the Receivable Securitization with third-party lenders to increase the borrowing limit from $160.0 million to $250.0 million. The terms of the Receivable Securitization, and the determination of interest rates, were largely unchanged. Mallinckrodt Securitization may, from time to time, obtain up to $250.0 million in third-party borrowings secured by certain receivables, which may be increased to $300.0 million upon approval of the third-party lenders, subject to certain conditions. The Receivable Securitization agreements contain customary representations, warranties and affirmative and negative covenants. The borrowings under the Receivable Securitization are to be repaid as the secured receivables are collected. Loans under the Receivable Securitization will bear interest (including facility fees) at a rate equal to one month LIBOR rate plus a margin of 0.80%. Unused commitments on the Receivables Securitization are subject to an annual commitment fee of 0.35%. As of September 30, 2016, the applicable interest rate on outstanding borrowings under the Receivable Securitization was 1.33% and outstanding borrowings totaled $235.0 million.

In August 2014, MIFSA and MCB issued $900.0 million aggregate principal amount of 5.75% senior unsecured notes due August 1, 2022 ("the 2022 Notes"). The 2022 Notes are guaranteed on an unsecured basis by certain of MIFSA's subsidiaries. The 2022 Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the 2022 Notes, and could cause a cross-default that could result in the acceleration of other indebtedness of Mallinckrodt plc and its subsidiaries. MIFSA may redeem some or all of the 2022 Notes prior to August 1, 2017 by paying a make-whole premium. MIFSA may redeem some or all of the 2022 Notes on or after August 1, 2017 at specified redemption prices. In addition, prior to August 1, 2017, MIFSA may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the net proceeds of certain equity offerings. The Issuers are obligated to offer to repurchase the 2022 Notes at a price of (a) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These obligations are subject to certain qualifications and exceptions. The Group pays interest on the 2022 Notes semiannually on February 1st and August 1st of each year, which commenced on February 1, 2015.

In August 2014, MIFSA and MCB entered into a $700.0 million senior secured term loan facility ("the New Term Loan"). The New Term Loan is an incremental tranche under the credit agreement governing our existing Term Loan and Revolver, entered into in March 2014 (collectively, with the New Term Loan, represent "the Senior Secured Credit Facilities"). The New Term Loan has substantially similar terms to the Term Loan (other than pricing); including the determination of interest rates and quarterly principal amortization payments equal to 0.25% of the original principal amount of the New Term Loan. The quarterly principal payments commenced on December 31, 2014, with the remaining balance payable on the due date of March 19, 2021. Mallinckrodt plc and its subsidiaries (other than MIFSA, MCB and the subsidiaries of MIFSA that guarantee the Facilities) will not guarantee the New Term Loan, and the New Term Loan will not be secured by the assets of such entities.

The August 2014 Term Loan bears interest under substantially similar terms of the March 2014 Term Loan, including the use of LIBOR rates with a minimum floor, except that the margin applied to LIBOR is not dependent upon the Group's total net debt leverage ratio.

On April 15, 2015, MIFSA and MCB issued $700.0 million aggregate principal amount of 4.875% senior unsecured notes due April 15, 2020 ("the 2020 Notes") and $700.0 million aggregate principal amount of 5.50% senior unsecured notes due April 15, 2025 ("the 2025 Notes", and together with the 2020 Notes, the "Ikaria Notes"). The Ikaria Notes are guaranteed by Mallinckrodt plc and each of its subsidiaries that guarantee the obligations under the Facilities, which following the Ikaria Acquisition includes Compound Holdings II, Inc. and its U.S. subsidiaries. The Ikaria Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the Ikaria Notes and could cause a cross-default that could result in the acceleration of other indebtedness of the Group. The Issuers may redeem some or all of the (i) 2020 Notes prior to April 15, 2017 and (ii) 2025 Notes prior to April 15, 2020, in each case, by paying a “make-whole” premium. The Issuers may redeem some or all of the (i) 2020 Notes on or after April 15, 2017 and (ii) 2025 Notes on or after April 15, 2020, in each case, at specified redemption prices. In addition, prior to (i) April 15, 2017, in the case of the 2020 Notes, and (ii) April 15, 2018, in the case of the 2025 Notes, the Issuers may redeem up to 40% of the aggregate principal amount of the 2020 Notes or 2025 Notes, as the case may be, with the net proceeds of certain equity offerings. The Issuers are obligated to offer to repurchase (a) each series of Notes at a price of 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) the Notes at a price of 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain net asset sales. These obligations are subject to certain qualifications and exceptions. The Group pays interest on the Ikaria Notes semiannually on April 15th and October 15th of each year, which commenced on October 15, 2015.

On September 24, 2015, in connection with the Therakos Acquisition, MIFSA and MCB issued $750.0 million aggregate principal amount of 5.625% senior unsecured notes due October 2023 (the “2023 Notes”). The Notes are guaranteed by Mallinckrodt plc and each of its subsidiaries under the Facilities, which following the Therakos Acquisition includes TGG Medical Solutions, Inc. and its U.S. subsidiaries. The 2023 Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the 2023 Notes and could cause a cross-default that could result in the acceleration of other indebtedness of the Group. The Issuers may redeem some or all of the 2023 Notes on or after October 15, 2018 at specified redemption prices. In addition, prior to October 15, 2018, the Issuers may redeem up to 40% of the aggregate principal amount of the 2023 Notes with the net proceeds of certain equity offerings. The Issuers may also redeem all, but not less than all, of the Notes at any time at a price of 100% of their principal amount, plus accrued and unpaid interest, if any, in the event the Issuers become obligated to pay additional amounts as a result of changes affecting certain withholding tax laws applicable to payments on the Notes. The Issuers are obligated to offer to repurchase the 2023 Notes (a) at a price of 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) the 2023 Notes at a price of 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain net asset sales. These obligations are subject to certain qualifications and exceptions. The Group pays interest on the 2023 Notes semiannually on April 15th and October 15th of each year, which commenced on April 15, 2016.

As of September 30, 2016, the weighted-average interest rate for the term loans due March 2021 was 3.43%, and outstanding principal under these agreements totaled approximately $1,953.5 million.

The aggregate amounts of debt, including the capital lease obligation, maturing during the next five fiscal years are as follows:

Fiscal 2017	$	257.1
Fiscal 2018		321.3
Fiscal 2019		16.2
Fiscal 2020		721.3
Fiscal 2021		1,879.8

16. Retirement Plans

At the end of fiscal 2016 and 2015, pension and similar obligations, presented net of funded status, were comprised of:

	2016	2015
U.S. defined benefit pension plans	$ 83.0	$ 51.4
Non-U.S. defined benefit pension plans	9.2	4.2
Postretirement benefit obligations	50.8	52.2
Other	2.0	2.5
	$ 145.0	$ 110.3

Pension Plan Termination and Discontinued Operations

On March 31, 2016, the Group terminated six of its previously frozen U.S. pension plans. The Group is evaluating alternatives to settle the outstanding obligations of these pension plans, and expects final settlement to occur during fiscal 2017, subject to customary regulatory approvals. The Group's ultimate settlement obligation will depend upon the nature of participant settlements and the prevailing market conditions. As a result, certain assumptions utilized in determining the obligations under these pension plans reflect those expected in the final settlement of the Group's obligations.

Certain non-U.S. pension plans will transfer to IBAM with the sale of the Nuclear Imaging business. At September 30, 2016, the projected benefit obligation and fair value of plan assets associated with these plans were $142.1 million and $149.5 million, respectively.

Defined Benefit Plans

The Group sponsors a number of defined benefit retirement plans covering certain of its U.S. employees and non-U.S. employees. As of September 30, 2016, U.S. plans represented 67% of the Group's total pension plan assets and 71% of the Group's projected benefit obligation. The Group generally does not provide postretirement benefits other than retirement plan benefits for its employees; however, certain of the Group's U.S. employees participate in postretirement benefit plans that provide medical benefits. These plans are unfunded.

The amounts included in the Group's financial statements are based on the most recent actuarial valuations, which are generally as of the end of the fiscal year. The actuarial valuations are performed by the individual plan's independent and professionally qualified actuaries. These actuarial reports are not available for public inspection.

The net periodic benefit cost (credit) for the Group's pension and postretirement benefit plans was as follows:

	Pension Benefits		Postretirement Benefits	
	Fiscal Year		Fiscal Year	
	2016	2015	2016	2015
Service cost	$ 3.7	$ 4.5	$ 0.1	$ 0.1
Interest cost	15.9	17.5	2.0	1.9
Expected return on plan assets	(20.2)	(22.6)	—	—
Amortization of net actuarial loss	11.4	9.4	—	—
Amortization of prior service cost	(0.5)	(0.6)	(2.1)	(4.0)
Loss on plan settlements	8.0	6.0	—	—
Net periodic benefit cost (credit)	$ 18.3	$ 14.2	$ —	$ (2.0)

The following table represents the changes in benefit obligations, plan assets and the net amounts recognized on the consolidated balance sheets for pension and postretirement benefit plans at the end of fiscal 2016 and 2015:

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Projected benefit obligations at beginning of year	$ 493.5	$ 538.4	$ 52.2	$ 52.0
Service cost	3.7	4.5	0.1	0.1
Interest cost	15.9	17.5	2.0	1.9
Employee contributions	0.6	0.6	—	—
Actuarial (gain) loss	90.5	(4.5)	0.5	2.1
Benefits and administrative expenses paid	(23.0)	(21.1)	(4.0)	(3.9)
Plan settlements	(26.5)	(23.6)	—	—
Plan curtailments and amendments	(0.5)	—	—	—
Plan (disposals) combinations	(3.7)	0.6	—	—
Currency translation	0.7	(18.9)	—	—
Projected benefit obligations at end of year	$ 551.2	$ 493.5	$ 50.8	$ 52.2
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 437.9	$ 473.6	$ —	$ —
Actual return on plan assets	49.9	12.5	—	—
Employer contributions	19.6	13.0	4.0	3.9
Employee contributions	0.6	0.6	—	—
Benefits and administrative expenses paid	(23.0)	(21.1)	(4.0)	(3.9)
Plan settlements	(26.5)	(23.6)	—	—
Currency translation	0.5	(17.1)	—	—
Fair value of plan assets at end of year	459.0	437.9	—	—
Funded status at end of year	$ (92.2)	$ (55.6)	$ (50.8)	$ (52.2)

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Amounts recognized on the consolidated balance sheet:				
Debtors (amounts falling due after more than one year)	$ 14.6	$ 20.1	$ —	$ —
Provisions for liabilities	(106.8)	(75.7)	(50.8)	(52.2)
Net amount recognized on the consolidated balance sheet	$ (92.2)	$ (55.6)	$ (50.8)	$ (52.2)
Amounts recognized in accumulated other comprehensive profit consist of:				
Net actuarial loss	$ (144.3)	$ (104.1)	$ (5.6)	$ (5.1)
Prior service credit (cost)	5.2	5.5	12.8	14.9
Net amount recognized in accumulated other comprehensive profit	$ (139.1)	$ (98.6)	$ 7.2	$ 9.8

The estimated amounts that will be amortized from accumulated other comprehensive profit into net periodic benefit cost (credit) in fiscal 2017 are as follows:

	Pension Benefits	Postretirement Benefits
Amortization of net actuarial loss	$ 14.3	$ 0.1
Amortization of prior service cost	(0.2)	(2.1)

The accumulated benefit obligation for all pension plans at the end of fiscal 2016 and 2015 was $547.5 million and $489.4 million respectively. Additional information related to pension plans is as follows:

	2016	2015
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 401.0	$ 368.8
Fair value of plan assets	295.0	294.1

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

Actuarial Assumptions

Weighted-average assumptions used each fiscal year to determine net periodic benefit cost for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015
Discount rate	3.9%	3.8%	2.2%	2.5%
Expected return on plan assets	5.8%	6.0%	2.6%	2.9%
Rate of compensation increase	—%	—%	3.2%	3.2%

Weighted-average assumptions used each fiscal year to determine benefit obligations for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015
Discount rate	2.3%	3.9%	1.5%	2.5%
Rate of compensation increase	—%	—%	3.2%	3.6%

For the Group's funded U.S. plans, the discount rate is based on the estimated final settlement discount rates based on quotes received from a group of well-rated insurance carriers who are active in the single premium group annuity marketplace. The group of insurance carriers are rated A or better by AM best. For the Group's unfunded U.S. plans, the discount rate is based on the market rate for a broad population of AA-rated (Moody's or S&P) corporate bonds over $250.0 million.

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

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

	2016	2015
Net periodic benefit cost	4.0%	3.6%
Benefit obligations	3.2%	3.9%

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

	2016	2015
Healthcare cost trend rate assumed for next fiscal year	7.1%	7.1%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Fiscal year the ultimate trend rate is achieved	2029	2029

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

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost	$ —	$ —
Effect on postretirement benefit obligation	0.3	(0.2)

Plan Assets

In conjunction with the Group's decision to terminate and annuitize the defined benefit pension plans in fiscal 2016, the Group elected to change the asset allocation to shift substantially to debt securities, in an attempt to mitigate fluctuations in both interest rates and the equity markets.

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

	U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015
Equity securities	—%	27%	6%	6%
Debt securities	96	70	1	1
Cash in bank and at hand	4	3	—	—
Real estate and other	—	—	93	93
Total	100%	100%	100%	100%

The following tables provide a summary of plan assets held by the Group's pension plans that are measured at fair value on a recurring basis at the end of fiscal 2016 and 2015:

		Basis of Fair Value Measurement		
	Fiscal 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
U.S. large cap	$ 1.4	$ 1.4	$ —	$ —
International	8.8	—	8.8	—
Debt securities:				
Diversified fixed income funds [1]	297.3	296.0	1.3	—
Insurance contracts	137.4	—	—	137.4
Other	14.1	12.3	1.8	—
Total	$ 459.0	$ 309.7	$ 11.9	$ 137.4

	Fiscal 2015	Basis of Fair Value Measurement: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
U.S. small mid cap	$ 15.1	$ 15.1	$ —	$ —
U.S. large cap	46.2	46.2	—	—
International	31.0	22.7	8.3	—
Debt securities:				
Diversified fixed income funds [1]	198.4	196.9	1.5	—
High yield bonds	11.3	11.3	—	—
Emerging market funds	7.4	7.4	—	—
Insurance contracts	116.7	—	—	116.7
Other	11.8	9.4	2.4	—
Total	$ 437.9	$ 309.0	$ 12.2	$ 116.7

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

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

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

Insurance contracts. Insurance contracts held by the Group are issued primarily by Delta Lloyd, a well-known, highly rated insurance Group. The fair value of these insurance contracts is based upon the present value of future cash flows under the terms of the contracts and therefore the fair value of these assets has been classified as level 3 within the fair value hierarchy. Significant assumptions used in determining the fair value of these contracts are the amount and timing of future cash flows and counterparty credit risk. The objective of the insurance contracts is to provide the Group with future cash flows that will match the estimated timing and amount of future pension benefit payments. Delta Lloyd's insurance subsidiaries have a Standard & Poor's credit rating of A-.

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

The following table provides a summary of the changes in the fair value measurements that used significant unobservable inputs (level 3) for fiscal 2016 and 2015:

	Insurance Contracts
At September 26, 2014	$ 119.8
Net unrealized gains	12.2
Net purchases, sales and issuances	(0.1)
Currency translation	(15.2)
At September 25, 2015	116.7
Net unrealized gains	19.7
Net purchases, sales and issuances	0.5
Currency translation	0.5
At September 30, 2016	$ 137.4

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

Contributions

The Group's funding policy is to make contributions in accordance with the laws and customs of the various countries in which the Group operates, as well as to make discretionary voluntary contributions from time to time. In fiscal 2016 and 2015, the Group made $19.6 million and $13.0 million in contributions, respectively, to the Group's pension plans.

Expected Future Benefit Payments

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

	Pension Benefits	Postretirement Benefits
Fiscal 2017	$ 116.1	$ 4.3
Fiscal 2018	25.2	4.0
Fiscal 2019	24.9	3.7
Fiscal 2020	23.8	3.5
Fiscal 2021	22.7	3.3
Fiscal 2022 - 2025	106.4	14.9

The above table reflects increased lump sum disbursements in fiscal 2017 associated with the termination of the Group's six qualified U.S. pension plans. Disbursements associated with the settlement of the remaining obligations under these plans have not been reflected.

Defined Contribution Retirement Plans

The Group maintains one active tax-qualified 401(k) retirement plan and one active non-qualified deferred compensation plan in the U.S. The 401(k) retirement plan provides for an automatic Group contribution of three percent of an eligible employee's pay, with an additional Group matching contribution generally equal to 50% of each employee's elective contribution to the plan up to six percent of the employee's eligible pay. The deferred compensation plan permits eligible employees to defer a portion of their compensation. Total defined contribution expense was $27.1 million and $25.6 million for fiscal 2016 and 2015, respectively.

Rabbi Trusts and Other Investments

The Group maintains several rabbi trusts, the assets of which are used to pay retirement benefits. The rabbi trust assets are subject to the claims of the Group's creditors in the event of the Group's insolvency. Plan participants are general creditors of the Group with respect to these benefits. The trusts primarily hold life insurance policies and debt and equity securities, the value of which is included in financial assets on the consolidated balance sheets. Note 22 provides additional information regarding the debt and equity securities. The carrying value of the 134 life insurance contracts held by these trusts was $59.2 million and $57.9 million at September 30, 2016 and September 25, 2015, respectively. These contracts have a total death benefit of $150.0 million and $147.3 million at September 30, 2016 and September 25, 2015, respectively. However, there are outstanding loans against the policies amounting to $43.4 million and $40.4 million at September 30, 2016 and September 25, 2015, respectively.

The Group has insurance contracts which serve as collateral for certain of the Group's non-U.S. pension plan benefits, which totaled $9.5 million and $11.0 million at September 30, 2016 and September 25, 2015, respectively. These amounts were also included in financial assets in the consolidated balance sheets.

17. Shareholders' Funds

Called-up Share Capital Presented as Equity. The Company has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 118,137,197 and 117,513,370 of which were issued as of September 30, 2016 and September 25, 2015, respectively. Changes during fiscal 2016 are associated with shares issued under employee capital programs.

Preference Shares. The Company is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 30, 2016 or September 25, 2015. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Group, holders of any preferred shares then outstanding would, if the shares were issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to receive payment of the amount for which the preferred shares were subscribed and any unpaid dividends, prior to any payment to ordinary shareholders.

Acquisition of Own Shares. On November 19, 2015, the Company's board of directors authorized a $500.0 million share repurchase program (the “November 2015 Program”). The November 2015 Program commenced after the $300.0 million share repurchase program authorized by the board of directors on January 23, 2015 (the “January 2015 Program”) was completed in the first fiscal quarter of 2016. On March 16, 2016, the board of directors authorized an additional $350.0 million share repurchase program (the “March 2016 Program”) which will commence upon the completion of the November 2015 Program. These programs have no time limit or expiration date, and the Company currently expects to fully utilize each program. Repurchases under each program are effected by redemption.

During fiscal 2016, the Company acquired 9,739,383 shares at an average market price of $67.04, which were accounted for as treasury shares within shareholders' funds. Of the 9,739,383 shares acquired, 3,199,279 shares were acquired under the January 2015 Program at an average price of $70.33 and 6,510,824 shares were acquired under the November 2015 Program at an average price of $65.37. The remaining 29,280 shares at an average market price of $78.55 represent deemed acquisitions in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

During fiscal 2015, the Company acquired 999,456 shares at an average market price of $92.25, which were accounted for as treasury shares within shareholders' funds. Of the 999,456 shares purchased, 823,592 shares were purchased under the January 2015 Program at an average price of $91.06. The remaining 175,864 shares at an average market price of $97.80 represent deemed repurchases in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

At September 30, 2016 a total of 10,969,604 shares were held in treasury stock at an average price of $69.52.

Share Premium Account. In fiscal 2016 and 2015, the share premium account activity resulted from the impact of the exercise of stock options.

Other Reserves. The balance as of September 30, 2016 was primarily comprised of the capital contribution of $1,095.0 million that was recorded upon the separation from Covidien, accumulated other comprehensive profit and accumulated share-based compensation.

Profit and Loss Account. In fiscal 2016 and 2015, the profit and loss account activity resulted from accumulated profit after taxation, less share repurchase activity.

Dividends. The Group currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisitions, the operation and expansion of its business and repurchase of shares.

18. Share Plans

Total share-based compensation cost was $42.9 million and $117.0 million for fiscal 2016 and 2015, respectively. These amounts are generally included within D&A expenses in the profit and loss account. In conjunction with the Questcor Acquisition, Questcor equity awards were converted to Mallinckrodt equity awards which resulted in post-combination expense of $90.4 million in fiscal 2015, included in the above total share-based compensation, of which $80.6 million is included within D&A expenses and $9.8 million is included within restructuring charges, net. The Group recognized a related tax benefit associated with this expense of $13.6 million and $42.0 million in fiscal 2016 and 2015, respectively.

Stock Compensation Plans

Prior to the Separation, the Group adopted the 2013 Mallinckrodt Pharmaceuticals Stock and Incentive Plan ("the 2013 Plan"). The 2013 Plan provides for the award of share options, share appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted shares, deferred share units, promissory shares and other share-based awards (collectively, "Awards"). The 2013 Plan provided for a maximum of 5.7 million ordinary shares to be issued as Awards, subject to adjustment as provided under the terms of the 2013 Plan. In fiscal 2015, the Group amended the 2013 Plan and adopted the 2015 Mallinckrodt Pharmaceuticals Stock and Incentive Plan ("the 2015 Plan"). The 2015 Plan provides for a maximum of 17.8 million common shares to be issued as Awards (an incremental 12.1 million Awards from the 2013 Plan are subject to issuance), subject to adjustment as provided under the terms of the 2015 Plan. As of September 30, 2016, all equity awards held by the Group's employees were either converted from Covidien equity awards at the Separation, converted from Questcor equity awards, or granted under the 2013 Plan or 2015 Plan.

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

Share option activity and information was as follows:

	Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at September 26, 2014	3,526,789	$ 36.84		
Granted	635,567	102.20		
Exercised	(1,132,778)	29.79		
Expired/Forfeited	(243,135)	58.00		
Outstanding at September 25, 2015	2,786,443	52.76		
Granted	1,248,828	72.44		
Exercised	(413,830)	32.76		
Expired/Forfeited	(199,585)	72.65		
Outstanding at September 30, 2016	3,421,856	61.17	7.3	$ 49.6
Vested and unvested expected to vest as of September 30, 2016	2,997,502	61.60	7.5	42.6
Exercisable at September 30, 2016	1,388,805	45.55	5.3	38.2

As of September 30, 2016, there was $35.5 million of total unrecognized compensation cost related to unvested share option awards, which is expected to be recognized over a weighted-average period of 2.7 years.

The grant date fair value of share options has been estimated using the Black-Scholes pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. The expected volatility assumption is based on the historical and implied volatility of the Group's peer group with similar business models. The expected life assumption is based on the contractual and vesting term of the share option, employee exercise patterns and employee post-vesting termination behavior. The expected annual dividend per share is based on the Group's current intentions regarding payment of cash dividends. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The weighted-average assumptions used in the Black-Scholes pricing model for shares granted in fiscal 2016 and 2015, along with the weighted-average grant-date fair value, were as follows:

	2016	2015
Expected share price volatility	31%	29%
Risk-free interest rate	1.74%	1.72%
Expected annual dividend per share	—%	—%
Expected life of options (in years)	5.3	5.3
Fair value per option	$ 22.82	$ 30.08

In fiscal 2016 and 2015, the total intrinsic value of options exercised was $15.3 million and $89.5 million, respectively, and the related tax benefit was $5.7 million and $33.1 million, respectively.

Restricted share units. Recipients of RSUs have no voting rights and receive dividend equivalent units which vest upon the vesting of the related shares. RSUs generally vest in equal annual installments over a period of four years. Restrictions on RSUs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSUs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period. The fair market value of RSUs granted after the Conversion is determined based on the market value of the Group's ordinary shares on the date of grant for periods after the Separation.

RSU activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 26, 2014	589,222	$ 47.88
Granted	273,733	105.68
Vested	(219,189)	49.84
Forfeited	(71,272)	68.15
Non-vested at September 25, 2015	572,494	73.45
Granted	615,074	70.10
Vested	(193,849)	69.27
Forfeited	(99,260)	79.95
Non-vested at September 30, 2016	894,459	70.40

The total fair value of Mallinckrodt plc restricted share unit awards granted during fiscal 2016 was $43.1 million. The total fair value of Mallinckrodt plc restricted share unit awards vested during fiscal 2014 was $13.4 million. As of September 30, 2016, there was $47.2 million of total unrecognized compensation cost related to non-vested restricted share units granted. The cost is expected to be recognized over a weighted-average period of 2.7 years.

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

PSU activity is as follows:

	Shares[(1)]	Weighted-Average Grant-Date Fair Value
Non-vested at September 26, 2014	72,740	$ 63.46
Granted	77,306	125.84
Forfeited	(19,072)	92.05
Non-vested at September 25, 2015	130,974	96.05
Granted	145,192	83.00
Forfeited	(9,521)	96.30
Non-vested at September 30, 2016	266,645	88.59

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

The Group generally uses the Monte Carlo model to estimate the probability of satisfying the performance criteria and the resulting fair value of PSU awards. The assumptions used in the Monte Carlo model for PSUs granted during fiscal 2016 and 2015 were as follows:

	2016	2015
Expected stock price volatility	41%	27%
Peer group stock price volatility	36%	32%
Correlation of returns	24%	14%

The weighted-average grant-date fair value per share of PSUs granted was $83.00 in fiscal 2016. As of September 30, 2016, there was $13.7 million of unrecognized compensation cost related to PSUs, which is expected to be recognized over a weighted-average period of 1.7 years.

Restricted stock awards. Recipients of restricted stock awards ("RSAs") pertain solely to converted awards from the Questcor Acquisition, which were converted at identical terms to their original award. The converted RSAs maintain voting rights and a non-forfeitable right to receive dividends. RSAs are subject to accelerated vesting as prescribed by the terms of the original award based on a change in control, and substantially all of which will vest over a thirteen month period of time from the date of the Questcor Acquisition. Restrictions on RSAs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSAs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period.

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 26, 2014	1,432,031	$ 70.88
Vested	(1,362,823)	70.88
Forfeited	(34,646)	70.88
Non-vested at September 25, 2015	34,562	70.88
Vested	(9,760)	70.88
Forfeited	(7,936)	70.88
Non-vested at September 30, 2016	16,866	70.88

The total vest date fair value of Mallinckrodt restricted share awards vested during fiscal 2016 was $0.6 million.

Employee Stock Purchase Plans

Effective March 16, 2016, upon approval by the shareholders of Mallinckrodt, the Group adopted a new qualified Mallinckrodt Employee Stock Purchase Plan ("ESPP"). Substantially all full-time employees of the Group's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries are eligible to participate in the ESPP. Eligible employees authorize payroll deductions to be made to purchase shares at 15% below the market price at the beginning or end of an offering period. Employees are eligible to authorize withholdings such that purchases of shares may amount to $25,000 of fair market value for each calendar year as prescribed by IRC Section 423. Mallinckrodt has elected to deliver shares under the period by utilizing treasury stock accumulated by the Group.

Prior to the first offering period of the ESPP (July 1, 2016), the Group maintained a non-qualified employee stock purchase plan ("the Old ESPP"). Substantially all full-time employees of the Group's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries were eligible to participate in the Old ESPP. Eligible employees authorized payroll deductions to be made for the purchase of shares. The Group matched a portion of the employee contribution by contributing an additional 15% (25% in fiscal 2015) of the employee's payroll deduction up to a $25,000 per employee contribution. All shares purchased under the Old ESPP were purchased on the open market by a designated broker.

19. Accumulated Other Comprehensive Profit

The components of accumulated other comprehensive profit were as follows:

	Currency Translation	Unrecognized Loss on Derivatives	Unrecognized Gain (Loss) on Benefit Plans	Total Accumulated Other Comprehensive Profit
Balance at September 26, 2014	$ 131.0	$ (6.8)	$ (58.5)	$ 65.7
Other comprehensive income (loss), net	(70.8)	—	(1.1)	(71.9)
Reclassification from other comprehensive income (loss)	—	0.4	6.7	7.1
Balance at September 25, 2015	60.2	(6.4)	(52.9)	0.9
Other comprehensive loss before reclassification	0.8	—	(39.5)	(38.7)
Reclassification from other comprehensive income (loss)	(59.4)	0.5	11.1	(47.8)
Balance at September 30, 2016	$ 1.6	$ (5.9)	$ (81.3)	$ (85.6)

The following summarizes reclassifications out of accumulated other comprehensive profit for the 2016 and 2015 fiscal years:

	Amount Reclassified from Accumulated Other Comprehensive Profit		
	September 30, 2016	September 25, 2015	Line Item in the Consolidated Profit and Loss Account
Amortization of unrealized loss on derivatives	$ 0.7	$ 0.6	Interest payable and similar charges
Income tax provision	(0.2)	(0.2)	Taxation charge
Net of income taxes	0.5	0.4	
Amortization of pension and post-retirement benefit plans:			
Net actuarial loss	11.3	9.4	(1)
Prior service credit	(2.1)	(4.6)	(1)
Disposal of discontinued operations	0.8	—	
Plan settlements	8.1	6.0	(1)
Total before tax	18.1	10.8	
Income tax provision	(6.7)	(4.1)	Taxation charge
Net of income taxes	11.4	6.7	
Currency translation	(59.4)	—	
Total reclassifications for the period	$ (48.0)	$ 7.1	

(1) These accumulated other comprehensive profit components are included in the computation of net periodic benefit cost. See Note 16 for additional details.

20. Guarantees

In disposing of assets or businesses, the Group has historically provided representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities related to periods prior to disposition. The Group 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 Group believes, 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.

In connection with the sale of the Specialty Chemical business (formerly known as Mallinckrodt Baker) in fiscal 2010, the Group agreed to indemnify the purchaser for certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the sale, while some of the other indemnification obligations have an indefinite term. The amount of the liability relating to all of these indemnification obligations included in other liabilities on the Group's consolidated balance sheets at September 30, 2016 and September 25, 2015 was $15.7 million, of which $12.9 million and $13.0 million, respectively, related to environmental, health and safety matters. The value of the environmental, health and safety indemnity was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental, health and safety claims made under the indemnity. The aggregate fair value of these indemnification obligations did not differ significantly from their aggregate carrying value at September 30, 2016 and September 25, 2015. As of September 30, 2016, the maximum future payments the Group could be required to make under these indemnification obligations was $71.0 million. The Group was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $19.0 million remained in financial assets on the consolidated balance sheets at September 30, 2016 and September 25, 2015.

The Group has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in Note 21. In addition, the Group is liable for product performance; however the Group believes, 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.

The Group is required to provide the U.S. Nuclear Regulatory Commission financial assurance demonstrating its ability to fund the decommissioning of its Maryland Heights, Missouri radiopharmaceuticals production facility upon closure, though the Group does not intend to close this facility. The Group has provided this financial assurance in the form of surety bonds totaling $30.2 million. As of September 30, 2016, the Group had various other letters of credit and guarantee and surety bonds totaling $32.7 million. Upon closing the sale of the Nuclear Imaging business, these obligations will be transferred to the buyer.

In April 2015, the Group terminated a letter of credit to guarantee decommissioning costs associated with its Saint Louis, Missouri plant and placed $21.1 million of restricted cash on deposit with a trustee. In February 2016, following completion of the decommissioning efforts, the trustee returned the cash on deposit and it was available for general use.

In addition, the Separation and Distribution Agreement entered into with Covidien at the Separation provides for cross-indemnities principally designed to place financial responsibility of the obligations and liabilities of the Group's business with the Group and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities.

21. Commitments and Contingencies

The Group has purchase obligations related to commitments to purchase certain goods and services. At September 30, 2016, such obligations were as follows:

Fiscal 2017	$	188.2
Fiscal 2018		69.0
Fiscal 2019		20.3
Fiscal 2020		14.1
Fiscal 2021		6.7

These amounts include $26.3 million related to contracted capital expenditures and $34.6 million related to contracted R&D expenditures. As of September 30, 2016, the Mallinckrodt plc board of directors had authorized capital expenditures of $242.0 million, of which $85.0 million had not yet been contracted.

The Group is subject to various legal proceedings and claims, including patent infringement claims, product liability matters, environmental matters, employment disputes, contractual disputes and other commercial disputes, including those described below. The Group believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these matters, the Group is of the opinion, unless 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

In November 2011 and October 2012, the Group received subpoenas from the U.S. Drug Enforcement Administration requesting production of documents relating to its suspicious order monitoring program for controlled substances. The United States Attorney's Office (the "USAO") for the Eastern District of Michigan is investigating the possibility that the Group failed to report suspicious orders of controlled substances during the period 2006-2011 in violation of the Controlled Substances Act and its related regulations. The USAO for the Northern District of New York and Office of Chief Counsel for the U.S. Drug Enforcement Administration are investigating the possibility that the Group failed to maintain appropriate records and security measures with respect to manufacturing of certain controlled substances at its Hobart facility during the period 2012-2013. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes, given the information currently available, that the ultimate resolution, after taking into account amounts already accrued, could have a material adverse effect on its financial condition, results of operations and cash flows.

In September 2012, Questcor received a subpoena from the USAO for the Eastern District of Pennsylvania for information relating to its promotional practices related to Acthar. Questcor has also been informed by the USAO for the Eastern District of Pennsylvania that the USAO for the Southern District of New York and the SEC are participating in the investigation to review Questcor's promotional practices and related matters related to Acthar. On March 9, 2015, the Group received a "No Action" letter from the SEC regarding its review of the Group's promotional practices related to Acthar.

In June 2014, Questcor received a subpoena and Civil Investigative Demand ("CID") from the FTC seeking documentary materials and information regarding the FTC's investigation into whether Questcor's acquisition of certain rights to develop, market, manufacture, distribute, sell and commercialize Synacthen Depot® from Novartis AG and Novartis Pharma AG (collectively, "Novartis") violates antitrust laws. Subsequently, the States commenced similar investigations focused on whether the transaction violates state antitrust laws. On January 17, 2017, the FTC, the States and the Group entered into an agreement to resolve this matter for a one-time cash payment of $102.0 million and an agreement to license Synacthen Depot to a third party designated by the FTC for possible development in Infantile Spasms (IS) and Nephrotic Syndrome (NS) in the U.S. To facilitate that settlement, a complaint was filed on January 18, 2017 in the U.S. District Court for the District of Columbia. The settlement is subject to court approval.

In March 2014, the USAO for the Eastern District of Pennsylvania requested the production of documents related to an investigation of the U.S. promotion of Therakos' immunotherapy drug/device system UVADEX/UVAR XTS and UVADEX/CELLEX (collectively, the "Therakos System"), for indications not approved by the FDA, including treatment of patients with graft versus host disease ("GvHD") and solid organ transplant patients, including pediatric patients. The investigation also includes Therakos' efforts to secure FDA approval for additional uses of, and alleged quality issues relating to, UVADEX/UVAR. In August 2015, the USAO for the Eastern District of Pennsylvania sent Therakos a subsequent request for documents related to the investigation and has since made certain related requests. We are in the process of responding to those requests.

In November 2014, the Group received a CID from the Civil Medicaid Fraud Division of the Texas Attorney General's Office. According to the CID, the Attorney General's office is investigating the possibility of false reporting of information by the Group regarding the prices of certain of its drugs used by Texas Medicaid to establish reimbursement rates for pharmacies that dispensed the Group's drugs to Texas Medicaid recipients.

We have responded to or are in the process of responding to each of the subpoenas and the CIDs and we intend to cooperate fully in each such investigation.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America. The Group filed a Complaint for Declaratory and Injunctive Relief ("the Complaint") in the U.S. District Court for the District of Maryland Greenbelt Division against the FDA and the United States of America in November 2014 for judicial review of what the Group believes is the FDA's inappropriate and unlawful reclassification of the Group's Methylphenidate HCl Extended-Release tablets USP (CII) ("Methylphenidate ER") in the Orange Book: Approved Drug Products with Therapeutic Equivalence ("Orange Book") on November 13, 2014. In its Complaint, the Group asked the court to: issue an injunction to (a) set aside the FDA's reclassification of the Group's Methylphenidate ER products from freely substitutable at the pharmacy level (class AB) to presumed to be therapeutically inequivalent (class BX) in the Orange Book and (b) prohibit the FDA from reclassifying the Group's Methylphenidate ER products in the future without following applicable legal requirements; and issue a declaratory judgment that the FDA's action reclassifying the Group's Methylphenidate ER products in the Orange Book is unlawful. The Group concurrently filed a motion with the same court requesting an expedited hearing to issue a temporary restraining order ("TRO") directing the FDA to reinstate the Orange Book AB rating for the Group's Methylphenidate ER products on a temporary basis. The court denied the Group's motion for a TRO. In December 2014, the FDA filed a motion to dismiss the Complaint with the district court. The Group filed its opposition to the motion to dismiss in January 2015, and concurrently filed a motion for summary judgment. In July 2015, the court granted the FDA's motion to dismiss with respect to three of the five counts in the Complaint and granted summary judgment in favor of the FDA with respect to the two remaining counts. The Group appealed the court's decision to the U.S. Court of Appeals for the Fourth Circuit. On October 18, 2016, the FDA

initiated proceedings, proposing to withdraw approval of Mallinckrodt's Abbreviated New Drug Application for Methylphenidate ER. On October 21, 2016, the United States Court of Appeals for the Fourth Circuit issued an Order removing the Group's pending litigation with the FDA from the Court's oral argument calendar and placing that litigation in abeyance pending the outcome of the withdrawal proceedings. The Group concurrently submitted to the FDA requests for a hearing in the withdrawal proceeding and for a 90-day extension of the deadline for submitting documentation supporting the necessity of a hearing. The FDA has granted the Group's extension request, with a new deadline of March 19, 2017, and the Group is preparing the supporting documentation for the March submission. The Group plans to vigorously set forth its position in the withdrawal proceedings.

Patent/Antitrust Litigation

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Group, Inc. In March 2007, the Group filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") after Mutual submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking to sell a generic version of the Group's 7.5 mg RESTORIL™ sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. The trial court issued an opinion and order granting the Group's motion for summary judgment regarding Mutual's antitrust and unfair competition counterclaims. Mutual appealed this decision to the U.S. Court of Appeals for the Federal Circuit and the Federal Circuit issued a split decision, affirming the trial court in part and remanding to the trial court certain counterclaims for further proceedings. The Group filed a motion for summary judgment with the U.S. District Court regarding the remanded issues. In May 2015, the trial court issued an opinion granting-in-part and denying-in-part the Group's motion for summary judgment.

'222 and '218 Patent Litigation: InnoPharma Licensing LLC and InnoPharma, Inc. In September 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, and Pharmatop, the owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against InnoPharma Licensing LLC and InnoPharma, Inc. (collectively "InnoPharma") alleging that InnoPharma infringed U.S. Patent Nos. 6,028,222 ("the '222 patent") and 6,992,218 ("the '218 patent") following receipt of an August 2014 notice from InnoPharma concerning its submission of a New Drug Application ("NDA"), containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Separately, on December 1, 2016 Mallinckrodt IP filed suit in the U.S. District Court for the District of Delaware against InnoPharma alleging that InnoPharma infringed U.S. Patent No. 9,399,012 ("the '012 patent").

'222 and '218 Patent Litigation: Agila Specialties Private Limited, Inc. and Agila Specialties Inc. (a Mylan Inc. Company), (collectively "Agila"). In December 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, and Pharmatop, the owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against Agila alleging that Agila infringed the '222 and the '218 patents following receipt of a November 2014 notice from Agila concerning its submission of a NDA containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Separately, on December 1, 2016 Mallinckrodt IP filed suit in the U.S. District Court for the District of Delaware against Agila alleging that Agila infringed the '012 patent. On December 31, 2016, the parties entered into settlement agreements on both suits under which Agila was granted the non-exclusive right to market a competing intravenous acetaminophen product in the U.S. under its NDA after December 6, 2020, or earlier under certain circumstances.

The Group has successfully asserted the '222 and '218 patents and maintained their validity in both litigation and proceedings at the U.S. Patent and Trademark Office ("USPTO"). The Group will continue to vigorously enforce its intellectual property rights relating to Ofirmev to prevent the marketing of infringing generic or competing products prior to December 6, 2020, which, if unsuccessful, could adversely affect the Group's ability to successfully maximize the value of Ofirmev and have an adverse effect on its financial condition, results of operations and cash flows.

Inomax Patents: Inter Partes Review ("IPR") Proceedings. In February 2015 and March 2015, the USPTO issued Notices of Filing Dates Accorded to Petitions for IPR petitions filed by Praxair Distribution, Inc. concerning ten patents covering Inomax (i.e., five patents expiring in 2029 and five patents expiring in 2031).

In July 2015 the USPTO Patent Trial and Appeal Board ("PTAB") issued rulings denying the institution of four of the five IPR petitions challenging the five patents expiring in 2029. The PTAB also issued a ruling in July 2015 that instituted the IPR proceeding in the fifth of this group of patents and the PTAB ruled in July 2016 that one claim of this patent survived review and is valid while the remaining claims were unpatentable. The Group believes the valid claim describes and encompasses the manner in which Inomax is distributed in conjunction with its approved labeling and that Praxair infringes that claim. Praxair filed an appeal and Mallinckrodt filed a cross-appeal of this decision to the Court of Appeals for the Federal Circuit. In March 2016, Praxair Distribution, Inc. submitted additional IPR petitions for the five patents expiring in 2029. The PTAB issued non-appealable rulings in August and September 2016 denying institution of all five of these additional IPR petitions.

In September 2015 the USPTO PTAB issued rulings that instituted the IPR proceedings in each of the second set of five patents that expire in 2031. In September 2016 the PTAB ruled that all claims in the five patents expiring in 2031 are patentable.

Inomax Patent Litigation: Praxair Distribution, Inc. and Praxair, Inc. (collectively "Praxair"). In February 2015, INO Therapeutics LLC and Ikaria, Inc., subsidiaries of the Group, filed suit in the U.S. District Court for the District of Delaware against Praxair following receipt of a January 2015 notice from Praxair concerning its submission of an ANDA containing a Paragraph IV patent certification with the FDA for a generic version of Inomax. In July 2016, the Group filed a second suit against Praxair in the U.S. District Court for the District of Delaware following receipt of a Paragraph IV notice concerning three additional patents recently added to the FDA Orange Book that was submitted by Praxair regarding its ANDA for a generic version of Inomax. The infringement claims in the second suit have been added to the original suit. In September 2016, the Group filed a third suit against Praxair in the U.S. District Court for the District of Delaware following receipt of a Paragraph IV notice concerning a fourth patent recently added to the FDA Orange Book that was submitted by Praxair regarding its ANDA for a generic version of Inomax.

The Group intends to vigorously enforce its intellectual property rights relating to Inomax in both the IPR and Praxair litigation proceedings to prevent the marketing of infringing generic products prior to the expiration of the patents covering Inomax. An adverse outcome in either the IPRs or the Praxair litigation ultimately could result in the launch of a generic version of Inomax before the expiration of the last of the listed patents on February 19, 2034 (August 19, 2034 including pediatric exclusivity), which could adversely affect the Group's ability to successfully maximize the value of Inomax and have an adverse effect on its financial condition, results of operations and cash flows.

Commercial and Securities Litigation

Retrophin Litigation. In January 2014, Retrophin, Inc. ("Retrophin") filed a lawsuit against Questcor in the U.S. District Court for the Central District of California, alleging a variety of federal and state antitrust violations based on Questcor's acquisition from Novartis of certain rights to develop, market, manufacture, distribute, sell and commercialize Synacthen. In June 2015, the parties entered into a binding settlement agreement, under the terms of which Retrophin agreed to dismiss the litigation with prejudice and Questcor agreed to make a one-time cash payment to Retrophin in the amount of $15.5 million.

Glenridge Litigation. In June 2011, Glenridge Pharmaceuticals LLC ("Glenridge"), filed a lawsuit against Questcor in the Superior Court of California, Santa Clara County, alleging that Questcor had underpaid royalties to Glenridge under a royalty agreement related to net sales of Acthar. In August 2012, Questcor filed a separate lawsuit against the three principals of Glenridge, as well as Glenridge, challenging the enforceability of the royalty agreement. In August 2013, the two lawsuits were consolidated into one case in the Superior Court of California, Santa Clara County. In October 2014, the parties entered into a binding term sheet settling the lawsuit. Under the terms of the settlement, the royalty rate payable by Questcor was reduced, royalties were capped instead of being payable for so long as Acthar was sold and Questcor agreed to pay Glenridge a reduced amount in satisfaction of royalties Questcor had previously accrued but not paid during the course of the lawsuit. In February 2015, the settlement agreement was finalized, with terms consistent with the October 2014 term sheet.

Putative Class Action Securities Litigation. In September 2012, a putative class action lawsuit was filed against Questcor and certain of its officers and directors in the U.S. District Court for the Central District of California, captioned *John K. Norton v. Questcor Pharmaceuticals, et al.*, No. SACvl2-1623 DMG (FMOx). The complaint purported to be brought on behalf of shareholders who purchased Questcor common stock between April 26, 2011 and September 21, 2012. The complaint generally alleged that Questcor and certain of its officers and directors engaged in various acts to artificially inflate the price of Questcor stock and enable insiders to profit through stock sales. The complaint asserted that Questcor and certain of its officers and directors violated sections l0(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act"), by making allegedly false and/or misleading statements concerning the clinical evidence to support the use of Acthar for indications other than infantile spasms, the promotion of the sale and use of Acthar in the treatment of multiple sclerosis and nephrotic syndrome, reimbursement for Acthar from third-party insurers, and Questcor's outlook and potential market growth for Acthar. The complaint sought damages in an unspecified amount and equitable relief against the defendants. This lawsuit was consolidated with four subsequently-filed actions asserting similar claims under the caption: *In re Questcor Securities Litigation*, No. CV 12-01623 DMG (FMOx). In October 2013, the District Court granted in part and denied in part Questcor's motion to dismiss the consolidated amended complaint. In October 2013, Questcor filed an answer to the consolidated amended complaint and fact discovery was concluded in January 2015. In April 2015, the parties executed a long-form settlement agreement, under the terms of which Questcor agreed to pay $38.0 million to resolve the plaintiff claims, inclusive of all fees and costs. Questcor and the individual defendants maintain that the plaintiffs' claims are without merit, and have entered into the settlement to eliminate the uncertainties, burden and expense of further protracted litigation. During fiscal 2015, the Group established a $38.0 million reserve for this settlement, which was subsequently paid to a settlement fund. The court issued its final approval of the settlement on September 18, 2015.

Federal Shareholder Derivative Litigation. On October 4, 2012, another alleged shareholder filed a derivative lawsuit in the United States District Court for the Central District of California captioned *Gerald Easton v. Don M Bailey, et al.*, No. SACV12-01716 DOC (JPRx). The suit asserted claims substantially identical to those asserted in the *do Valle* derivative action described below against the same defendants. This lawsuit was consolidated with five subsequently-filed actions asserting similar claims under the caption: *In re Questcor Shareholder Derivative Litigation*, CV 12- 01716 DMG (FMOx). Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying the federal derivative action until the earlier of: (a) 60 days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) 60 days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit. In July 2015, the parties stipulated to a dismissal of the derivative case and Questcor agreed to make a one-time cash payment to plaintiffs in the form of a mootness fee.

State Shareholder Derivative Litigation. In October 2012, an alleged shareholder filed a derivative lawsuit purportedly on behalf of Questcor against certain of its officers and directors in the Superior Court of the State of California, Orange County, captioned *Monika do Valle v. Virgil D. Thompson, et al.*, No. 30-2012-00602258-CU-SL-CXC. The complaint asserted claims for breach of fiduciary duty, abuse of control, mismanagement and waste of corporate assets arising from substantially similar allegations as those contained in the putative securities class action described above, as well as from allegations relating to sales of Questcor common stock by the defendants and repurchases of Questcor common stock. The complaint sought an unspecified sum of damages and equitable relief. On October 24, 2012, another alleged shareholder filed a derivative lawsuit purportedly on behalf of Questcor against certain of its officers and directors in the Superior Court of the State of California, Orange County, captioned *Jones v. Bailey, et al.*, Case No. 30-2012-00608001-CU-MC-CXC. The suit asserted claims substantially identical to those asserted in the *do Valle* derivative action. In February 2013, the court issued an order staying the state derivative actions until the putative federal securities class action and federal derivative actions are resolved. In May 2014, the court granted plaintiffs' request for dismissal without prejudice of the *Jones* action. In November 2014, the *do Valle* matter was voluntarily dismissed.

Put Options Securities Action. In March 2013, individual traders of put options filed a securities complaint in the United States District Court for the Central District of California captioned *David Taban, et al. v. Questcor Pharmaceuticals, Inc.,* No. SACV13-0425. The complaint generally asserted claims against Questcor and certain of its officers and directors for violations of the Exchange Act and for state law fraud and fraudulent concealment based on allegations similar to those asserted in the putative securities class action described above. The complaint sought compensatory and punitive damages of an unspecified amount. Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying this action until the earlier of: (a) sixty (60) days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) sixty (60) days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit. In May 2015, the parties entered into a binding settlement agreement, under the terms of which plaintiffs agreed to dismiss the litigation with prejudice and Questcor agreed to make a one-time cash payment to plaintiffs.

Pricing Litigation

State of Utah v. Apotex Corp., et al. The Group, along with several other pharmaceutical companies, was a defendant in this matter which was filed in May 2008, in the Third Judicial Circuit of Salt Lake County, Utah. The State of Utah alleged, generally, that the defendants reported false pricing information in connection with certain drugs that were reimbursable under Utah Medicaid, resulting in overpayment by Utah Medicaid for those drugs, and sought monetary damages and attorneys' fees. The Group believes that it had meritorious defenses to these claims and vigorously defended against them. In December 2015, the parties entered into a binding settlement agreement, under the terms of which the State of Utah agreed to dismiss the litigation with prejudice and the Group agreed to make a one-time cash payment to the State of Utah within the reserve established for this matter.

Environmental Remediation and Litigation Proceedings

The Group 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 Group concluded that, as of September 30, 2016, it was probable that it would incur remediation costs in the range of $38.7 million to $121.3 million. The Group also concluded that, as of September 30, 2016, the best estimate within this range was $75.9 million, of which $2.6 million was included in accrued and other current liabilities and the remainder was included in environmental liabilities on the consolidated balance sheet at September 30, 2016.

While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Group 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.

Crab Orchard National Wildlife Refuge Superfund Site, near Marion, Illinois. The Group is a successor in interest to International Minerals and Chemicals Corporation ("IMC"). Between 1967 and 1982, IMC leased portions of the Additional and Uncharacterized Sites ("AUS") Operable Unit at the Crab Orchard Superfund Site ("the Site") from the government and manufactured various explosives for use in mining and other operations. In March 2002, the Department of Justice, the U.S. Department of the Interior and the U.S. Environmental Protection Agency ("EPA") (together, "the Government Agencies") issued a special notice letter to General Dynamics Ordnance and Tactical Systems, Inc. ("General Dynamics"), one of the other potentially responsible parties ("PRPs") at the Site, to compel General Dynamics to perform the remedial investigation and feasibility study ("RI/FS") for the AUS Operable Unit. General Dynamics negotiated an Administrative Order on Consent ("AOC") with the Government Agencies to conduct an extensive RI/FS at the Site under the direction of the U.S. Fish and Wildlife Service. General Dynamics asserted in August 2004 that the Group is jointly and severally liable, along with approximately eight other lessees and operators at the AUS Operable Unit, for alleged contamination of soils and groundwater resulting from historic operations, and has threatened to file a contribution claim against the Group and other parties for recovery of its costs incurred in connection with the RI/FS activities being conducted at the AUS Operable Unit. The Group and other PRPs who received demand letters from General Dynamics have explored settlement alternatives, but have not reached settlement to date. General Dynamics has completed the RI and initiated the FS, and the PRPs agreed to enter into non-binding mediation. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Group 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.

Mallinckrodt Veterinary, Inc., Millsboro, Delaware. The Group previously operated a plant in Millsboro, Delaware ("the Millsboro Site") that manufactured various animal healthcare products. In 2005, the Delaware Department of Natural Resources and Environmental Control found trichloroethylene ("TCE") in the Millsboro public water supply at levels that exceeded the federal drinking water standards. Further investigation to identify the TCE plume in the ground water indicated that the plume has extended to property owned by a third party near the Millsboro Site. The Group, and another former owner, assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Group and another PRP have entered into two AOCs with the EPA to perform investigations to abate, mitigate or eliminate the release or threat of release of hazardous substances at the Millsboro Site and to conduct an Engineering Evaluation/Cost Analysis to characterize the nature and extent of the contamination. The Group, along with the other party, continues to conduct the studies and prepare remediation plans in accordance with the AOCs. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes, given the information currently available, that the ultimate 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.

Coldwater Creek, Saint Louis County, Missouri. The Group is named as a defendant in numerous tort complaints filed in and subsequent to February 2012 with numerous plaintiffs pending in the U.S. District Court for the Eastern District of Missouri. These cases allege personal injury for alleged exposure to radiological substances, including in Coldwater Creek in Missouri, and in the air. Plaintiffs allegedly lived and/or worked in various locations in Saint Louis County, Missouri near Coldwater Creek. Radiological residues which may have been present in the creek have previously been remediated by the U.S. Army Corps of Engineers ("USACE"). The USACE continues to study and remediate the creek and surrounding areas. The Group believes that it has meritorious defenses to these complaints and is vigorously defending against them. The Group is unable to estimate a range of reasonably possible losses for the following reasons: (i) the proceedings are in intermediate stages; (ii) the Group has not received and reviewed complete information regarding the plaintiffs and their medical conditions; and (iii) there are significant factual and scientific issues to be resolved. An initial group of bellwether plaintiffs have been selected by the court and discovery is ongoing. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Group 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 Group and approximately 70 other companies originally comprised the Lower Passaic Cooperating Parties Group ("the CPG") and are parties to a May 2007 AOC with the EPA to perform a RI/FS of the 17-mile stretch known as the Lower Passaic River Study Area ("the River"). The Group's potential liability stems from former operations at Lodi and Belleville, New Jersey. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considered interim remedial options for the lower 8-miles of the river, in addition to a "no action" option. As an interim step related to the 2007 AOC, the CPG voluntarily entered into an AOC on June 18, 2012 with the EPA for remediation actions focused solely at mile 10.9 of the River. The Group's estimated costs related to the RI/FS and focused remediation at mile 10.9, based on interim allocations, are immaterial and have been accrued.

In April 2014, the EPA issued its revised FFS, with remedial alternatives to address cleanup of the lower 8-mile stretch of the River, which also included a "no action" option. The EPA estimates the cost for the alternatives range from $365.0 million to $3.2 billion. The EPA's preferred approach would involve bank-to-bank dredging of the lower 8-mile stretch of the River and installing an engineered cap at a discounted, estimated cost of $1.7 billion. Based on the issuance of the EPA's revised FFS, the Group recorded a $23.1 million accrual in fiscal 2014 representing the estimate of its allocable share of the joint and several remediation liability resulting from this matter.

In April 2015, the CPG presented a draft of the RI/FS of the River to the EPA. The CPG's RI/FS included alternatives that ranged from "no action," targeted remediation of the entire 17-mile stretch of the River to remedial actions consistent with the EPA's preferred approach for the lower 8-mile stretch of the River and also included remediation alternatives for the upper 9-mile stretch of the River. The discounted cost estimates for the CPG remediation alternatives ranged from $483.4 million to $2.7 billion. The Group recorded an additional charge of $13.3 million in the second quarter of fiscal 2014 based on the Group's estimate of its allocable share of the joint and several remediation liability resulting from this matter.

On March 4, 2016, the EPA issued the Record of Decision ("ROD") for the lower 8 miles of the River. The EPA's selected remedy for this stretch of the River was a slight modification of the preferred approach it identified in the revised FFS issued in April 2014. The new discounted, estimated cost is $1.38 billion. By letter dated March 31, 2016, EPA notified the Group, and approximately 98 other parties, of the Group’s potential liability for the lower 8 miles of the River. The letter also announced the EPA's intent to seek to determine whether one Group, Occidental Chemicals Corporation ("OCC"), will voluntarily enter into an agreement to perform the remedial design for the remedy selected in the ROD. The letter states that, after execution of such an agreement, EPA plans to begin negotiation of an agreement under which OCC and the other major PRPs would implement and/or pay for the EPA’s selected remedy for the lower 8 miles of the River. Finally, the letter announced EPA's intent to provide a separate notice to unspecified parties of the opportunity to discuss a cash out settlement for the lower 8 miles of the River at a later date. On October 5, 2016, EPA announced that OCC had entered into an agreement to develop the remedial design.

Despite the issuance of the revised FFS and ROD by the EPA, and the RI/FS by the CPG, there are many uncertainties associated with the final agreed-upon remediation and the Group's allocable share of the remediation. As of November 20, 2015, the Group withdrew from the CPG, but remains liable for its obligations under the two above-referenced AOCs, as well as potential future liabilities. Given those uncertainties, the amounts accrued may not be indicative of the amounts for which the Group may be ultimately responsible and will be refined as the remediation progresses.

Products Liability Litigation

Beginning with lawsuits brought in July 1976, the Group is also named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of products containing asbestos. A limited number of the cases allege premises liability based on claims that individuals were exposed to asbestos while on the Group's property. Each case typically names dozens of corporate defendants in addition to the Group. The complaints generally seek monetary damages for personal injury or bodily injury resulting from alleged exposure to products containing asbestos. The Group's involvement in asbestos cases has been limited because it did not mine or produce asbestos. Furthermore, in the Group's experience, a large percentage of these claims have never been substantiated and have been dismissed by the courts. The Group has not suffered an adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to defend these lawsuits. When appropriate, the Group settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of September 30, 2016, there were approximately 11,700 asbestos-related cases pending against the Group.

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

Asset Retirement Obligations

The Group has recorded asset retirement obligations for the estimated future costs primarily associated with legal obligations to decommission facilities within the Nuclear Imaging segment, including the facilities located in Petten, the Netherlands and Maryland Heights, Missouri. Substantially all of these obligations are included in provision for liabilities on the consolidated balance sheets. The following table provides a summary of the changes in the Group's asset retirement obligations for fiscal 2016 and 2015:

	2016	2015
Balance at beginning of period	$ 38.3	$ 40.8
Additions and adjustments	3.8	(1.0)
Disposals	(5.1)	—
Accretion expense	2.2	1.8
Currency translation	—	(3.3)
Balance at end of period	$ 39.2	$ 38.3

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

Industrial Revenue Bonds

Through September 30, 2016, the Group exchanged title to $88.0 million of its plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by Saint Louis County. The Group also simultaneously leased such assets back from Saint Louis County under capital leases expiring through December 2025, the terms of which provide it with the right of offset against the IRBs. The lease also provides an option for the Group to repurchase the assets at the end of the lease for nominal consideration. These transactions collectively result in a ten-year property tax abatement from the date the property is placed in service. Due to the right of offset, the capital lease obligation and IRB asset are recorded net in the consolidated balance sheets. The Group expects that the right of offset will be applied to payments required under these arrangements. During the third quarter of fiscal 2016, the Group and St. Louis County agreed on a change in valuation of the plant assets and IRBs and a sale of additional assets to St. Louis County. The net effect of the agreements between the Group and St. Louis County during the quarter resulted in a new valuation of plant assets of $73.7 million, a decrease of $14.3 million.

Interest Bearing Deferred Tax Obligation

As part of the integration of Questcor, the Group entered into an internal installment sale transaction related to certain Acthar intangible assets during the three months ended December 26, 2014. During the three months ended December 25, 2015, the Group entered into similar transactions with certain intangible assets acquired in the Ikaria Acquisition and Therakos Acquisition. The installment sale transactions resulted in a taxable gain. In accordance with Internal Revenue Code Section 453A ("Section 453A") the gain is considered taxable in the period in which installment payments are received. As of September 30, 2016, the Group had an aggregate $1,883.7 million of interest bearing U.S. deferred tax liabilities associated with outstanding installment notes. The U.S. GAAP calculation of interest associated with these deferred tax liabilities is subject to variable interest rates. The Group recognized interest expense associated with the Section 453A deferred tax liabilities of $73.8 million and $36.5 million for fiscal 2016 and 2015, respectively.

The Group has reported Section 453A interest on its tax returns on the basis of its interpretation of the U.S. Internal Revenue Code and Regulations. Alternative interpretations of these provisions could result in additional interest payable on the deferred tax liability. Due to the inherent uncertainty in these interpretations, the Group has deferred the recognition of the benefit associated with the Group’s interpretation and maintains a corresponding liability, which had a balance of $25.7 million recorded in creditors (amounts falling due after more than one year) on the consolidated balance sheet at September 30, 2016. This balance is expected to increase over future periods until such uncertainty is resolved. Favorable resolution of this uncertainty would likely result in a material reversal of this liability and a benefit being recorded to interest payable and similar charges within the consolidated profit and loss account.

Leases

The Group has facility, vehicle and equipment leases that expire at various dates. Rental expense under facility, vehicle and equipment operating leases was $27.7 million and $29.0 million for fiscal 2016 and 2015, respectively. The Group also has facility and equipment commitments under capital leases.

The following is a schedule of minimum lease payments for non-cancelable leases as of September 30, 2016:

	Operating Leases	Capital Leases
Fiscal 2017	$ 30.6	$ 1.0
Fiscal 2018	23.1	0.2
Fiscal 2019	19.5	—
Fiscal 2020	14.1	—
Fiscal 2021	11.6	—
Thereafter	45.4	—
Total minimum lease payments	$ 144.3	1.2
Less: interest portion of payments		—
Present value of minimum lease payments		$ 1.2

Tax Matters

The income tax returns of the Group and its subsidiaries are periodically examined by various tax authorities. The resolution of these matters is subject to the conditions set forth in the tax matters agreement entered into between the Group and Covidien ("the Tax Matters Agreement"). Covidien has the right to administer, control and settle all U.S. income tax audits for periods prior to the Separation. While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Group believes, given the information currently available, that established liabilities are reasonable and that the ultimate resolution of these matters will not have a material adverse effect on its financial condition, results of operations and cash flows.

On January 19, 2016, Tyco International plc (“Tyco International”) announced it had entered into Stipulations of Settled Issues with the IRS to resolve certain disputes before the U.S. Tax Court. The disputes involved IRS audits of Tyco International for years in which companies that are now subsidiaries of Mallinckrodt were subsidiaries of Tyco International. On May 31, 2016 the U.S. Tax Court entered decisions consistent with the Stipulations of Settled Issues. As a result, all aspects of the controversy that were before the U.S. Tax Court and Appeals Division of the IRS have been resolved for audit cycles from 1997-2007. Mallinckrodt is not a participant in the tax sharing agreement between Medtronic plc (as successor to Covidien plc), Tyco International and TE Connectivity and will not share in or be responsible for any payments to be made under the terms of the settlement.

The IRS is examining tax years 2010-2012 with respect to certain tax returns filed by Covidien. Taxes for periods prior to September 29, 2012 are subject to the Group's $200.0 million liability limitation, as prescribed in the Tax Matters Agreement. The Group believes that it is adequately reserved for taxes related to these years.

Prior to the Separation, the Group provided and accrued for an indemnification, to the purchaser of a certain legal entity, to indemnify it for tax obligations should the tax basis of certain assets not be recognized. The Group believes that, under the terms of the agreement between the parties, this indemnification obligation has expired. As such, the Group eliminated this liability and recorded a $22.5 million benefit, during fiscal 2015, in discontinued operations.

Acquisition-Related Litigation

Several putative class actions were filed by purported holders of Questcor common stock in connection with the Questcor Acquisition *(Hansen v. Thompson, et al., Heng v. Questcor Pharmaceuticals, Inc., et al., Buck v. Questcor Pharmaceuticals, Inc., et al., Ellerbeck v. Questcor Pharmaceuticals, Inc., et al., Yokem v. Questcor Pharmaceuticals, Inc., et al., Richter v. Questcor Pharmaceuticals, Inc., et al., Tramantano v. Questcor Pharmaceuticals, Inc., et al., Crippen v. Questcor Pharmaceuticals, Inc., et al., Patel v. Questcor Pharmaceuticals, Inc., et al.,* and *Postow v. Questcor Pharmaceuticals, Inc., et al.)*. The actions were consolidated on June 3, 2014. The consolidated complaint named as defendants, and generally alleged that, the directors of Questcor breached their fiduciary duties in connection with the acquisition by, among other things, agreeing to sell Questcor for inadequate consideration and pursuant to an inadequate process. The consolidated complaint also alleged that the Questcor directors breached their fiduciary duties by failing to disclose purportedly material information to

shareholders in connection with the merger. The consolidated complaint also alleged, among other things, that the Group aided and abetted the purported breaches of fiduciary duty. The lawsuits sought various forms of relief, including but not limited to, rescission of the transaction, damages and attorneys' fees and costs.

On July 29, 2014, the defendants reached an agreement in principle with the plaintiffs in the consolidated actions, and that agreement was reflected in a Memorandum of Understanding ("MOU"). In connection with the settlement contemplated by the MOU, Questcor agreed to make certain additional disclosures related to the proposed transaction with the Group, which are contained in the Group's Current Report on Form 8-K filed with the SEC on July 30, 2014. Additionally, as part of the settlement and pursuant to the MOU, the Group agreed to forbear from exercising certain rights under the merger agreement with Questcor, as follows: the four business day period referenced in Section 5.3(e) of the merger agreement with Questcor was reduced to three business days. Consistent with the terms of the MOU, the parties entered into a formal stipulation of settlement in February 2015 and re-executed the stipulation of settlement on May 7, 2015 (collectively the "Stipulation of Settlement").

The Stipulation of Settlement was subject to customary conditions, including court approval. On May 8, 2015, the California Court denied plaintiffs' Motion for Preliminary Approval of Settlement. On October 23, 2015, the parties submitted a proposed Stipulation and Order re Dismissal With Prejudice dismissing the action with prejudice as to each of the named plaintiffs and without prejudice as to the remainder of the class and, on October 30, 2015, the California Court entered that Order.

Other Matters

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

22. 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 Group 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 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 34.6	$ 23.1	$ 11.5	$ —
Foreign exchange forward and option contracts	0.2	0.2	—	—
	$ 34.8	$ 23.3	$ 11.5	$ —
Liabilities:				
Deferred compensation liabilities	$ 26.8	$ —	$ 26.8	$ —
Contingent consideration and acquired contingent liabilities	247.8	—	—	247.8
Foreign exchange forward and option contracts	1.6	1.6	—	—
	$ 276.2	$ 1.6	$ 26.8	$ 247.8

	September 25, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 34.6	$ 24.2	$ 10.4	$ —
	$ 34.6	$ 24.2	$ 10.4	$ —
Liabilities:				
Deferred compensation liabilities	$ 20.0	$ —	$ 20.0	$ —
Contingent consideration and acquired contingent liabilities	174.6	—	—	174.6
Foreign exchange forward and option contracts	3.3	3.3	—	—
	$ 197.9	$ 3.3	$ 20.0	$ 174.6

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

Foreign exchange forward and option contracts. Foreign currency option and forward contracts are used to economically manage the foreign exchange exposures of operations outside the U.S. Quoted prices are available in an active market; as such, these derivatives are classified as level 1.

Deferred compensation liabilities. The Group maintains a non-qualified deferred compensation plan in the U.S., which permits eligible employees of the Group 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 Group's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Goodwill. The Group performs an annual goodwill impairment assessment using an income approach based on the present value of future cash flows. See further discussion in Notes 2 and 12.

Contingent consideration and acquired contingent liabilities. In October 2012, the Group recorded contingent consideration of $6.9 million upon the CNS Therapeutics Acquisition. This contingent consideration, which could potentially total a maximum of $9.0 million, is primarily based on whether the FDA approves another concentration of Gablofen on or before December 31, 2016. The fair value of the contingent payments was measured based on the probability-weighted present value of the consideration expected to be transferred using a discount rate of 1.0%. At September 30, 2016, the fair value of this contingent consideration was $0.9 million.

In August 2014, the Group recorded acquired contingent liabilities of $195.4 million from the Questcor Acquisition. The contingent liabilities relate to Questcor's contingent obligations associated with their acquisition of an exclusive, perpetual and irrevocable license to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot (collectively "Synacthen") from Novartis AG and Novartis Pharma AG (collectively "Novartis") and their acquisition of BioVectra. The fair value of these contingent consideration obligations at September 30, 2016 were $123.4 million.

Under the terms of the license agreement with Novartis, the Group made a $25.0 million payment in fiscal 2016, and is obligated to make annual payments of $25.0 million subsequent to fiscal 2016 until such time that the Group obtains FDA approval of Synacthen and makes a $25.0 million payment upon obtaining FDA approval of Synacthen. If FDA approval is obtained, the Group will pay an annual royalty to Novartis based on a percentage of turnover of the products in the U.S. market. As of September 30, 2016, the total remaining payments under the license agreement shall not exceed $165.0 million. The terms of the license agreement do allow the Group to terminate the license agreement at our discretion following the fiscal 2018 payment or upon the occurrence of certain events following the fiscal 2016 payment. The Group measured the fair value of the contingent payments based on a probability-weighted present value of the consideration expected to be transferred using a discount rate of 4.7%.

Based on the terms of the acquisition agreement with the former shareholders of BioVectra, the Group was obligated to pay additional cash consideration of $50.0 million CAD based on BioVectra's financial results from January 2013 through a portion of fiscal 2016. During fiscal 2015 and 2014, the Group made $5.0 million CAD payments. During fiscal 2016, the Group paid the remaining obligation of $40.0 million CAD to the former owners of BioVectra to reach the maximum cumulative payment of $50.0 million CAD. At September 30, 2016, there are no further contingent liabilities associated with BioVectra.

As part of the Hemostasis Acquisition, the Group provided contingent consideration to The Medicines Company in the form of sales based milestones associated with Raplixa and PreveLeak, and acquired contingent liabilities associated with The Medicines Company's prior acquisitions of the aforementioned products. The Group determined the fair value of the contingent consideration and acquired contingent liabilities based on an option pricing model to be $57.7 million and $11.0 million, respectively, at September 30, 2016.

As part of the Stratatech Acquisition, the Group provided contingent consideration to the Stratatech Corporation, primarily in the form of regulatory filing and approval milestones associated with the deep partial thickness and full thickness indications associated with the StrataGraft product. The Group assesses the likelihood of and timing of making such payments. The Group determined the fair value of the contingent consideration associated with the Stratatech Acquisition to be $54.9 million at September 30, 2016.

Balance at September 25, 2015	$	174.6
Acquisition date fair value of acquired contingent consideration		106.9
Acquisition date fair value of contingent consideration		10.6
Payments		(55.0)
Accretion expense		6.3
Fair value adjustment		4.4
Balance at September 30, 2016	$	247.8

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash at bank and in hand, trade debtors, trade creditors and the majority of other debtors (amounts falling due within one year) and creditors (amounts falling due within one year) approximate fair value because of their short-term nature. The Group 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 to the Group of three months or less, as cash in bank and on hand (level 1). The fair value of restricted cash is equivalent to its carrying value of $19.1 million and $66.7 million as of September 30, 2016 and September 25, 2015, respectively (level 1), substantially all of which is included in financial assets on the consolidated balance sheets. The Group'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 $68.7 million and $69.0 million at September 30, 2016 and September 25, 2015, respectively. These contracts are included in financial assets on the consolidated balances sheets.

The carrying values of the Group's revolving credit facility and variable rate receivable securitization approximate the fair values due to the short-term nature of these instruments. The carrying values of the 4.00% term loan approximates the fair value of this instrument, as calculated using the discounted exit price for the instrument, and is therefore classified as level 3. Since the quoted market prices for the Group's term loans and 8.00% and 9.50% debentures are not available in an active market, they are classified as level 2 for purposes of developing an estimate of fair value. The Group's 3.50%, 4.75%, 4.875%, 5.50%, 5.625% and 5.75% notes are classified as level 1, as quoted prices are available in an active market for these notes. The following table presents the carrying values and estimated fair values of the Group's long-term debt, excluding capital leases, as of the end of each period:

	September 30, 2016		September 25, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Variable rate receivable securitization	$ 235.0	$ 235.0	$ 153.0	$ 153.0
3.50% notes due April 2018	300.0	299.6	300.0	294.3
4.875% notes due April 2020	700.0	712.4	700.0	684.1
Term loans due March 2021	1,953.5	1,951.8	1,978.5	1,966.5
4.00% term loan due February 2022	7.1	7.1	7.9	7.9
9.50% debentures due May 2022	10.4	12.1	10.4	13.0
5.75% notes due August 2022	884.0	869.3	900.0	876.1
8.00% debentures due March 2023	4.4	4.9	4.4	5.3
4.75% notes due April 2023	600.0	539.5	600.0	539.6
5.625% notes due October 2023	740.0	710.2	750.0	705.2
5.50% notes due April 2025	700.0	663.6	700.0	646.0
Revolving credit facility	—	—	500.0	500.0

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Group to concentrations of credit risk primarily consist of trade debtors. The Group does not require collateral from customers. A portion of the Group's trade debtors outside the U.S. includes turnover 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 turnover attributable to distributors that accounted for 10% or more of the Group's total turnover:

	Fiscal Year	
	2016	2015
CuraScript, Inc.	33%	28%
McKesson Corporation	11%	16%
Cardinal Health, Inc.	9%	13%

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

	September 30, 2016	September 25, 2015
McKesson Corporation	27%	22%
AmerisourceBergen Corporation	14%	11%
CuraScript, Inc.	13%	15%
Cardinal Health, Inc.	10%	13%

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

	Fiscal Year	
	2016	2015
Acthar	30%	28%
Inomax	12%	5%

23. Segment and Geographical Data

During the first quarter of fiscal 2015, the Group changed its reportable segments to present the Specialty Brands and Specialty Generics businesses as reportable segments. The Group historically presented the Specialty Brands and Specialty Generics businesses within the Specialty Pharmaceuticals segment.

On November 27, 2015, the Group completed the sale of the CMDS business to Guerbet. As a result, the CMDS business was eliminated from the Global Medical Imaging segment, which was renamed Nuclear Imaging.

During the fourth quarter of fiscal 2016, the Group announced that it had entered into a definitive agreement to sell its Nuclear Imaging business to IBAM, which is expected to be completed during the first half of calendar 2017. The Nuclear Imaging business is deemed to be held for sale and the financial results of this business are presented as a discontinued operation.

Prior year amounts have been recast to conform to current presentation.

The two reportable segments are further described below:

- *Specialty Brands* produces and markets branded pharmaceuticals and therapies; and
- *Specialty Generics* produces and markets specialty generic pharmaceuticals and API consisting of biologics, medicinal opioids, synthetic controlled substances, acetaminophen and other active ingredients.

Management measures and evaluates the Group's operating segments based on segment turnover and operating profit. Management excludes corporate expenses from segment operating profit. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating profit because management evaluates the operating results of the segments excluding such items. These items include revenues and expenses associated with turnover of products to Guerbet, intangible asset amortization, net restructuring and related charges and non-restructuring impairments. Although these amounts are excluded from segment operating profit, as applicable, they are included in reported consolidated operating profit and in the following reconciliations.

Management manages assets on a total Group basis, not by operating segment. The chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, the Group does not report asset information by operating segment. Total assets were approximately $15.5 billion and $16.4 billion at September 30, 2016 and September 25, 2015, respectively.

	Fiscal Year	
	2016	2015
Turnover:		
Specialty Brands	$ 2,300.6	$ 1,622.8
Specialty Generics	1,025.2	1,251.6
Turnover of operating segments [1]	3,325.8	2,874.4
Other [2]	55.0	48.7
Turnover from continuing activities	3,380.8	2,923.1
Turnover from discontinued operations	479.6	837.6
Turnover	$ 3,860.4	$ 3,760.7
Operating profit:		
Specialty Brands	$ 1,166.2	$ 637.6
Specialty Generics	376.1	594.4
Segment operating profit	1,542.3	1,232.0
Unallocated amounts:		
Corporate and allocated expenses [3]	(260.3)	(294.1)
Intangible asset amortization	(700.1)	(550.3)
Restructuring and related charges, net [4]	(38.2)	(45.3)
Non-restructuring impairments	(16.9)	—
Operating profit from continuing activities	526.8	342.3
Operating profit from discontinued operations	198.6	136.4
Operating profit	$ 725.4	$ 478.7
Depreciation and amortization [5]:		
Specialty Brands	$ 716.6	$ 559.5
Specialty Generics	96.8	81.6
Depreciation and amortization from continuing activities	813.4	641.1
Depreciation and amortization from discontinued operations	20.9	30.9
Depreciation and amortization	$ 834.3	$ 672.0

(1) Amounts represent turnover to external customers. There were no intersegment turnover.

(2) Represents turnover from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business. Amounts for periods prior to the divestiture represent the reclassification of intercompany turnover to third-party sales to conform with the expected presentation of the ongoing supply agreement.

(3) Includes administration expenses and certain compensation, environmental and other costs not charged to the Group's operating segments.

(4) Includes restructuring-related accelerated depreciation.

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

Turnover by product family from continuing activities within the Group's segments was as follows:

	Fiscal Year	
	2016	2015
Acthar	$ 1,160.4	$ 1,037.3
Inomax	474.3	185.2
Ofirmev	284.3	263.0
Therakos immunotherapy	207.6	—
Hemostasis products	42.5	—
Other	131.5	137.3
Specialty Brands	2,300.6	1,622.8
Hydrocodone (API) and hydrocodone-containing tablets	146.5	167.2
Oxycodone (API) and oxycodone-containing tablets	126.2	154.6
Methylphenidate ER	103.5	136.5
Other controlled substances	468.1	572.2
Other	180.9	221.1
Specialty Generics	1,025.2	1,251.6
Other [1]	55.0	48.7
Turnover from continuing activities	$ 3,380.8	$ 2,923.1

(1) Represents turnover from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business. Amounts for periods prior to the divestiture represent the reclassification of intercompany sales to third-party sales to conform with the expected presentation of the ongoing supply agreement.

Selected information by geographic area was as follows:

	Fiscal Year	
	2016	2015
Turnover [1]:		
U.S.	$ 3,388.6	$ 3,097.5
Europe, Middle East and Africa	360.9	361.0
Other	110.9	302.2
	$ 3,860.4	$ 3,760.7
Long-lived assets [2]:		
U.S.	$ 899.8	$ 932.2
Europe, Middle East and Africa [3]	96.4	72.0
Other	52.5	53.8
	$ 1,048.7	$ 1,058.0

(1) Turnover is attributed to regions based on the location of the entity that records the transaction, none of which relate to the country of Ireland.
(2) Long-lived assets are primarily composed of tangible assets.
(3) Includes long-lived assets located in Ireland of $59.3 million and $37.1 million at the end of fiscal 2016 and 2015, respectively.

24. Loss Attributable to Mallinckrodt plc

In accordance with Section 304(2) of the Companies Act 2014, the Group is availing itself of the exemption from presenting and filing its parent company profit and loss account. The Company's loss for the financial year as determined in accordance with Irish GAAP FRS 102 was $205.9 million and $22.3 million for fiscal 2016 and 2015, respectively.

25. Directors' Remuneration

Directors' remuneration is set forth in the table below. Mr. Trudeau, the Group's President and Chief Executive Officer and Director, is not compensated for his services as a director. Accordingly, the amounts below for "Managerial Services" include compensation for Mr. Trudeau's services as President and Chief Executive Officer. The amounts below also include compensation for all non-executive directors in their capacities as such (referred to as "Director Services").

	2016	2015
Director Services [1]	$ 4.0	$ 4.0
Managerial Services [2]	11.4	5.0
	$ 15.4	$ 9.0

(1) Includes cash payments and amounts expensed for outstanding equity awards.

(2) For both fiscal 2016 and 2015, includes cash payments, amounts expensed for outstanding equity awards, defined contribution retirement and supplemental savings plan contributions, tax reimbursement payments and other benefits.

Indemnification Agreements. Mallinckrodt plc has entered into deeds of indemnification with each of its directors and Secretary ("the Deeds of Indemnification"), and Mallinckrodt Brand Pharmaceuticals, Inc., a Delaware corporation and a wholly owned subsidiary of Mallinckrodt plc ("Brand Pharma"), has entered into indemnification agreements with each of Mallinckrodt plc's directors and Secretary ("the Indemnification Agreements"). The Deeds of Indemnification and Indemnification Agreements provide, respectively, that Mallinckrodt plc and Brand Pharma will, to the fullest extent permitted by law, indemnify each indemnitee against claims related to such indemnitee's service to Mallinckrodt, except (i) in respect of any claim as to which a final and non-appealable judgment is rendered against the indemnitee for an accounting of profits made from the purchase or sale by such indemnitee of securities of Mallinckrodt plc pursuant to the provisions of Section 16(b) of the U.S. Securities Exchange Act of 1934 or similar provision of any federal, state or local laws; (ii) in respect of any claim as to which a court of competent jurisdiction has determined in a final and non-appealable judgment that indemnification is not permitted under applicable law; or (iii) in respect of any claim as to which the indemnitee is convicted of a crime constituting a felony under the laws of the jurisdiction where the criminal action was brought (or, where a jurisdiction does not classify any crime as a felony, a crime for which the indemnitee is sentenced to death or imprisonment for a term exceeding one year).

26. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	2016 [1]	2015 [1]
Audit of the group accounts [2]	$ 205.4	$ 207.2
Other assurance services [2]	188.1	194.1
	$ 393.5	$ 401.3

(1) No amounts were incurred for tax advisory or non-audit services.

(2) The Group incurred additional fees of $7,462.7 thousand and $13,515.1 thousand during fiscal 2016 and 2015, respectively, payable to affiliates of Deloitte, Ireland. These additional amounts reflect fees for professional services rendered, including audit fees payable to Deloitte & Touche LLP in the U.S. for the audit of the Group's consolidated financial statements.

27. Financial Assets

The Group's financial asset activity during fiscal 2016 and 2015 was as follows:

	Assets Held by Rabbi Trusts	Insurance Contracts for Pension Plans	Restricted Cash	Other Financial Assets	Total Financial Assets
At September 26, 2014	$ 92.0	$ 12.7	$ 69.8	$ 3.1	$ 177.6
Unrealized gain	2.8	—	—	—	2.8
Cash received (paid)	(2.3)	(0.5)	(3.1)	(0.7)	(6.6)
Amortization	—	0.4	—	—	0.4
Currency translation and other	—	(1.6)	—	—	(1.6)
At September 25, 2015	92.5	11.0	66.7	2.4	172.6
Unrealized gain	4.3	—	—	—	4.3
Disposals	—	(1.3)	(0.3)	—	(1.6)
Cash paid (received), net	(3.0)	(0.3)	(47.3)	(0.6)	(51.2)
Amortization	—	0.1	—	—	0.1
At September 30, 2016	$ 93.8	$ 9.5	$ 19.1	$ 1.8	$ 124.2

28. Debtors

At the end of fiscal 2016 and 2015, debtors were comprised of:

	2016	2015
Amounts falling due within one year		
Trade debtors	$ 519.5	$ 617.1
Deferred taxation	—	151.9
Sales taxes recoverable	14.7	19.9
Prepaid taxation charges	10.0	10.1
Taxation receivable	44.1	89.0
Other debtors and prepayments	57.7	72.6
	646.0	960.6
Amounts falling due after more than one year		
Deferred taxation	24.8	17.6
Insurance receivables	11.7	12.9
Pension asset (Note 16)	14.6	20.1
Deferred taxation charges	86.6	52.2
Other debtors	34.1	37.2
	171.8	140.0
	$ 817.8	$ 1,100.6

29. Provisions for Liabilities

At the end of fiscal 2016 and 2015, provisions for liabilities comprised of:

	2016	2015
Pensions and similar obligations (Note 16)	$ 159.5	$ 130.4
Deferred taxes (Note 8)	2,551.8	3,140.1
Other provisions	624.1	478.7
	$ 3,335.4	$ 3,749.2

Other provision activity during fiscal 2016 and 2015 was as follows:

	Environmental (Note 21)	Asset Retirement Obligations (Note 21)	Insurance Claims	Restructuring Reserves (Note 6)	Guarantees (Note 20)	Contingent Consideration (Note 22)	Other	Total
At September 26, 2014	$ 67.1	$ 40.8	$ 11.9	$ 34.9	$ 39.2	$ 202.8	$ 163.0	$ 559.7
Provisions, net	18.7	(1.0)	68.0	31.0	(23.1)	(29.0)	42.6	107.2
Accretion	—	1.8	—	—	—	7.5	—	9.3
Utilization	(9.4)	—	(67.2)	(44.3)	(0.4)	—	(61.7)	(183.0)
Other, including currency translation	—	(3.3)	—	(3.6)	—	(6.7)	(0.9)	(14.5)
At September 25, 2015	76.4	38.3	12.7	18.0	15.7	174.6	143.0	478.7
Provisions, net	4.5	3.8	72.6	35.5	—	117.5	178.1	412.0
Accretion	—	2.2	—	—	—	6.3	—	8.5
Fair market value adjustments	—	—	—	—	—	4.4	—	4.4
Disposals	(0.6)	(5.1)	—	—	7.3	—	—	1.6
Utilization	(4.3)	—	(70.8)	(33.7)	—	(55.0)	(116.0)	(279.8)
Other, including currency translation	—	—	—	(1.3)	—	—	—	(1.3)
At September 30, 2016	$ 76.0	$ 39.2	$ 14.5	$ 18.5	$ 23.0	$ 247.8	$ 205.1	$ 624.1

30. Employees

The average number of persons, including executive directors, employed by the Group during the year was as follows:

	2016	2015
Manufacturing	2,459	2,882
Sales, marketing and distribution	1,336	1,361
Research and development	463	494
General and administrative	854	883
	5,112	5,620

Employee costs consisted of the following:

	2016	2015
Wages and salaries	$ 726.3	$ 831.4
Social security costs	47.1	55.6
Pension and postretirement costs	48.9	38.9
	$ 822.3	$ 925.9

31. Post-Balance Sheet Events

Commitments and Contingencies

In December 2016, the Group received a subpoena from the United States Attorney's Office for the District of Massachusetts for documents related to the Group's provision of financial and other support to patients, including through charitable foundations, and related matters. We are in the process of responding to the subpoena and we intend to cooperate fully in the investigation.

In January 2017, the Group entered into an agreement to resolve the FTC investigation into Questcor's acquisition of Synacthen, as proceedings discussed in Note 21 of the Notes to the Consolidated Financial Statements. As a result of this agreement, the Group increased provisions for legal settlements by $102.0 million.

Investment in Mesoblast

In December 2016, the Group entered into an equity purchase agreement with Mesoblast Limited. In consideration for the purchase of Mesoblast's shares, the Group will receive an exclusive period of up to nine months to conclude commercial and development agreements for Mesoblast's therapy products used to treat chronic low back pain and acute graft versus host disease. In January 2017, $21.5 million of consideration was remitted to Mesoblast in exchange for the equity shares.

32. Subsidiary Undertakings

As of September 30, 2016, the Group had the following subsidiary undertakings:

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
101610 PEI, Inc.	Holding	100%	BDC Place, Suite 620 119 Kent Street Charlottetown, PE, C1A 1N3 Canada
Acthar IP Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
BioVectra, Inc.	Operating	100%	11 Aviation Avenue Charlottetown, PE, C1E 0A1 Canada
Cache Holdings Limited	Holding	100%	Appleby Canon's Court 22 Victoria Street, PO Box HM 1179 Hamilton, HM 12 Bermuda
Carnforth Limited	Operating	100%	Appleby Canon's Court 22 Victoria Street, PO Box HM 1179 Hamilton, HM 12 Bermuda
CNS Therapeutics, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Dritte CORSA Verwaltungsgesellschaft GmbH	Inactive	100%	Josef‑Dietzgen‑Strasse 1 53773 Hennef, Germany
DT Merger Sub, Inc.	Inactive	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Enterprises Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Ikaria Australia Pty Ltd	Operating	100%	Deacons L 15 485 Bourke Street Melbourne VIC 3000 Australia
Ikaria Canada Inc.	Operating	100%	160 Elgin Street, Suite 2600 Ottawa, Ontario, K1P 13 Canada
Ikaria Japan K.K.	Operating	100%	Oak MinamiAzabu Bldg. 2F 19‑23, Minami‑Azabu 3‑chome Minato‑ku, Tokyo Japan
IMC Exploration Company	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
INO Therapeutics LLC	Operating	100%	1209 Orange Street Wilmington, Delaware 19801 United States
Ludlow Corporation	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt APAP LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Finance, Inc.	Finance and Administrative	100%	1209 Orange Street Wilmington, Delaware 19801 United States

Mallinckrodt ARD Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Holdings Limited (FKA MIFSA UK Limited)	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Mallinckrodt ARD Inc.	Operating	100%	818 West Seventh Street Los Angeles, California 90017 United States
Mallinckrodt ARD IP Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Belgium BVBA	Operating	100%	Generaal De Wittelaan 9/5 2800 Mechelen Belgium
Mallinckrodt Brand Pharmaceuticals, Inc. (DE)	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Buckingham Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Canada Cooperatie U.A.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Canada ULC	Operating	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt CB LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Chemical Holdings (UK) Ltd.	Inactive	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt Chemical Limited	Operating	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt Critical Care Finance, Inc.	Finance and Administrative	100%	1209 Orange Street Wilmington, Delaware 19801 United States
Mallinckrodt Enterprises Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises UK Limited	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Mallinckrodt Equinox Limited	Holding	100%	Perth House Millennium Way Chesterfield S41 8ND, United Kingdom
Mallinckrodt Finance GmbH	Finance and Administrative	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall Switzerland
Mallinckrodt Finance Management Ireland Limited	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt France S.a.r.l. (FKA Covidien Imaging France Sarl)	Operating	100%	2 Rue Denis Diderot 78852 Elancourt Cedex France
Mallinckrodt Group S.a.r.l	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg

Mallinckrodt Holdings GmbH	Holding	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall, Switzerland Germany
Mallinckrodt Hospital Products Inc.	Operating	100%	1209 Orange Street Wilmington, Delaware 19801 United States
Mallinckrodt Hospital Products IP Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt International Finance S.A.	Finance and Administrative	100%	3b, Boulevard Prince Henri L-1274 Luxembourg Luxembourg
Mallinckrodt International Holdings, S.a.r.l.	Holding	100%	42‑44 avenue de la Gare L‑1610 Luxembourg Luxembourg
Mallinckrodt IP Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Japan Co. Ltd.	Operating	100%	4-14, Koraku 1-chome Bunkyo-ku, Tokyo 112-0004 Japan
Mallinckrodt LLC	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Lux IP S.a.r.l.	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Manufacturing LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Medical B.V.	Operating	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands
Mallinckrodt Medical Holdings (UK) Limited	Holding	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt MFC LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Netherlands Holdings BV	Operating	100%	Stationsplein 91 and 105 Hertogenbosch 5211 BM The Netherlands
Mallinckrodt Nuclear LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Nuclear Medicine LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt PEI Inc.	Other	100%	1400‑1250 Renè Lèvesque Blvd. West Montreal, Quebec H3B 5E9 Canada
Mallinckrodt Petten Holdings B.V.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Pharma IP Trading D.A.C.	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Pharmaceuticals India Private Limited	Operating	100%	Unit No. 216 Second Floor Square One, C‑2, District Centre, Saket New Delhi, 110017
Mallinckrodt Pharmaceuticals Ireland Limited	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland

Mallinckrodt Pharmaceuticals Limited	Operating	100%	Perth House Millennium Way Chesterfield, Derbyshire, S41 8ND United Kingdom
Mallinckrodt Quincy S.a.r.l.	Holding	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Radioisotopes B.V.	Other	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands
Mallinckrodt Radiopharmaceuticals Deutschland GmbH	Operating	100%	Josef‑Dietzgen‑Strasse 1 53773 Hennef Germany
Mallinckrodt Radiopharmaceuticals Italia SpA	Operating	100%	Segrate (MI) Via Rivoltana 2/D 20090 Segrate (MI) Italy FORLANINI ENRICO 23 MILANO (MI), 20134 Italy
Mallinckrodt Radiopharmaceuticals Spain SL	Operating	100%	Ribera del Loira, 46, Edificio 2 28042 Madrid Spain
Mallinckrodt Radiopharmaceuticals Sverige AB	Operating	100%	Kungsgatan 50, 3tr 111 35 Stockholm Sweden
Mallinckrodt RP Canada Inc.	Operating	100%	1250 Rene‑Levesque Blvd. West Suite 1400 Montreal QC, H3B 5E9 Canada
Mallinckrodt RP UK Ltd	Operating	100%	Ground Floor Building 1000 Lakeside North Harbour Western Road Portsmouth, PO6 3EZ United Kingdom
Mallinckrodt Securitization S.a.r.l.	Finance and Administrative	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Specialty Pharmaceuticals Ireland Limited	Operating	100%	Sandyford Business Center, Unit 7 Blackthorn Road Dublin 18 Ireland
Mallinckrodt Switzerland Limited	Operating	100%	Hinterbergstrasse 20 6330 Cham Switzerland
Mallinckrodt UK Finance LLP	Finance and Administrative	100%	Perth House Millennium Way Chesterfield, Derbyshire, S41 8ND United Kingdom
Mallinckrodt UK Ltd	Finance and Administrative	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Mallinckrodt US Holdings LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Pool LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Veterinary, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Windsor Ireland Finance Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Windsor S.a.r.l.	Holding	100%	42-44 avenue de la Gare L-1610 Luxembourg Grand Duchy of Luxembourg

MEH, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MHP Finance, Inc.	Finance and Administrative	100%	1209 Orange Street Wilmington, Delaware 19801 United States
MKG Medical UK Ltd	Finance and Administrative	100%	Perth House Millennium Way Chesterfield, Derbyshire S41 8ND United Kingdom
Montjeu Limited	Operating	100%	Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
MUSHI UK Holdings Limited	Holding	100%	TMF Corporate Secretarial Services Limited 5th Floor, 6 St. Andrew Street London, EC4A 3AE United Kingdom
Phoenixglade Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Profibrix B.V.	Operating	100%	Darwinweg 24 2333 CR Leiden, The Netherlands
Questcor International Limited	Other	100%	Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
Ribogene, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Stratatech Corporation	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Therakos (Belgium) SPRL	Operating	100%	Rue Royale 97 (4th Floor) B‑1000 Brussels Belgium
Therakos (Canada) Company	Operating	100%	Suite 900, 1959 Upper Water Street P. O. Box 997 Halifax Nova Scotia B3J 3N2 Canada
Therakos (France) SAS	Operating	100%	105 Avenue Raymond Poincare 75116 Paris France
Therakos (Italia) S.r.l	Operating	100%	via Birmania 81 00144 Rome Italy
Therakos (UK), Ltd	Operating	100%	11 Old Jewry, 7th Floor London EC2R 8DU United Kingdom
Therakos Germany GmbH	Operating	100%	Frankfurt am Main Georgia
Therakos, Inc.	Operating	100%	5 Great Valley parkway Malvern, Pennsylvania 19355 United States
Viking Project Company, LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

As of September 30, 2016, the Group had the following branches and representative offices outside of Ireland:

Branch	Country
Mallinckrodt Netherlands Holdings B.V. Holland (Denmark Branch)	Denmark
Mallinckrodt Netherlands Holdings B V (Finland Branch)	Finland
Mallinckrodt Netherlands Holdings B.V. Russian Representative Office	Russia
Mallinckrodt Group S.a.r.l. Luxembourg (LU) Scaffhausen Branch	Switzerland
Mallinckrodt Netherlands Holdings B.V. Slovakia, organizacná zlozka	Slovakia
Mallinckrodt Netherlands Holdings B.V., organizacní slozka	Czech Republic
Therakos (UK), Limited Dutch Branch	Netherlands
Therakos (UK), Ltd Sweden Filial	Sweden
Therakos (UK), Limited, Sucursal en Espana	Spain

MALLINCKRODT PUBLIC LIMITED COMPANY

Company Financial Statements
For the Fiscal Year ended September 30, 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALLINCKRODT PLC

We have audited the company financial statements of Mallinckrodt plc for the year ended 30 September 2016 which comprise the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes 1 to 12. The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

We have reported separately on the group financial statements of Mallinckrodt plc for the year ended 30 September 2016.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Company Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 30 September 2016; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The company's balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

/s/Philip Barton
Philip Barton
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin
Date: 19 January 2017

MALLINCKRODT PLC
COMPANY BALANCE SHEETS
(in millions)

	Note	September 30, 2016	September 25, 2015
Fixed Assets			
Financial assets	2	$ 8,021.1	$ 17,892.0
Current Assets			
Debtors	3	184.0	198.6
Cash at bank and in hand		0.3	0.1
		184.3	198.7
Creditors (amounts falling due within one year)			
Amounts owed to subsidiaries	4	616.2	9,699.9
Accruals and other creditors		2.2	1.9
		618.4	9,701.8
Net Current Liabilities		(434.1)	(9,503.1)
Total Assets Less Current Liabilities		7,587.0	8,388.9
Net Assets		$ 7,587.0	$ 8,388.9
Capital and Reserves			
Called-up share capital presented as equity	7	$ 23.6	$ 23.5
Share premium account	7	3,996.5	3,982.6
Other reserves	7	2,020.4	1,977.5
Profit and loss account	7	1,546.5	2,405.3
Shareholders' Funds		$ 7,587.0	$ 8,388.9

Approved by the board of directors on 19 January 2017 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
(in millions)

	Called-up Share Capital			Other Reserves		
	Number	Amount	Share Premium Account	Other	Profit and Loss Account	Total
Balance at September 26, 2014	116.2	$ 23.2	$ 3,948.4	$ 1,860.6	$ 2,519.8	$ 8,352.0
Loss after taxation	—	—	—	—	(22.3)	(22.3)
Share options exercised	1.2	0.2	34.2	—	—	34.4
Vesting of restricted shares	1.3	0.3	—	(0.3)	—	—
Shares canceled	(1.2)	(0.2)	—	0.2	—	—
Share-based compensation	—	—	—	117.0	—	117.0
Repurchase of ordinary shares	—	—	—	—	(92.2)	(92.2)
Balance at September 25, 2015	117.5	23.5	3,982.6	1,977.5	2,405.3	8,388.9
Loss after taxation	—	—	—	—	(205.9)	(205.9)
Share options exercised	0.4	0.1	13.9	—	—	14.0
Vesting of restricted shares	0.2	—	—	—	—	—
Share-based compensation	—	—	—	42.9	—	42.9
Repurchase of ordinary shares	—	—	—	—	(652.9)	(652.9)
Balance at September 30, 2016	118.1	$ 23.6	$ 3,996.5	$ 2,020.4	$ 1,546.5	$ 7,587.0

MALLINCKRODT PLC
COMPANY STATEMENT OF CASHFLOWS
(in millions)

	Note	2016	2015
Net cash flows from operating activities	8	$ 49.6	$ 4,321.2
Cash flows from investing activities			
Dividends received from subsidiaries		9,869.2	—
Proceeds on disposal of subsidiaries		3.4	—
Purchases of subsidiary undertakings		—	(13,910.7)
Net cash flows from investing activities		9,872.6	(13,910.7)
Cash flows from financing activities			
Repayment of borrowings from subsidiaries	4	(9,870.1)	—
Proceeds on issue of promissory notes to subsidiaries		587.0	9,647.2
Proceeds on issue of shares		14.0	34.4
Repurchase of shares		(652.9)	(92.2)
Net cash flows from financing activities		(9,922.0)	9,589.4
Net increase (decrease) in cash and cash equivalents		**0.2**	**(0.1)**
Cash and cash equivalents at beginning of year		0.1	0.2
Cash and cash equivalents at end of year		**0.3**	**0.1**
Reconciliation to cash at bank and in hand:			
Cash and cash equivalents at end of year		**0.3**	**0.1**

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation

The fiscal 2016 Mallinckrodt plc parent company financial statements have been prepared in accordance with the Companies Act 2014 and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The directors have elected to prepare the parent company financial statements in a manner different from the consolidated financial statements of Mallinckrodt plc as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of the parent company, which is incorporated and registered in the Republic of Ireland.

Mallinckrodt plc reports its results based on a "52-53 week" year ending on the last Friday of September. Financial year 2016 consisted of 53 weeks and 2015 consisted of 52 weeks and ended on September 30, 2016 ("fiscal 2016") and September 25, 2015 ("fiscal 2015"), respectively.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland.

Statement of Compliance

The entity financial statements have been prepared on a going concern basis and comply with Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (‘FRS 102’) and the Companies Act 2014.

Significant Accounting Policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented. The company has adopted FRS 102 for the first time in these entity financial statements. Details of the transition to FRS 102 are disclosed in Note 11.

Functional Currency

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

Currency Translation

Transactions during the financial year denominated in foreign currencies have been translated at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to USD at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

Investments in Subsidiary

Mallinckrodt plc's investment in subsidiaries was recorded at fair value of consideration given plus any directly attributable costs. The investments are tested for impairment if circumstances or indicators suggest that impairment may exist.

Debtors

Debtor balances are carried at the original invoice or agreement amount, less any allowance for potentially uncollectable debts. A provision is recorded where there is evidence that the Company will not be in a position to collect the associated debt.

Dividends

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

Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, canceled or expires.

2. Financial Assets

	2016	2015
At September 25, 2015	$ 17,892.0	$ 3,981.3
Investment in subsidiary undertaking	—	13,910.7
Disposal of investment in subsidiary undertaking	(1.7)	—
Write down following receipt of dividend from subsidiary undertaking	(9,869.2)	—
At September 30, 2016	$ 8,021.1	$ 17,892.0

Mallinckrodt plc owns 100% of the share capital of Mallinckrodt UK Limited (“MUK”), a company incorporated in the United Kingdom. The principal activity of MUK during the financial year was that of a holding company.

On August 22, 2016, Mallinckrodt plc sold its 100% investment in Mallinckrodt Belgium BVBA (“MB-BVBA”) to Mallinckrodt Equinox Limited for a total consideration of $3.4 million. As a result, the Company recorded a realized gain of $1.7 million which was recorded in the profit and loss account. MB-BVBA is no longer a direct subsidiary of the Company, though Mallinckrodt plc continues to be their ultimate parent company.

Following receipt of $9.9 billion dividends from Mallinckrodt UK Limited, the Company recorded an equivalent write down on the value of their investment in subsidiary undertakings such that the overall net assets of the company does not exceed the fair value of the group at the balance sheet date.

3. Debtors

At the end of fiscal 2016 and 2015, debtors were comprised of:

	2016	2015
Due from subsidiary undertakings	$ 182.6	$ 197.3
Other debtors and prepayments	1.4	1.3
	$ 184.0	$ 198.6

4. Amounts Owed to Subsidiaries

At the end of fiscal 2016 and 2015, amounts due to subsidiary undertakings were comprised of:

	2016	2015
Due to subsidiary undertakings	$ 616.2	$ 9,699.9

At September 25, 2015, amounts owed to subsidiary undertakings included a promissory note for $9.6 billion which was outstanding to MKG Medical UK Limited. The annual rate of interest was 12 month USD Libor plus 2.08% and the loan amount of $9.6 billion was payable in full on demand. On April 1, 2016, all rights, title, interest and benefit to this promissory note were assigned to Mallinckrodt Windsor S.à.r.l., another group entity, who became the lender.

On May 20, 2016, Mallinckrodt UK Limited declared a cash dividend of $7.8 billion to Mallinckrodt plc. Mallinckrodt plc then directed Mallinckrodt UK Limited to apply this cash dividend in part repayment of the outstanding loan. Mallinckrodt plc issued a new loan note in settlement of the remaining balance of $2 billion. On September 28, 2016, Mallinckrodt UK Limited declared a cash dividend of $2.1 billion to Mallinckrodt plc. Mallinckrodt plc directed Mallinckrodt UK Limited to apply the cash dividend as settlement in full of the outstanding $2.1 billion loan.

Mallinckrodt plc recorded an interest charge of $177.3 million and $96.5 million for the financial periods ended September 30, 2016 and September 25, 2015 respectively. The interest expense was paid in full as part of the settlement with Mallinckrodt UK Limited. No interest was paid during the period ended September 25, 2015 and the fair value of the loan on that date was $9.7 billion.

On January 15, 2016, Mallinckrodt UK Limited issued a promissory note for $300.0 million. The annual rate of interest is 12 month USD Libor plus 2.08% and the loan is payable in full on demand. In the absence of an earlier demand for payment or extension by mutual consent, the note shall mature on January 15, 2021. The Company recorded an interest charge of $7.0 million for the financial period ended September 30, 2016. No material interest was paid during the period and at the balance sheet date, the fair value of the loan was $307.0 million.

At September 30, 2016, amounts owed to subsidiary undertakings include a promissory note for $287.0 million, which is outstanding to Mallinckrodt Critical Care Finance Inc. The annual rate of interest is 0.67% per annum. In the absence of an earlier demand for payment or mutual consent to extend the repayment date, the note will mature on November 10, 2017. The Company recorded an interest charge of $0.8 million for the financial period ended September 30, 2016. No interest was paid during the period and at the balance sheet date, the fair value of the loan was $287.8 million.

5. Guarantees and Contingencies

Mallinckrodt plc, along with certain of its direct or indirect wholly-owned subsidiaries, has fully and unconditionally guaranteed substantially all of the Group's debt, as discussed in Note 15 to the Group's Notes to Consolidated Financial Statements. The Company has assessed the fair value of these guarantees and determined them to be insignificant.

Mallinckrodt plc has entered into guarantee arrangements with various banks and third parties that provide Mallinckrodt Group companies with extensions of credit, including overdraft facilities, foreign exchange facilities and bank guaranty facilities. Under these arrangements, Mallinckrodt plc has unconditionally guaranteed all obligations of these Group companies to the banks and third parties, up to a maximum amount outstanding of approximately $91.8 million as of September 30, 2016. The Company has assessed the fair value of these guarantees and determined them to be insignificant.

6. Financial Instruments

The carrying value of the Company's financial assets and liabilities are summarized by category below:

	Note	September 30, 2016	September 25, 2015
Financial Assets			
Measured at undiscounted amount receivable			
Other debtors		$ 1.0	$ 0.2
Amount due from subsidiary undertakings	3	182.6	197.3
		$ 183.6	$ 197.5
Financial liabilities			
Measured at amortised cost			
Loans due to subsidiary undertakings	4	$ 594.7	$ 9,647.2
Measured at undiscounted amount receivable			
Trade and other payables		2.2	1.9
Amount owed to subsidiary undertakings		21.5	52.7
		$ 618.4	$ 9,701.8

7. Shareholders' Funds

Shareholders' funds activity of Mallinckrodt plc was as follows:

Called-up Share Capital presented as equity. Mallinckrodt plc has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 118,137,197 and 117,513,370 of which were issued at September 30, 2016 and September 25, 2015, respectively. Changes during fiscal 2016 are associated with shares issued under employee capital programs.

Preference Shares. Mallinckrodt plc is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at September 30, 2016 or September 25, 2015. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Group, holders of any preferred shares then outstanding would, if the shares were issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to receive payment of the amount for which the preferred shares were subscribed and any unpaid dividends, prior to any payment to ordinary shareholders.

Acquisition of Own Shares. On November 19, 2015, the Company's board of directors authorized a $500.0 million share repurchase program (the November 2015 Program). The November 2015 Program commenced after the $300.0 million share repurchase program authorized by the board of directors on January 23, 2015 (the January 2015 Program) was completed in the first fiscal quarter of 2016. On March 16, 2016, the board of directors authorized an additional $350.0 million share repurchase program (the March 2016 Program) which will commence upon the completion of the November 2015 Program. These programs have no time limit or expiration date, and the Company currently expects to fully utilize each program.

The number of shares acquired and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions along with working capital requirements, general business conditions and other factors. During the year ended September 30, 2016, Mallinckrodt plc acquired 9,710,103 shares (with a par value of $0.20 per share). The average market price of these shares was $67.03. During the year ended September 25, 2015, Mallinckrodt plc acquired approximately 823,592 shares (with a par value of $0.20 per share) which had an average market price of $91.06. At September 30, 2016, the Company had acquired 10,533,695 shares (with a par value of $0.20 per share) or 9% of outstanding shares for $725.9 million under this share buyback program. The average market price of these shares was $68.91.

During fiscal 2016, Mallinckrodt plc acquired an additional 29,280 shares at an average market price of $78.55 and during fiscal 2015 Mallinckrodt plc acquired 175,864 shares at an average market price of $97.80, which are held in treasury at cost. The value of the shares acquired in fiscal 2016 and 2015 were $2.1 million and $17.2 million respectively. These transactions represent deemed acquisitions of shares issued in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

At September 30, 2016, the total number of treasury shares held by Mallinckrodt plc was 10,969,604. These shares had a nominal value of $2.2 million. Mallinckrodt plc held 1,230,221 treasury shares at September 25, 2015 which had a nominal value of $246.0 thousand.

Undistributable Reserves. The share premium account, which amounts to $4.0 billion, is considered an un-distributable reserve. During 2014, Mallinckrodt plc also recorded an unrealized gain of $1.7 billion on the disposal of MIFSA, a subsidiary company to another group entity. This unrealized gain is not part of distributable reserves. Under Irish law, dividends and distributions cannot be made from undistributable reserves. The undistributable reserves at September 30, 2016 were $5.7 billion (FY15: $5.9 billion).

Share Premium. In fiscal 2016 and 2015, the share premium account activity resulted from the impact of the exercise of stock options.

Other Reserves. The balance in other reserves is comprised of the unrealized gain on the disposal of MIFSA to another group entity during the year ended September 26, 2014, contributed surplus on vested restricted stock and share-based compensation.

The share-based compensation balance of other reserves was $42.9 million and $117.0 million at September 30, 2016 and September 25, 2015, respectively.

Dividends. Mallinckrodt plc currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisition and the operation and expansion of its business.

8. Notes to the Cashflow Statement

Reconciliation of profit/ (loss) to cash from operating activities:

	2016	2015
Profit (Loss) for the financial year	$ (205.9)	$ (22.3)
Adjustment for:		
Net finance expense	230.6	—
Dividend received from subsidiary undertaking	9,869.2	—
Write down on investment in subsidiaries	(9,869.2)	—
Provision on amounts owed by subsidiary undertakings	40.0	114.0
Share-based payment expense	2.8	2.7
Profit on sale of subsidiary undertaking	(1.7)	—
Operating cash flows before movement in working capital	65.8	94.4
Decrease in debtors	14.6	4,200.0
Increase (decrease) in creditors	0.3	(0.5)
Decrease (increase) in amounts owed to subsidiaries	(31.1)	26.9
Cash flow from operating activities	$ 49.6	$ 4,320.8

9. Loss Attributable to Mallinckrodt plc

In accordance with Section 304(2) of the Companies Act 2014, Mallinckrodt plc is availing itself of the exemption from presenting and filing its individual profit and loss account. Mallinckrodt plc's loss for the financial year as determined in accordance with Irish GAAP (FRS 102) was $205.9 million. The loss for the financial year ended September 25, 2015 was $22.3 million.

10. Directors' Remuneration and Key Management Personnel Compensation

Note 25 to the Group's Notes to Consolidated Financial Statements provides details of directors' remuneration paid by Mallinckrodt plc.

Key management personnel did not receive any compensation from the Company during the financial years ended September 30, 2016 and September 25, 2015.

11. Transition to FRS 102

This is the first year the company has presented its financial statements under Financial Reporting Standards 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous Irish GAAP were for the financial year ended September 25, 2015 and the date of transition to FRS 102 was therefore September 27, 2014. There were no measurement adjustments arising from the Company's transition to FRS 102 at the date of transition or at the comparative date. Therefore, the loss for the financial year ended September 25, 2015 and the total equity as at September 25, 2015 and September 26, 2014 remains consistent under FRS 102 with that previously reported under Irish GAAP.

12. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	2016	2015
Audit of individual accounts	$ 17.8	$ 17.9
Other assurance services	187.6	187.7
	$ 205.4	$ 205.6

No amounts were incurred for tax advisory services or other non-audit services. Note 27 to the Group's Notes to Consolidated Financial Statements provides additional details of fees paid by the Group.

13. Related Party Transactions

The Company is availing itself of the exemption provided under Schedule 3(67), paragraph 3, Companies Act 2014, which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of the group.

14. Subsidiary Undertakings

Mallinckrodt plc owns Mallinckrodt UK Limited. Details of the subsidiaries are included in Note 32 to the Group's Notes to Consolidated Financial Statements.